ANNUAL REPORT 2011 / 12
FORMING THE FUTURE – SINCE 1839

SCHULER

# TAKING SCHULER TO THE NEXT LEVEL

# SUCCESS – TO BE CONTINUED

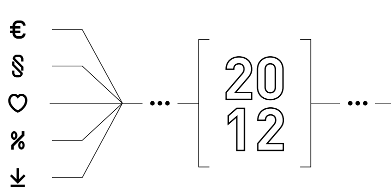
# KEY FIGURES

## KEY FIGURES OF THE SCHULER GROUP (IFRS)

| | | 2011/12 | 2010/11[1] | 2009/10 | 2008/09 | 2007/08 |
|---|---|---|---|---|---|---|
| Sales | € million | 1,226.1 | 958.5 | 650.3 | 823.1 | 966.1 |
| outside of Germany | % | 67.8 | 69.0 | 65.5 | 60.7 | 60.4 |
| | | | | | | |
| New orders | € million | 1,300.9 | 1,319.0 | 818.4 | 590.5 | 1,006.2 |
| Order backlog[2] | € million | 1,110.6 | 1,035.7 | 675.3 | 507.1 | 739.7 |
| | | | | | | |
| EBITDA | € million | 118.3 | 84.8 | 30.0 | −2.9 | 64.7 |
| EBIT | € million | 95.8 | 54.4 | 17.1 | −43.9 | 36.7 |
| EBT | € million | 79.2 | 22.4 | −15.8 | −71.8 | 10.9 |
| Group profit or loss | € million | 51.8 | 24.0 | −11.8 | −64.9 | 8.6 |
| | | | | | | |
| EBITDA margin | % | 9.6 | 8.8 | 4.6 | −0.4 | 6.7 |
| EBIT margin | % | 7.8 | 5.7 | 2.6 | −5.3 | 3.8 |
| EBT margin | % | 6.5 | 2.3 | −2.4 | −8.7 | 1.1 |
| | | | | | | |
| Personnel incl. apprentices[2] | | 5,443 | 5,168 | 4,969 | 5,332 | 5,634 |
| | | | | | | |
| Cash flow from operating activities | € million | 12.3 | 180.7 | 54.3 | −32.9 | −17.1 |
| Cash flow from investing activities | € million | −45.3 | −4.4 | 11.4 | −7.9 | −8.1 |
| Cash flow from financing activities | € million | −13.5 | −38.4 | −20.1 | 1.9 | 10.8 |
| Free cash flow | € million | −32.9 | 176.3 | 65.7 | −40.8 | −25.2 |
| | | | | | | |
| Balance sheet total[2] | € million | 902.7 | 896.5 | 726.8 | 748.5 | 866.7 |
| Shareholders' equity[2] | € million | 244.6 | 205.2 | 116.8 | 116.5 | 179.5 |
| Equity margin[2] | % | 27.1 | 22.9 | 16.1 | 15.6 | 20.7 |
| Net financial status[2] | € million | 100.2 | 137.8 | −106.3 | −173.8 | −130.3 |
| | | | | | | |
| Return on equity | % | 23.0 | 14.8 | −10.1 | −43.8 | 5.3 |
| Return on investment | % | 7.6 | 6.9 | 2.9 | −4.6 | 4.0 |
| Return on capital employed (ROCE) | % | 32.2 | 16.7 | 4.1 | −9.4 | 7.5 |

1) Prior year figures were adjusted according to IAS 8. You will find further information on page 139 of the notes to the consolidated financial statements.
2) 09/30/
Due to rounding effects, there may be slight deviations in the totals and percentages presented in this annual report.

# SCHULER AG ANNUAL REPORT 2011/12




SCHULER
SUCCESS –
TO BE
CONTINUED
FORMING THE FUTURE
since 1839

# CONTENT

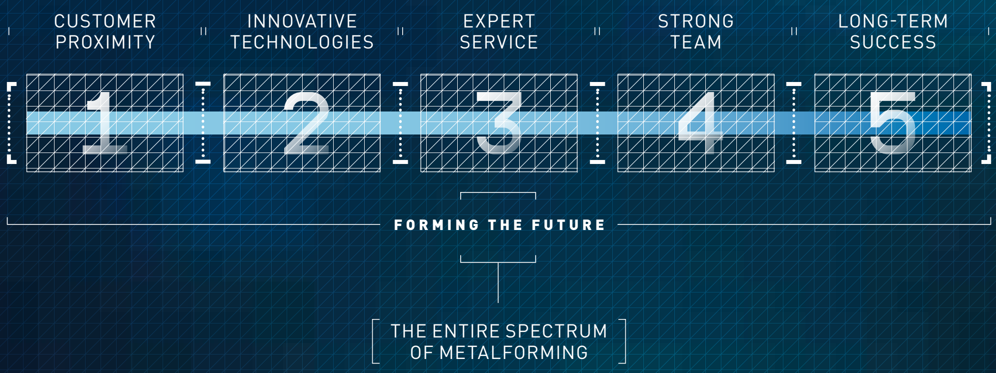
FORMING THE FUTURE
since 1839

# SUCCESS – TO BE CONTINUED

Since 1839, our name has stood for pioneering technology and reliable engineering made by Schuler.

Our top-class performance has helped establish us as a dependable regional partner and as a strong, globally active company with a long tradition in metalforming. We are proud of our roots. We are proud of our team. We stand for reliable quality, for innovation, excellence and legendary engineering. We take a long-term approach and act in line with customer needs.

Discover on the following pages what makes Schuler so successful – today and in future.



FORMING THE FUTURE
since 1839

l / **MARTIN SCHMEINK**
Engineering

r / **DIETMAR SCHÖLLHAMMER**
Process Technology

*Both work for the Technology Field Automotive Press Technology and have long been the contact partners for our customers in the automotive sector.*

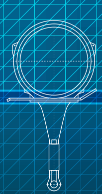
SCHULER

FORMING THE FUTURE
since 1839

# AT THE CENTER OF EVERYTHING

# OUR CUSTOMERS

PLEASE TURN



**GOOD THINGS MATURE WITH AGE**

SCHULER LAYS THE FOUNDATION
FOR LONG-TERM RELATIONSHIPS BY FOCUSING
ON EXCELLENT PERFORMANCE AND SERVICE

SCHULER

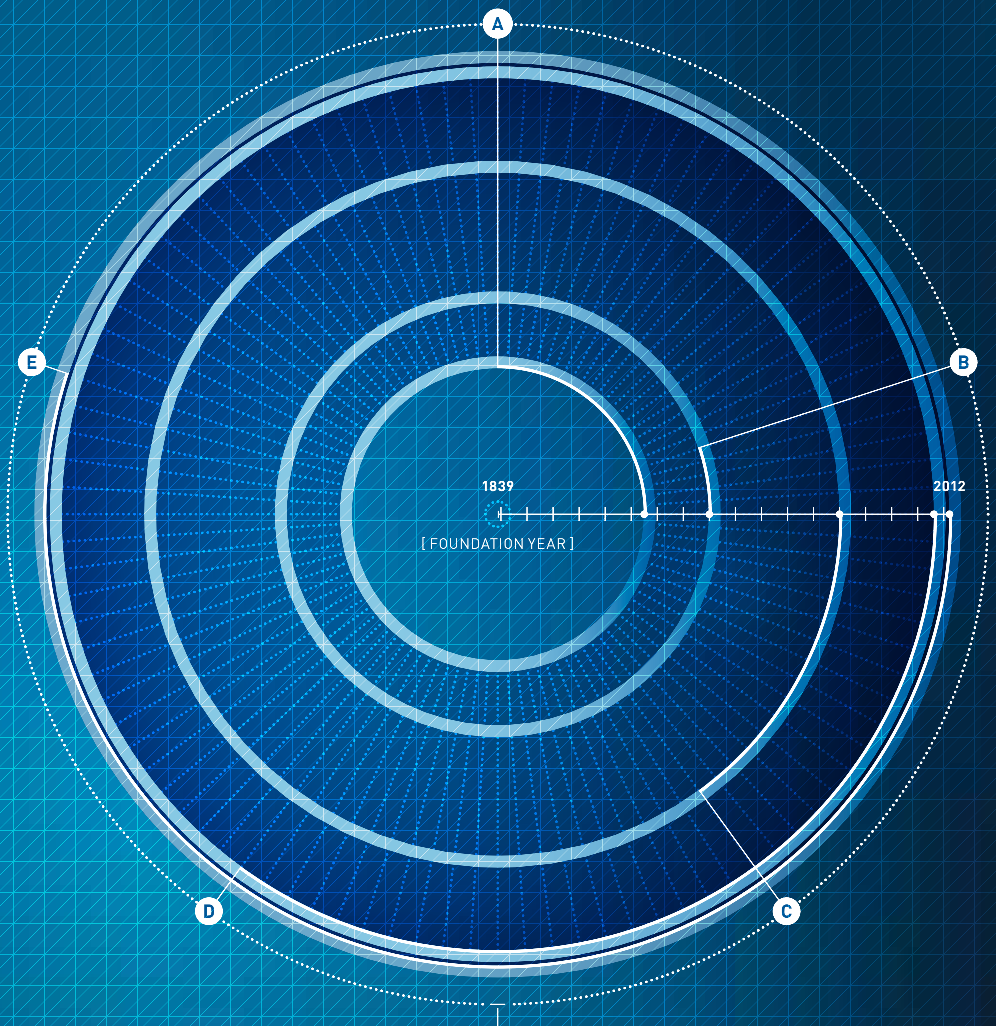
**PRESS LINE WITH SERVODIRECT TECHNOLOGY**

## THE SUCCESS OF OUR CUSTOMERS IS OUR GOAL

"How can we raise output in an existing production process?" Our employees face questions like this every day in their dealings with customers. Listening carefully to customer needs is particularly important for us – as they often provide the decisive spark for new product enhancements.

SCHULER

## DURATION OF SELECTED CUSTOMER RELATIONSHIPS




**PERIOD**
[ 1839 – 2012 ]

| A | B | C | D | E |
|---|---|---|---|---|
| **117 years** | **92 years** | **42 years** | **5 years** | **1 years** |
| State mint in China | Car manufacturers in Europe | Car manufacturers in the USA | Suppliers to the automotive industry in China | Suppliers to the automotive industry in Russia, Poland, Romania, Slovakia, Czech Republic and Hungary |
| [ SINCE 1895 ] | [ SINCE 1920 ] | [ SINCE 1970 ] | [ SINCE 2007 ] | [ SINCE 2012 ] |

**SCHULER**

**FORMING THE FUTURE**
since 1839

l / **ANTON LENDLER**
Engineering

r / **THOMAS SPIESSHOFER**
Engineering

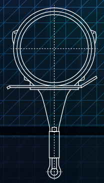
*Together with their teams in the Technology Field Automotive Press Technology, they helped enhance our ServoDirect Technology.*

SCHULER

FORMING THE FUTURE
since 1839

# ALWAYS AHEAD

# OUR TECHNOLOGIES



PLEASE TURN

**BEING AHEAD MEANS LEADING FROM THE FRONT**

WITH ITS PIONEERING INNOVATIONS,
SCHULER REGULARLY SETS TECHNOLOGICAL MILESTONES
IN METALFORMING

SCHULER

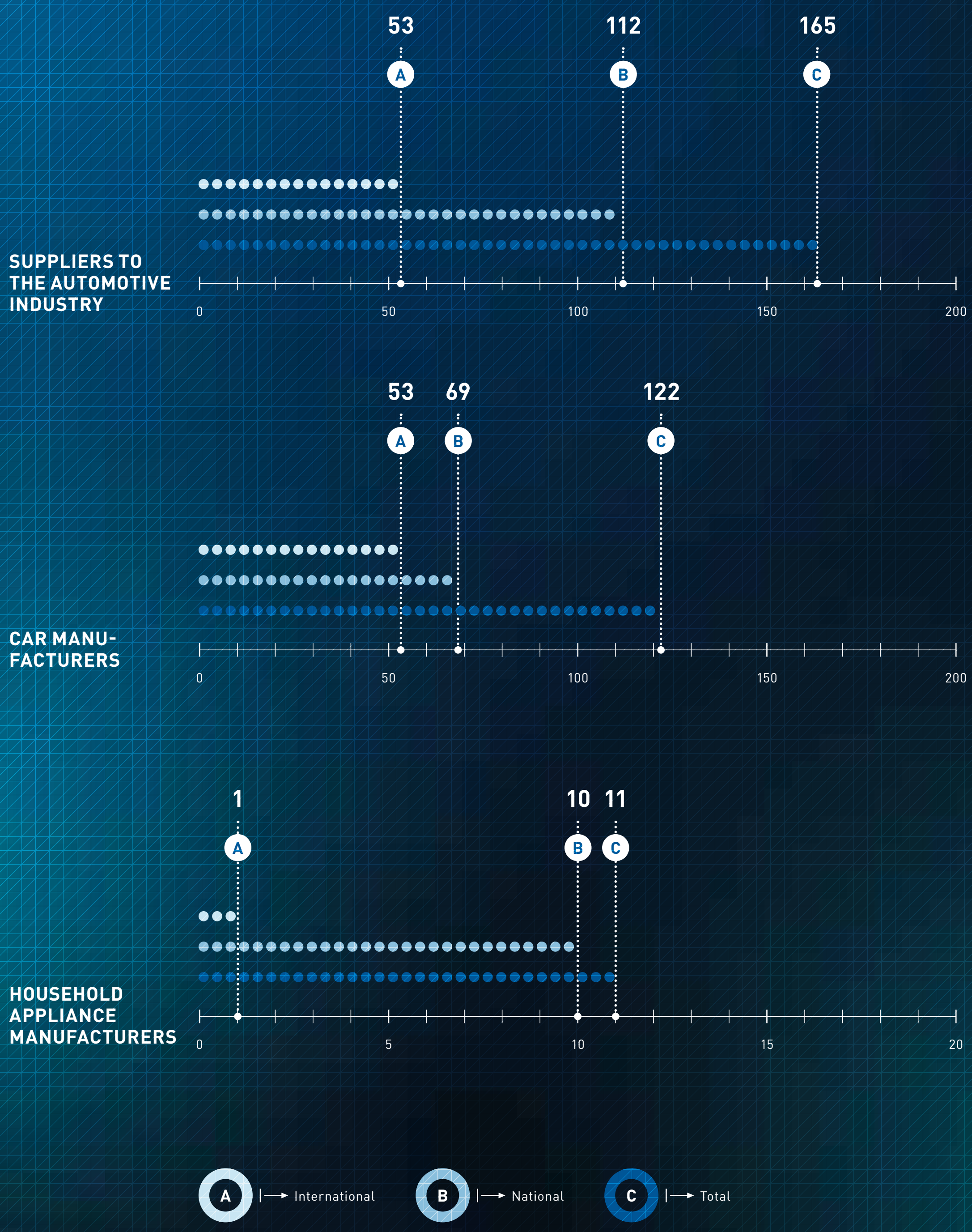
TWINSERVO PRESS


## PERMANENT INNOVATION AS THE KEY TO SUCCESS

We set a new standard in press construction with our servo technology – and have sold 250 such presses to date. But no technology is that good that it cannot be improved. The development of the new drive concept featuring two decentralized servo motors, TwinServo Technology, is a further example of how our developers tread new paths to secure the future success of Schuler.

SCHULER

## NUMBER OF PRESSES SOLD WITH SERVO TECHNOLOGY



SCHULER

**FORMING THE FUTURE**
since 1839

l / **STEFFEN DRASCHER**
Service

r / **WILFRIED FIELO**
Service

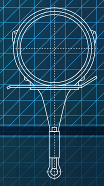
*As specialists in the Technology Field Service, they support their colleagues on site with a wealth of experience.*

SCHULER

FORMING THE FUTURE
since 1839

# ALWAYS ON SITE

# OUR SERVICE TEAM



**THERE'S NO SUCH THING AS IMPOSSIBLE**

ALWAYS THERE – WHENEVER
AND WHEREVER YOU NEED US.
A PROMISE THAT MAKES SCHULER SERVICE UNIQUE.

PLEASE TURN

SCHULER

SERVICE ENGINEER
CONDUCTING MAINTENANCE

## A STRONG SERVICE PARTNER AROUND THE WORLD

As the technological leader, we are renowned for our top-quality products and services. This excellence is also delivered by Schuler's Service team around the world – ensuring our customers' production lines are always in top condition. We guarantee smooth and efficient on-site installation and operation.

SCHULER

## SERVICES PROVIDED BY SCHULER


**PRODUCTIVITY**

/ Service and Service PLUS
/ Preventive maintenance
/ Maintenance
/ Oil analysis and oil service
/ Calibration

**SAFETY**

/ Hotline and Hotline PLUS
/ Remote service
/ Spare parts, spare part packages and maintenance kits
/ Safety Check (UVV) and Safety Check PLUS
/ Repair welding

**PARTNERSHIP**

/ Service contracts
/ Used machinery
/ At home in Germany
/ On site around the world
/ Service brands

**FUTURE**

/ Overhauling
/ Modernization
/ Optimizing plant & processes
/ Energy efficiency
/ Machine relocation

**EXPERTISE**

/ Schuler Academy
/ Tailored customer training
/ Production support and services

SCHULER

**FORMING THE FUTURE**
since 1839

l / **HORST GEIER**
Large cubic parts

r / **MIRIAM GEIER**
Project Management

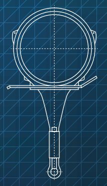
*Father and daughter – two generations who learnt their trade with us. Nothing unusual at Schuler.*

SCHULER

**FORMING THE FUTURE**
since 1839

# ALWAYS IN ACTION

# OUR EMPLOYEES



**ALREADY THINKING ABOUT TOMORROW – TODAY**

FOR GENERATIONS NOW, THE EXPERTISE, RELIABILITY AND HARD WORK OF OUR EMPLOYEES HAS HELPED SHAPE SCHULER'S SUCCESS.

PLEASE TURN

SCHULER

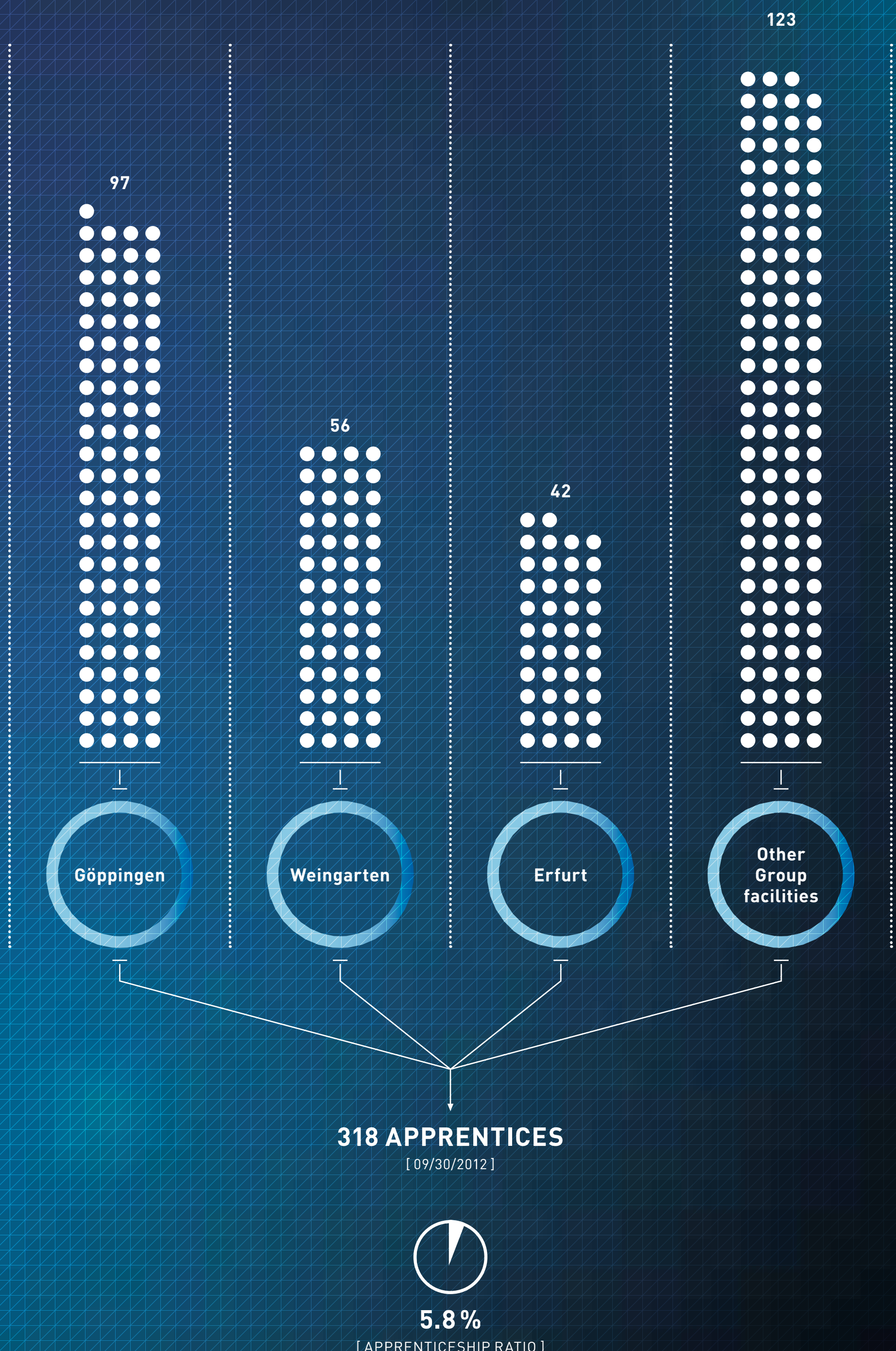
APPRENTICES

## LONG-TERM RELATIONSHIPS ARE IMPORTANT TO US

Successful companies are driven by highly skilled and motivated employees. That's no empty phrase for us, but an expression of our daily action. Our work force has made Schuler what it is today: a global technological leader. To ensure it stays that way, we invest in the continuous education and training of our employees – and especially in our junior staff.

SCHULER

## NUMBER OF APPRENTICES



SCHULER

## THE BOARD OF MANAGEMENT OF SCHULER AG

[ left to right ]

**DIPL.-ING.
JOACHIM BEYER**
Chief Technology Officer, Member of the Board of Management since April 2005

**DIPL.-ING., MBA
STEFAN KLEBERT**
Chief Executive Officer, Chairman of the Board of Management since October 2010

**DIPL.-VW., MBA
MARCUS A. KETTER**
Chief Financial Officer, Member of the Board of Management since July 2011

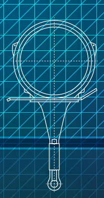
**DR.
MARKUS ERNST**
Chief Market Officer, Member of the Board of Management since October 2007

SCHULER

**FORMING THE FUTURE**
since 1839

# OUR MISSION:

# TO BE EVEN BETTER



**THE BEST WAY FORWARD IS TO SHAPE YOUR OWN FUTURE**

SCHULER IS SUCCESSFUL TODAY AND READY FOR TOMORROW. WE LOOK FORWARD TO THE CHALLENGES OF THE FUTURE.

PLEASE TURN

SCHULER

STAND AT THE
EUROBLECH FAIR


## A PAIR WITH POTENTIAL: TRADITION AND INNOVATION

Schuler is not only the world's largest manufacturer of presses and automation solutions, but also the technological leader in metalforming. Innovations have always been the foundation for Schuler's sustainable growth. With our in-house knowledge and numerous development partnerships with companies and users, we have considerable expertise. We create solutions which enhance the economic efficiency of our customers.

SCHULER

## EBITDA AND EBITDA MARGIN

2011/12

SCHULER

SELECTED KEY FIGURES

1,300.9
[ € MILLION ]
NEW ORDERS

1,226.1
[ € MILLION ]
SALES

1,110.6
[ € MILLION ]
ORDER BACKLOG
as of 09/30/2012

118.3
[ € MILLION ]
EBITDA

51.8
[ € MILLION ]
NET PROFIT

# LETTER TO THE SHAREHOLDERS

**GÖPPINGEN**
December 7, 2012

Dear shareholders, customers and friends,

In 173 years of our company history, we have never posted sales and earnings figures as high as those in fiscal year 2011/12. Over the last two fiscal years, we almost doubled sales to € 1.22 billion and quadrupled earnings before interest, taxes, depreciation, and amortization (EBITDA). With an EBITDA margin of 9.6%, we have nearly reached the level we targeted for 2013/14. In terms of new orders, we were able to match our prior-year record of € 1.3 billion. This is a fantastic achievement. On behalf of the Board of Management, I would like to thank all employees for their hard work and contribution to our success.

We intend to let our shareholders participate in this success of the past fiscal year. Together with the Supervisory Board, the Board of Management therefore proposes to pay a dividend of € 0.25 per share for fiscal year 2011/12.

With the largest investment program of the past decade, we now intend to strengthen our competitive position even further. One particular area of focus is the expansion of our capacities in China. We are tripling the production space of our facility in Dalian and strengthening our sales, purchasing and development teams in Shanghai. Service support points will be established in several Chinese cities.

Innovation is the DNA of Schuler. This was once again confirmed by the launch of our TwinServo Technology (TST). The new technology is a logical continuation of our ServoDirect Technology, which has now established itself as the industry standard. The special feature of TST: we have virtually turned the press upside down by locating its drive in the foundation. This has significant advantages, which translate into clearly measurable economic benefits for our customers.

The past fiscal year was also important for Schuler in a different way: the company's founding family, Schuler-Voith, sold its share package – a stake of 38.5% – to the Austrian technology group Andritz in late May 2012. In the meantime, Andritz has secured a shareholding of around 89%. As a plant manufacturer, Andritz is in a similar business to ours and we can complement its product portfolio. The new shareholder supports the strategy we are pursuing.

Despite the economic slowdown and a foreseeable dip in demand, we expect sales of around € 1.2 billion and an EBITDA margin of nearly 10% in our current fiscal year 2012/13 – even though we currently forecast a decline in new orders. Our record order backlog of € 1.1 billion as of September 30, 2012, makes us confident we can achieve this. And we believe the general trend for Schuler continues to point upward.

With best regards,

**STEFAN KLEBERT**
CEO

# TIME FOR THE NEXT STEP

**One Board of Management,
four key topics**

## ONE BOARD OF MANAGEMENT, FOUR KEY TOPICS

A strong presence in international markets, top products, stable finances, and highly skilled personnel: these are the ingredients for sustainable growth. With this recipe for success, Schuler is continuing what it began in 2011 with its "GrowingTogether" strategy – a play on words, by the way, which was deliberately chosen. On the one hand, it expresses that following the acquisition of Müller Weingarten in 2007, the two companies could operate much more efficiently and effectively together; in other words, mutually benefit from their merger. On the other hand, Schuler was not only targeting growth in its traditional markets, but, above all, in the new emerging economies. As the latest company figures clearly indicate, this plan has succeeded. "For the years ahead, we have identified four key topics. The successful im-plementation of these topics will play a major role in securing further profitable growth," states CEO Stefan Klebert and goes on to name these topics: "Further internationalization of our business, especially in China; securing our technological lead by seeking additional innovation; as well as a strong capital base with a long-term operating margin of 10%. And last but not least, we will continue to make strong investments in the education and training of our employees." The shortage of skilled labor due to demographic changes is foreseeable.

**FOUR KEY TOPICS**

**"FOR THE YEARS AHEAD, WE HAVE IDENTIFIED FOUR KEY TOPICS: FURTHER INTERNATIONALIZATION, SECURING OUR TECHNOLOGICAL LEAD BY INNOVATION, STRONG CAPITAL BASE AS WELL AS EDUCATION AND TRAINING OF OUR EMPLOYEES."** / STEFAN KLEBERT

### *Continued globalization*

With the ongoing trend toward globalization, international markets are growing ever closer together and presenting Schuler with increasingly interesting opportunities for the future. Board of Management member Dr. Markus Ernst is not only focusing on the BRIC countries, i.e. Brazil, Russia, India and China: "We will continue to focus on the USA, for example, as an important sales market for us; we are already seeing signs of recovery here."

He also believes that the possibilities of the so-called MENA countries, i.e. the Middle East and North Africa, should not be underestimated. "These are future markets for specific technology fields, such as large pipes. There is considerable medium- to long-term potential here," adds Ernst. The domestic market will also remain important for Schuler, as Germany still accounts for over 30% of total sales.

### *Growth market China*

The real growth market, however, is China with its population of 1.3 billion. At present, just 2.3 out of every 100 people in China own a car – the corresponding figure in Germany is 56. Stefan Klebert sees a distinct opportunity from these figures: "With a third of total sales already, China is the most important strategic market for us in the future. After all, the country now has the world's second largest economy and the world's largest car market. Those who miss out on China are putting the future well-being of their company at stake. If we fail to lay the foundations for our future there, we will be jeopardizing our global market leadership." Schuler has had its own facilities in China since the mid-90s. The company now intends to step up the pace with additional expansion of its business in China. "We have launched our largest investment program of the last 10 years with a volume of around € 50 million, a third of which is earmarked for China. We want to establish ourselves there in such a way that we can benefit strongly from Chinese growth. We aim to achieve this by raising local output and value added, as well as by expanding our service network," says Klebert. China will also remain a key market for Schuler in the medium to long term, as local car manufacturing is set to grow strongly in the years ahead.

FOCUSING
ON FUTURE MARKETS

**"BRAZIL, RUSSIA, INDIA AND ESPECIALLY CHINA – THESE COUNTRIES WILL REMAIN IMPORTANT AND PROMISING MARKETS FOR US. AT THE SAME TIME, HOWEVER, WE SEE TREMENDOUS EXPORT OPPORTUNITIES IN OTHER REGIONS."** / DR. MARKUS ERNST

### *Market segments with potential for growth*

The Board of Management also sees strong growth opportunities in the field of packaging technology and electric motor laminations – due to rising prosperity among sections of the world's population. Demand for packaging formats such as beverage and spray cans or tubes will grow at an even faster rate. The global need for electric motors will also continue to increase, due, for example, to the rise in electromobility. "With our wide spectrum of systems solutions for the manufacturing of laminations, as used in generators or electric motors, the Schuler Group is well prepared for this development," explains Chief Market Officer Ernst.

"Permanent innovation is essential for the further expansion of our market position," states Klebert, before adding: "In order to secure the Group's technological edge, we anchored Schuler's expertise in a new Board of Management division in 2011 headed by Chief Technology Officer (CTO) Joachim Beyer." Schuler has pooled its technological developments and innovation

TECHNOLOGICAL LEAD
BY INNOVATION

## KNOWLEDGE AND EXPERTISE ARE THE PREREQUISITES FOR DEVELOPING NEW IDEAS. THE DECISIVE FACTOR, HOWEVER, IS CONTINUAL COMMUNICATION WITH OUR BUSINESS PARTNERS.”

JOACHIM BEYER /

management in this single Board of Management division. And successfully so, it appears. Joachim Beyer explains how innovations originate: “Knowledge and expertise are the prerequisites for developing new ideas. The decisive factor, however, is continual communication with our business partners. We collaborate very closely with our customers and suppliers, as well as with academic experts. Not only do we need to understand the customer’s production processes, but also new technologies that are ready to be applied. Communication multiplies our knowledge and generates ideas.” To ensure that knowledge and ideas can “grow together” into a product, they must first be channeled in the innovation process itself. “We define the path from idea and innovation need to the finished product, including its market launch. Economic efficiency plays a major role. It must be clear from an early stage that our customer will be able to mass produce parts more cheaply on the new press than by using existing technology,” states Beyer.

One of the company’s latest award-winning innovations is TwinServo Technology, which was already honored at the EuroBLECH fair in Hanover, Germany. It is based on Schuler’s ServoDirect Technology, launched five years ago. Constant progress and continual development is part of Schuler’s corporate culture. Beyer knows what excites the company’s customers: “The special feature of TwinServo Technology is that we virtually turned the whole press upside down: what used to be at the top, the drivetrain, is now located in the press foundation. This enabled us to completely redesign the press with numerous technical benefits.” Progress, made by Schuler.

### *Challenge skilled labor*

None of the goals that Schuler has set for itself would get off the ground without its highly-skilled and motivated workforce. They are the ones who ensure these targets are met. “What’s more, we can only afford to ‘grow together’ if we have a healthy capital structure that allows us to make the necessary investments in market penetration, innovations and staff training without having to seek outside help,” adds Chief Financial Officer and Labor Director Marcus Ketter. According to a recent survey, half of all small to mid-size companies in Germany regard the recruitment of skilled labor as the most important internal challenge of the coming years. Schuler has already taken appropriate steps to address this matter. Ketter explains how: “First, our good reputation as the global market and technological leader with comparatively safe jobs helps us recruit talented young staff.” After all, with 5,443 employees, Schuler’s workforce is now 5% larger than one year ago. Second, Schuler is working on a group-wide personnel development concept. One aim

## ONE BOARD OF MANAGEMENT, FOUR KEY TOPICS

**CHALLENGE**
**SKILLED LABOR**

# "SCHULER IS WORKING ON A GROUP-WIDE PERSONNEL DEVELOPMENT CONCEPT. ONE AIM IS TO DEVELOP EACH EMPLOYEE ACCORDING TO HIS PARTICULAR STRENGTHS AND SKILLS." / MARCUS A. KETTER

is to develop each employee according to their particular strengths and skills. Project work is especially interesting in an increasingly international working environment. This applies equally to the company's growth field Service, which is being steadily expanded in line with corporate strategy.

### *Solid financial basis*

With regard to finance – and therefore also continuing to promote "GrowingTogether" – Schuler was able to negotiate a new syndicated loan agreement in November 2011. "The existing agreement was signed at the height of the crisis and we had to accept very expensive terms. We were able to replace this with a new agreement offering greatly improved conditions for us and thus strengthening our financial basis," says Ketter. An amendment to the syndicated loan agreement signed in September 2012 helped ensure that the change-of-control clause would not be applied should Andritz exceed the 50% threshold. This eliminated the need to repay the loan prematurely due to the change in ownership. "In view of the generally positive development of earnings, we expect that the Schuler Group's equity capital will continue to grow, up to the end of fiscal year 2013/14 and that the equity ratio might already exceed 30% by the end of the current fiscal year," states Ketter.

"Against the backdrop of these four key topics, we have also set ourselves a clear target for profitability. Despite possible fluctuations in the economic environment, the Schuler Group expects to reach sales of € 1.2 billion and an EBITDA margin of 10% by fiscal year 2013/14. This growth will also be organic, i.e. without acquisitions," stresses Klebert in his final summary. Simply by "GrowingTogether."

SCHULER AG
ANNUAL REPORT 2011/12

# THE INVESTMENT

## CONTENT



SCHULER

i HTTP://WWW.SCHULERGROUP.COM/GB

## CHART 01 SELECTED DATA ON THE SCHULER SHARE

**2011/12**

**+134.3**
[ PERCENT ]
**INCREASE IN VALUE OF SCHULER SHARE**
Change as of 09/30/2012, compared to prior year

**+323.9**
[ PERCENT ]
**INCREASE OF AVERAGE TRADING VOLUME**
per day via Xetra in fiscal year 2011/12 compared to prior year

**89.24**
[ PERCENT ]
**SHARE PACKAGE OF ANDRITZ**
of which 64.24% are subject to approval from antitrust authorities

**549.6**
[ € MILLIONS ]
**MARKET CAPITALIZATION**
as of 09/30/2012

**0.25**
[ EURO ]
**DIVIDEND PER SHARE**
Proposal to the Annual General Meeting 2013

# SCHULER ON THE CAPITAL MARKET

## THE STOCK EXCHANGE IN 2011/12

The capital markets were largely dominated by nervousness and uncertainty in 2011. Following a relatively stable development in the first half of the year, the European share indices fell dramatically in the summer months. The German blue-chip Dax index even slid below the 5,000 mark. It took until October for the market to settle at a relatively low level. The Dax closed 2011 at 5,898 points and was down 14.7% over the previous year.

**Dax up 22.3% in 2012.**

The prevailing mood on the stock markets at the beginning of 2012 was one of optimism. The Dax made strong gains in the first few trading days and continued this upward trend in the following months. In March, the Dax climbed back to 7,000 points for the first time since last summer. In the following months, however, the mood grew increasingly cautious. The EU debt crisis fuelled fears of recession. The economy was not performing as well as expected. After a three-month slide, the German blue-cap index had lost most of its year-to-date gains by early June. Once the markets had rated the probability of a solution to the EU debt crisis somewhat higher than in early summer, the mood began to brighten again. The Dax climbed steadily and once again passed the 7,000 mark in August. In the following weeks, the Dax repeatedly notched up year-high figures and by the end of September 2012 had reached 7,216 points, a year-on-year increase of 22.3%.

## SCHULER SHARE AMONG TOP PERFORMERS

**Schuler share grows by 130%.**

The Schuler share enjoyed a very strong performance in fiscal year 2011/12. At a closing price of € 18.51, it was more than 130% above its value on September 30, 2011. The share not only exceeded the strong performance of the previous fiscal year, but also once again outperformed the Dax (+31.2%), MDax (+31.6%) and SDax (+16.1%) share indices. The Schuler share reached its year-high of € 20.45 on May 31, 2012, and its year-low of € 7.65 on October 5, 2011.

The number of shares traded and trading volumes also rose strongly. The average daily volume via XETRA reached 88,950 units – more than four times the prior-year figure. There was also a strong increase in trading volume, which rose by 582.3% to € 1,398,000 (prior year: € 205,000). Market capitalization increased year on year by 137.8% to € 549.6 million.

The planned takeover by Andritz Beteiligungsgesellschaft IV GmbH had a positive impact on the share price in late May 2012. The announcement on May 29, 2012, regarding the sale of shares by the previous major shareholder Schuler-Beteiligungen GmbH to Andritz and the announcement of Andritz to make an unsolicited public bid to the shareholders of Schuler AG of € 20.00 per share resulted in a sharp rise in the share price. The volume-weighted average price of the Schuler share on the day prior to the announcement of Andritz's decision was € 15.83 – both at the Frankfurt and Stuttgart stock exchanges, and on the electronic platform XETRA. On the day after the takeover announcement, the Schuler share price stood at € 20.10. There were no further significant changes in share price during the bid acceptance period.

## ANDRITZ IS NEW MAJOR SHAREHOLDER

On May 29, 2012, the Austrian company Andritz AG, based in Graz, Austria, announced its intention to become the major shareholder of Schuler. Andritz acquired the share package of the previous major shareholder Schuler-Beteiligungen GmbH amounting to 38.5%. The sale was made to Andritz Beteiligungsgesellschaft IV GmbH, a German investment company of Andritz AG based in Berlin, at a price of € 20.00 per share. The completion of the share package acquisition is subject to approval from the relevant antitrust authorities.

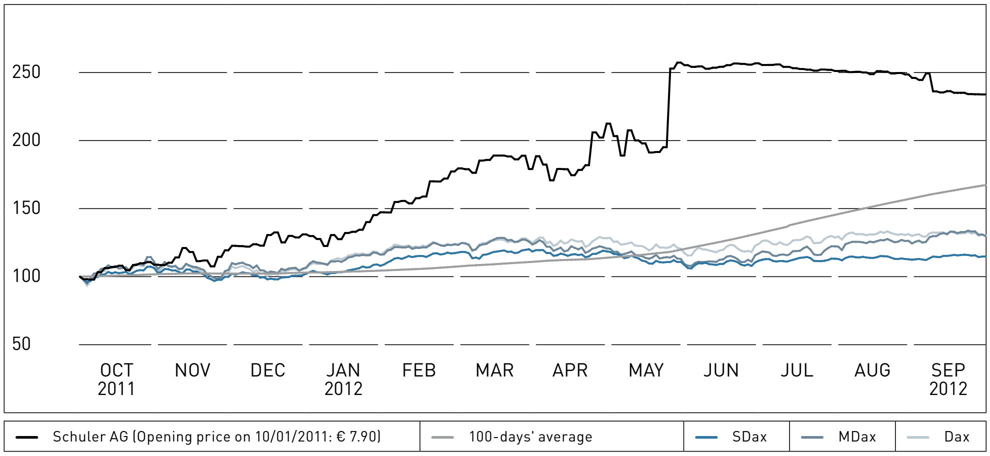
On July 2, 2012, Andritz Beteiligungsgesellschaft IV GmbH announced an unsolicited public takeover bid to the shareholders of Schuler AG at a price of € 20.00 per share. The acceptance deadline was set for August 13, 2012, the additional acceptance deadline for August 30, 2012.

On July 12, 2012, the Board of Management and Supervisory Board of Schuler AG recommended that shareholders accept the takeover bid. Both bodies regard the offering price of € 20.00 per share as financially appropriate. In their analysis of the bid price, the Board of Management and Supervisory Board relied greatly on a fairness opinion (an independent evaluation) prepared by the accountancy firm Ernst & Young, Stuttgart, Germany. According to calculations made by Ernst & Young, the offer is within an acceptable range for capital value-oriented securities and comparable transaction prices, and can therefore be regarded as financially appropriate as of the assessment date July 9, 2012. The members of the Board of Management and Supervisory Board also accepted the Andritz offer for the shares they personally held.

CHART 02 **SCHULER SHARE AT A GLANCE**

## SCHULER AG – INDEX COMPARISON [1]

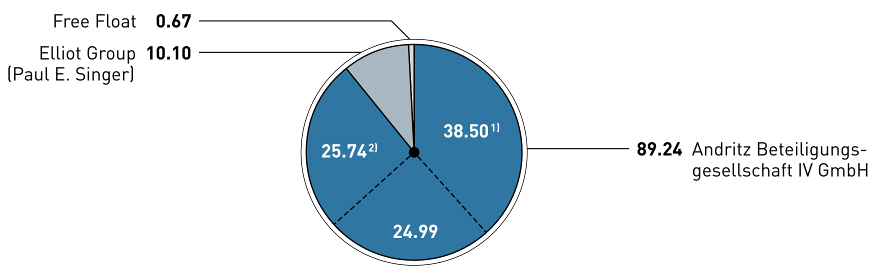
INDEX: 10/01/2011 = 100 %




1) Average weekly prices

## SHAREHOLDER STRUCTURE

IN PERCENT




Status: Sept. 4, 2012

1) Schuler-Beteiligungen GmbH sold its stake to Andritz Beteiligungsgesellschaft IV GmbH on May 29, 2012. The sale is subject to approval by the antitrust authorities.
2) Purchase is subject to approval by the antitrust authorities.

## DEVELOPMENT OF THE SCHULER SHARE

| | | 2011/12 | 2010/11 | Change |
|---|---|---|---|---|
| Number of shares issued | (pcs) | 29,690,834 | 29,250,000 | 1.5% |
| Share price (as of 09/30) | (in €) | 18.51 | 7.90 | 134.3% |
| Market capitalization (as of 09/30) | (in € million) | 549.6 | 231.1 | 137.8% |
| Average daily trading volume on Xetra | (in pcs) | 88,950 | 20,985 | 323.9% |
| Average daily trading volume | (in € thousand) | 1,398 | 205 | 582.3% |

At the end of the acceptance period on August 13, 2012, the offer was accepted at a total of 3,095,693 shares. This corresponds to 10.43% of share capital and voting rights. The two-week extended acceptance period according to § 16 (2) German Securities Acquisition and Takeover Act (WpÜG) began on August 17, 2012 and ended on August 30, 2012. During this period, the offer was accepted by anadditional 4,546,059 shares (= 15.31%). As a result, the offer was accepted by a total of 7,641,752 Schuler shares, corresponding to around 25.74% of capital stock and voting rights. The share purchase agreement from the takeover offer is also subject to approval by the anti-trust authorities and is not yet completed.

In addition, Andritz directly owns 7,422,707 Schuler shares (24.99%).

The total number of voting rights held by the bidder from Schuler shares, which accepted the bid within the acceptance period and until the end of the extended acceptance period, plus those voting rights already held by the bidder, plus those voting rights from the share package of Schuler-Beteiligungen GmbH, amounts to 26,495,554. This corresponds to around 89.24% of capital stock and voting rights of Schuler AG.

**TABLE 01 SCHULER SHARE AT A GLANCE [1]**

| | | 2011/12 | | 2010/11 | | 2009/10 | 2008/09 | 2007/08 |
|---|---|---|---|---|---|---|---|---|
| | | diluted | basic | diluted | basic | | | |
| Earnings per share | € | 1.72 | 1.74 | 0.95 | 0.97 | –0.60 | –3.12 | 0.43 |
| Book value per share | € | 8.09 | 8.14 | 8.14 | 8.25 | 5.00 | 5.43 | 9.24 |
| Cash flow[2] per share | € | 0.41 | 0.42 | 7.32 | 7.41 | 2.54 | –1.57 | –0.89 |
| Dividend per share | € | 0.25[4] | 0.25[4] | 0.25[3] | 0.25[3] | 0 | 0 | 0 |
| Price/earnings ratio[5] | | 10.73 | 10.67 | 8.27 | 8.17 | n.a. | n.a. | 15.87 |
| Capital stock[6] | € million | 77.2 | 77.2 | 76.05 | 76.05 | 59.15 | 54.60 | 54.60 |
| Number of shares (average weighting) | million | 29.72 | 29.54 | 24.70 | 24.39 | 21.37 | 21.00 | 19.21 |
| Year-end price | € | 18.51 | 18.51 | 7.90 | 7.90 | 4.67 | 2.99 | 6.88 |
| Year-high | € | 20.45 | 20.45 | 12.90 | 12.90 | 5.40 | 7.00 | 12.00 |
| Year-low | € | 7.65 | 7.65 | 4.17 | 4.17 | 4.67 | 2.99 | 6.88 |

1) Prior year figures were adjusted according to IAS 8. You will find further information in "General" of the notes to the consolidated financial statements.
2) Cash flow from operating activities
3) Dividend proposal for the Annual General Meeting for shares with the number ISIN DE000A0V9A22 (different proposal of 12 cents for shares with the number ISIN DE0007210601)
4) Dividend proposal to the Annual General Meeting
5) Year-end price on September 30/earnings per share
6) As of September 30

## ANNUAL GENERAL MEETING AGREES DIVIDEND PAYMENT

This year's Annual General Meeting was held on April 18, 2012. Over 450 shareholders attended and displayed great interest in the company's development. A total of 21,035,548 shares or 70.85% of voting capital was represented. With the exception of agenda items 6 (resolution to cancel existing Authorized Capital and create new Authorized Capital) and 7 (resolution concerning the non-disclosure of itemized remuneration of individual Board of Management members), all items on the agenda were adopted. The proposal of the Board of Management and Supervisory Board to distribute a dividend again in view of the company's strong business performance in fiscal year 2010/11 was particularly well received. In the previous years, the company had decided not to pay a dividend. The Annual General Meeting voted to accept management's proposal and adopted the resolution to distribute a dividend of € 0.25 per WKN A0V9A2 share (ISIN DE000A0V9A22) and € 0.12 per WKN 721060 share (ISIN DE0007210601). With the payment of the dividend, it was no longer necessary to list shares with two different stock identification numbers. As of April 20, 2012, the Schuler share has thus been listed under a single ISIN (DE000A0V9A22).

**Since dividend payment, Schuler share is listed under a single ISIN.**

## OPEN AND TRANSPARENT CAPITAL MARKET COMMUNICATION

In a dialogue with the capital market, we pursued a strategy of open and transparent communication and once again intensified our efforts in the reporting period. We were represented at numerous conferences and roadshows and expanded our contacts with institutional investors and analysts. The aim was to provide existing investors with extensive information on current company developments and convince potential investors of our business model and strategy.

## SCHULER ANNUAL REPORT AMONG THE BEST

In "The Best Annual Reports" competition held every year by the German business journal "manager magazin," Schuler's annual report came fifth in the SDax segment. According to the jury, in the history of the competition Schuler scored among the highest of new entrants.

**Schuler's annual report successfully placed in competition.**

## WEBSITE EXPANDED

The Schuler website was expanded during the reporting period to offer additional information. Shareholders and potential investors are now able to access information about the company's major developments on our corporate website ↦ WWW.SCHULERGROUP.COM/IR. All key data concerning the stock and company publications can be accessed here. In addition, information is provided about the planned Andritz takeover.

## EXIT FROM SDAX AND CHANGE TO GENERAL STANDARD

**As of September 29, 2012, the Schuler share is no longer in the SDax.**

The Schuler share was excluded from the SDax index on September 24, 2012. The reason for the exit was that the free float portion had fallen below the minimum level of 10 percent due to the Andritz takeover. At 0.67%, the free float portion was well below the 10 percent minimum required to remain in the SDax index.

On September 24, 2012, the Board of Management of Schuler AG decided to apply for a revocation of admission to the Prime Standard segment. The main motivation for the Board of Management's move was the decision of Deutsche Börse to exclude the Schuler share from the SDax and the fact that institutional investors would probably no longer be focusing on Schuler shares once the takeover offer of Andritz Beteiligungsgesellschaft IV GmbH had been completed. The application was accepted in late September. As of January 2, 2013, the Schuler share will be traded in the General Standard segment of the Regulated Market.

**TABLE 02 SHARE DATA**

| | |
|---|---|
| ISIN | DE 000A0V9A22 and DE000A1PG9F9 |
| Stock exchange symbol | SCUN and SCUV (Bloomberg) resp. SCUGe and SCUVv (Reuters) |
| Number of shares | 29,690,834 |
| Market segment | General Standard (as of January 2, 2013) |
| Capital stock | € 77,196,168.40 |
| Stock exchanges | Listed on the Regulated Markets of the Frankfurt and Stuttgart stock exchanges since March 23, 1999 |
| Designated sponsor | Close Brothers Seydler Bank<br>Equinet Bank AG |
| Fiscal year ending | September 30 |

SCHULER AG
ANNUAL REPORT 2011/12

# THE STANDARDS

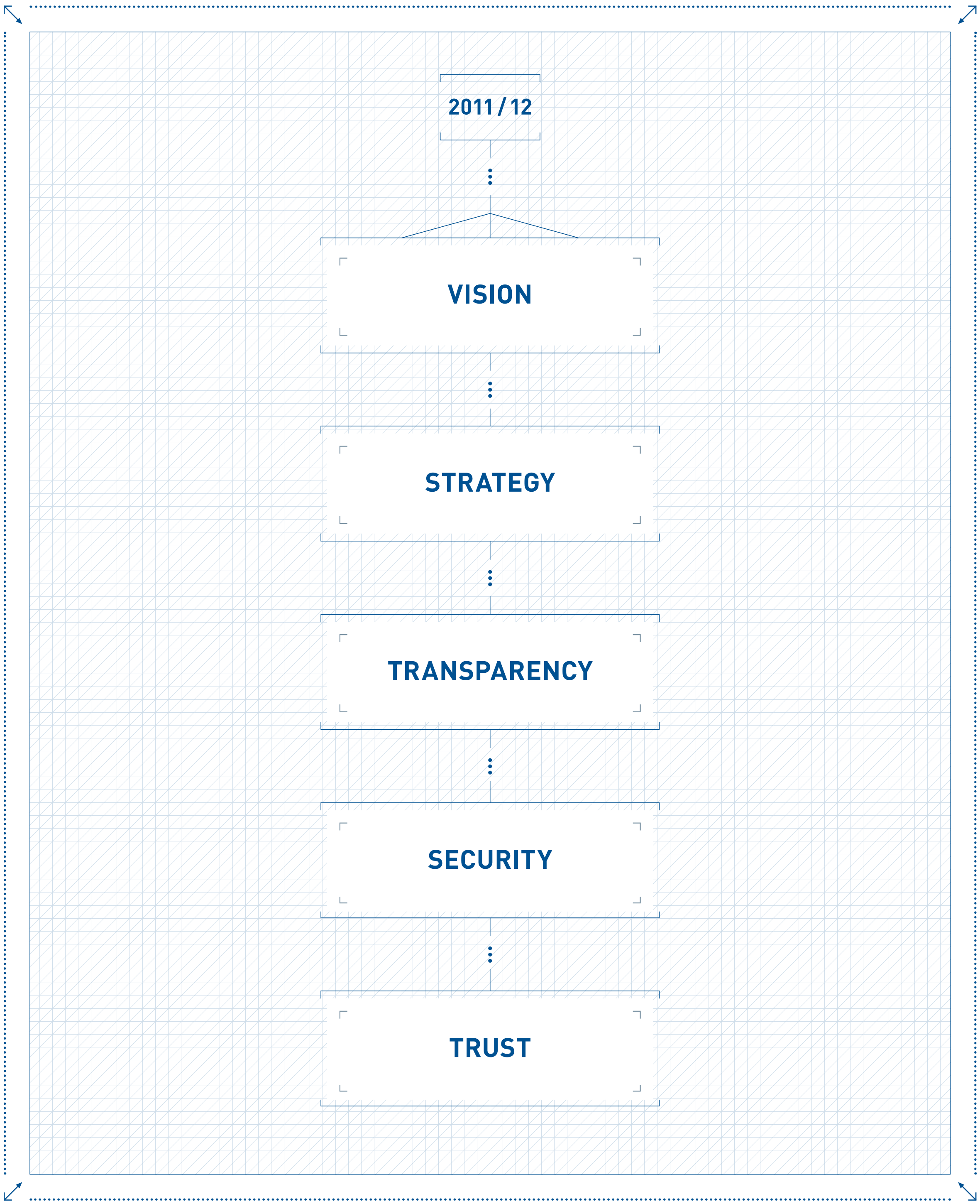
## CONTENT



SCHULER

i HTTP://WWW.SCHULERGROUP.COM/GB

CHART 03 KEY ELEMENTS OF GOOD CORPORATE GOVERNANCE



# REPORT OF THE SUPERVISORY BOARD

Fiscal year 2011/12 was the most successful year in Schuler's history to date. Consistently high demand from the automotive sector and the expansion of Non-Automotive activities led to record results.

The Supervisory Board closely monitored this positive development and provided constructive support. It performed with due care the supervisory and advisory duties assigned to it by law, the company's articles and its own rules of procedure. Furthermore, the Supervisory Board provided with prompt and detailed information, both orally and in writing, information on the company's current situation and progress, on all business transactions requiring approval, on risk management, and on corporate planning. The Supervisory Board was involved directly in all key decisions from an early stage and adopted all resolutions after careful examination and on the basis of the written proposals presented. The Supervisory Board focused in particular on the joint statement of the Board of Management and Supervisory Board regarding the unsolicited takeover offer of Andritz Beteiligungsgesellschaft IV GmbH.

The Supervisory Board held seven ordinary meetings during the reporting period. In a circular resolution adopted in the period October 31, 2011 to November 2, 2011, the members of the Supervisory Board also voted unanimously in favor of signing a new syndicated loan agreement of € 450.0 million for the refinancing of existing credit lines.

In addition to the scheduled meetings, the Chairman of the Supervisory Board remained in close contact with the Board of Management in order to gain prompt information about developments and significant events.

## PERSONNEL CHANGES IN THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

After more than 20 years of service, Prof. Dr. Dr. h.c. Walther Zügel retired from the Supervisory Board of Schuler AG effective at the end of the Annual General Meeting 2012. During the Annual General Meeting Hans-Jürgen Thaus, Abensberg, former Deputy CEO of Krones AG, Neutraubling, was elected as his successor in representing shareholder interests for the period up to the end of the Annual General Meeting 2013. The retirement of Prof. Dr. Dr. h.c. Walther Zügel also necessitated changes to the Supervisory Board's committees. Helmut Zahn succeeded him in the Personnel Committee and the Permanent Committee acc. to § 27 (3) of the German Codetermination Act (MitbestG), Hans-Jürgen Thaus replaced Prof. Dr. Dr. h.c. Zügel in the Audit Committee and Prof. Dr. h.c. Roland Berger was elected in his place in the Nomination Committee. The Supervisory Board would like to thank Prof. Dr. Dr. h.c. Walther Zügel for the many years of constructive cooperation. It also wishes Mr. Thaus every success in his future role as a member of the Supervisory Board.

There were also changes in the composition of the Board of Management. Norbert Broger was appointed to the Board of Management of Schuler AG as of January 1, 2013. He will be responsible as of January 1, 2013, for the Finance division, including the position of Labor Director. The business graduate has been Head of Controlling, Corporate Development and Risk Management at Krones

AG, Neutraubling, Germany, since 2006. Prior to this, he held various management positions in Germany and abroad for the Schaeffler Group in the field of HR, Finance and Controlling over a period of 16 years.

Norbert Broger succeeds Marcus Ketter, who is leaving the company on December 31, 2012, to take up a new task as CFO of Klöckner & Co. in Duisburg, Germany. The Supervisory Board thanks Mr. Ketter for his work and wishes him every success with his new position.

In the annual financial statements for fiscal year 2011/12, it is mentioned in several places that Marcus A. Ketter was to retire from the Board of Management as of January 31, 2013. This date was scheduled in the original severance agreement with Mr. Ketter adopted by the Supervisory Board on September 19, 2012. However, on December 18, 2012, the Supervisory Board adopted an amendment to the severance agreement which stated that Mr. Ketter's position as a member of the Board of Management should already end on December 31, 2012. At the time of preparing the annual financial statements on December 7, 2012, the Board of Management did not yet know about this earlier departure date. On the contrary, when preparing the annual financial statements the Board of Management still assumed that the departure date was January 31, 2013.

## MAIN TOPICS OF THE MEETINGS

The main topics of the meeting on October 6, 2011, were the budget planning for 2011/12, the medium-term planning for the period up to 2013/14 and the resolutions concerning investment budgets for the fiscal years 2011/12 and 2012/13. The Board of Management also informed the Supervisory Board about the status of the strategic program "GrowingTogether."

At the meeting on December 5, 2011, discussions focused on the company's China strategy and a resolution on the necessary investment budget. Other topics included the future strategy of the Technology Fields and a status report on the CTO organization.

The meeting on January 24, 2012, focused on an analysis of the annual financial statements 2010/11 and the agenda for the Annual General Meeting 2012. The addition of two new items to the AGM agenda after the meeting had already commenced required a written circular resolution to be adopted. The members of the Supervisory Board agreed to extend the agenda by adding a change to the Supervisory Board's remuneration and the proposal of Hans-Jürgen Thaus as the successor on the Supervisory Board to Prof. Dr. Dr. h.c. Walther Zügel following the latter's retirement.

At the meeting on April 18, 2012, the Board of Management informed the Supervisory Board about the current order position, as well as plans to merge Schuler shares under a single ISIN. An additional Supervisory Board meeting was held after the Annual General Meeting, during which the members of the Supervisory Board's committees were re-elected.

The meeting on July 5, 2012, focused on the unsolicited takeover offer of Andritz Beteiligungsgesellschaft IV GmbH. The Board of Management and Supervisory Board announced a joint statement regarding the takeover bid of the Austrian Andritz Group. Both bodies regarded the offering price of € 20.00 per share as financially appropriate. The assessment was based on examinations conducted by the Board of Management and Supervisory Board themselves and supported by a fairness opinion provided by the accountancy firm Ernst & Young, Stuttgart. At the same meeting, the Supervisory Board also extended the service contract of Joachim Beyer ahead of time by another three years, i.e. until April 7, 2016.

The main topic of the meeting on September 19, 2012, was the budget planning for 2012/13 and the medium-term planning for the period up to 2014/15. The Declaration of Conformity 2012 was unanimously adopted. The agenda also included Board of Management topics: Marcus A. Ketter resigned from his position as Chief Financial Officer and Labor Director in effect beginning January 31, 2013. Norbert Broger was appointed to the Board of Management of Schuler AG as of January 1, 2013 for a period of three years.

## WORK OF THE COMMITTEES

The Personnel Committee was convened twice in the period under review. Among other things, it prepared the extension of Joachim Beyer's service contract and the appointment of Norbert Broger as CFO.

The Audit Committee met four times. It emphasized focus on the quarterly, annual and consolidated financial statements, and discussed questions of accounting, auditing, and the internal control system, as well as risk and compliance management.

As in the previous years, the Mediation Committee did not need to be convened.

## INDEPENDENCE AND DECLARATION OF CONFORMITY

The members of the Supervisory Board complied and continue to comply with the independence criteria pursuant to section 5.4.2 of the German Corporate Governance Code (GCGC). There were no conflicts of interest as defined by section 5.5 GCGC in the reporting period.

The Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Law (AktG) was submitted by the Board of Management and Supervisory Board on September 19, 2012 and published on the company's website.

## AUDIT AND ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements prepared by the Board of Management as of September 30, 2012, for Schuler AG and the consolidated group, as well as the management reports for Schuler AG and the consolidated group, were audited by the accountancy firm of KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, and received unqualified certification. The audit order was issued by the Supervisory Board according to a resolution adopted by the Annual General Meeting of April 18, 2012. All members of the Supervisory Board were provided in due time with the annual financial statements and management reports for Schuler AG and the consolidated group, as well as the auditor's reports. The financial statements and reports were examined in detail – with particular reference to the asset, financial and earnings positions – by the Audit Committee at its meeting on December 11, 2012. It gave a detailed report at the Supervisory Board's balance sheet meeting on December 18, 2012. The chief auditor was present at the meetings in order to report on the result of the audit as well as to answer detailed questions. Following careful inspection of the annual financial statements and management reports of Schuler AG and the Group, as well as the proposed appropriation of profit, the Supervisory Board raised no objections and concurred with the opinion of the independent auditor. The Supervisory Board approved the annual and consolidated financial statements; the annual financial statements are thus adopted in accordance with § 172 AktG.

The report concerning relations to affiliated companies – as prepared by the Board of Management, pursuant to § 312 AktG – was examined by the Supervisory Board. In accordance with § 313 (3) AktG, the chief auditor awarded the following certificate:
"On the basis of our statutory examination and evaluation, we can confirm that

1. the details made in the report are accurate,
2. the company's performance resulting from the legal transactions listed in the report was not inappropriately high,
3. no circumstances related to the measures listed in the report required an assessment deviating materially from that of the Board of Management."

The Supervisory Board examined the affiliated companies report and raised no objections. The Supervisory Board concurs with the opinion of the independent auditor. On the basis of its own examination and that of the independent auditor, the Supervisory Board raises no objections to the Board of Management's final declaration at the end of the affiliated companies report

## THANK YOU TO ALL EMPLOYEES

The Supervisory Board would like to thank the members of the Board of Management, all employees and the workers' representatives for their successful efforts during the past fiscal year, as well as our shareholders for their continued trust in the company.

The Supervisory Board would like to express its particular gratitude to its long-serving member Prof. Dr. Dr. h.c. Walther Zügel who retired in April. He displayed great personal commitment to the company over many years. Further gratitude goes to CFO Marcus A. Ketter, who will leave the company at the end of December 2012.

Göppingen, December 18, 2012

**The Supervisory Board**

# CORPORATE GOVERNANCE

As a principle for responsible corporate governance oriented towards sustained value creation, corporate governance is a key component of the company's long-term success and strengthens the confidence of investors, employees, customers and suppliers in the company. The Board of Management and Supervisory Board of Schuler AG are committed to responsible corporate governance and have, therefore, been complying with the recommendations of the German Corporate Governance Code (GCGC) for several years now, with just a few exceptions. The Board of Management and Supervisory Board submitted the following Declaration of Conformity in September 2012.

## DECLARATION OF CONFORMITY AS OF SEPTEMBER 19, 2012

"The Board of Management and Supervisory Board of Schuler Aktiengesellschaft (hereinafter referred to as "Schuler AG" or the "company") submit the following Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) with regard to the recommendations of the "Government Commission on the German Corporate Governance Code," and will ensure that it is published on the company's website. The Board of Management and Supervisory Board of Schuler AG submitted the last Declaration of Conformity in accordance with § 161 AktG on October 6, 2011. For the period October 7, 2011 to June 14, 2012, the following declaration refers to the recommendations of the German Corporate Governance Code ("Code") in the version dated May 26, 2010, as published in the Federal Gazette on July 2, 2010 ("2010 Version"). For the period from June 15, 2012 onward, the following declaration refers to the recommendations of the Code in the version dated May 15, 2012, as published in the Federal Gazette on June 15, 2012 ("2012 Version"). The Board of Management and Supervisory Board of Schuler AG therefore declare that the recommendations of the Code are complied with and were complied with in the past. The Board of Management and Supervisory Board of Schuler AG also intend to comply with these recommendations in future. Only the following recommendations of the Code were not complied with in the past, nor are they being complied with at present.

/ 1. SECTION 3.8 OF THE CODE – D&O INSURANCE AND DEDUCTIBLE

If the company takes out a D&O (Directors and Officers' Liability Insurance) policy for members of the Supervisory Board, section 3.8 (3) of the Code recommends that a suitable deductible is agreed upon. Schuler AG believes that agreeing a deductible would not be a suitable method of improving the motivation and sense of responsibility for the tasks and functions with which the members of the Supervisory Board of Schuler AG have been entrusted. The existing D&O policies for members of the Supervisory Board of Schuler AG therefore differ from section 3.8 of the Code insofar as no deductibles were agreed. For reasons already stated, Schuler AG will also not agree to deductibles for the D&O policies of Supervisory Board members in future and thus differs from the recommendation stated in section 3.8 (3) of the Code.

/ **2. SECTION 4.2.2 OF THE CODE – STRUCTURE OF THE MANAGEMENT BOARD COMPENSATION SYSTEM**

Section 4.2.2 (1) of the Code (2010 Version) stated that, at the proposal of the committee dealing with Board of Management contracts, the full Supervisory Board shall decide the total compensation of the individual Board of Management members and recommended that the compensation system for the Board of Management be adopted and regularly reviewed by the full Supervisory Board. The Supervisory Board has set up a Personnel Committee, in which it has pooled its expert knowledge on personnel issues. This system has proved highly effective in the past. Due to the specialist knowledge of the Personnel Committee, the compensation system of the Board of Management, including all significant contractual elements, was adopted and regularly reviewed in the past not by the full Supervisory Board but by the Personnel Committee. Due to the positive experience made in previous years, important personnel issues will continue to be adopted and regularly reviewed by the Personnel Committee – insofar as legally permissible – and not by the full Supervisory Board. In the period October 7, 2011 to June 14, 2012, Schuler AG thus differed from the recommendation in section 4.2.2 (1) of the Code (2010 Version). As the recommendation in section 4.2.2 (1) of the Code (2010 Version) is no longer included in the revised version of section 4.2.2 (1) (2012 Version), Schuler AG no longer differs from the corresponding recommendation of the Code as of June 15, 2012.

/ **3. SECTION 5.4.1 (2) OF THE CODE – AGE LIMIT FOR MEMBERS OF THE SUPERVISORY BOARD**

An age limit for membership of the Supervisory Board of Schuler AG is not intended. The expert advice of our experienced Supervisory Board members, irrespective of their age, shall continue to benefit the company‘s development.

/ **4. SECTION 5.4.6 OF THE CODE – COMPENSATION OF MEMBERS OF THE SUPERVISORY BOARD**

In the period October 7, 2011 to June 14, 2012, Schuler AG differed from the recommendation in section 5.4.6 (2) of the Code (2010 Version), which states that members of the Supervisory Board shall receive performance-related compensation in addition to their fixed compensation. The company continues to believe that by choosing not to pay performance-related compensation, potential conflicts of interest in the decision-making process of the Supervisory Board, which may influence the company's success criteria, can be avoided. Schuler AG is also skeptical as to whether performance-related compensation is a suitable method of motivating supervisory and audit committees to perform their duties even more thoroughly – especially in view of the causes of the financial crisis. As the recommendation in section 5.4.6 (2) of the Code (2010 Version) is no longer included in the revised version of section 5.4.6 (2) (2012 Version), Schuler AG no longer differs from the corresponding recommendation of the Code as of June 15, 2012. Schuler AG differs from the recommendation of the Code in section 5.4.6 (3) insofar as Supervisory Board compensation should be individualized and itemized when disclosed in the Corporate Governance Report (Code 2010 Version), and in the Notes to the Annual Financial Statements or the Management Report (Code 2012 Version). Schuler AG believes that the disclosure of total compensation for members of the Supervisory Board according to accounting regulations in the annual report is sufficient to meet the shareholders' interest in such information.

/ **5. SECTION 6.6 OF THE CODE – SHAREHOLDINGS HELD BY MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS**

Contrary to the recommendations of section 6.6 of the Code, individual shareholdings of corporate body members are not disclosed in the case that these exceed 1% of the shares issued by the company. This is to protect the interests and privacy of such corporate body members. Furthermore, it is not disclosed whether the total shareholding of all members of a body exceeds 1% of the shares issued by the company.

/ **6. SECTION 7.1.2 OF THE CODE – DEADLINES FOR THE PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM REPORTS**

Contrary to the recommendation in section 7.1.2 sentence 4 of the Code, the consolidated financial statements for the fiscal year 2010/11 were not publicly accessible within 90 days of the end of the financial year. The quarterly financial statements of the fiscal year 2011/12 were also not published within 45 days of the end of the reporting period. Due to the project-based nature of the Schuler Group‘s business, a suitable time corridor was required in the past, especially for the reliable and accurate determination of project-related accruals. At the end of 2011, Schuler AG launched an internal project aimed at meeting the publication deadlines as of fiscal year 2012/13. The deadlines recommended by the Code in section 7.1.2 sentence 4 will be met for the first time with the publication of quarterly figures for the 1st quarter of fiscal year 2012/13.

/ **7. SECTION 7.1.3 OF THE CODE – DISCLOSURES ON THE STOCK OPTION PLAN IN THE CORPORATE GOVERNANCE REPORT**

In the period October 7, 2011 to June 14, 2012, Schuler AG differed from the recommendation in section 7.1.3 of the Code (2010 Version), which specifies that the Corporate Governance Report should contain specific disclosures about the company’s stock option plans and similar security-based incentive systems. The Corporate Governance Report of Schuler AG only contains a reference to the Notes to the Annual Financial Statements, where these details are disclosed. The company believes that a repeated disclosure of these details in the Corporate Governance Report is not necessary and would detract from the clarity of the annual report, which is already quite extensive at well over 100 pages. The revised version of section 7.1.3 of the Code (2012 Version) clarifies that the Corporate Governance Report need only contain disclosures regarding stock option programs and similar security-based incentive systems if these disclosures are not already made in the Separate Annual Financial Statements, the Consolidated Annual Financial Statements or the Remuneration Report; Schuler AG no longer differs from the corresponding recommendation of the Code as of June 15, 2012.

With the exception of the above-mentioned items 1 to 6, we shall continue to comply with the recommendations of the “Government Commission on the German Corporate Governance Code.”

## FURTHER DISCLOSURES ON THE CORPORATE GOVERNANCE OF SCHULER

### / MANAGEMENT AND CORPORATE STRUCTURE

Based in Göppingen, Germany, Schuler AG is the management holding company of the Schuler Group. The Group comprises 27 fully consolidated companies and is divided into three business segments: "Forming Systems," "Automation" and "Tools," which operate through legally independent companies responsible for their own business and profitability. The Board of Management of Schuler AG is in regular contact with the management teams of these subsidiaries.

### / BOARD OF MANAGEMENT

In fiscal year 2011/12, the Board of Management of Schuler AG was composed of the following four members:

/ Stefan Klebert (Chief Executive Officer)
/ Joachim Beyer (Chief Technology Officer)
/ Dr. Markus Ernst (Chief Market Officer)
/ Marcus A. Ketter (Chief Financial Officer)

On September 19, 2012, the Supervisory Board appointed Norbert Broger to the Board of Management of Schuler AG, effective January 1, 2013. He will be responsible for the Finance division and the position of Labor Director as of February 1, 2013. Norbert Broger succeeds Marcus A. Ketter, who will leave the company as of January 31, 2013 in order to take up a new position as CFO of Klöckner & Co. in Duisburg, Germany.

The responsibilities of the various members of the Board of Management are regulated by a document detailing the division of tasks. The Board of Management carefully coordinates its activities and meets at regular intervals.

**TABLE 03 BOARD OF MANAGEMENT DIVISION OF RESPONSIBILITIES**

| **Stefan Klebert**<br>Chief Executive Officer | **Joachim Beyer**<br>Chief Technology Officer | **Dr. Markus Ernst**<br>Chief Market Officer | **Marcus A. Ketter**<br>Chief Financial Officer |
|---|---|---|---|
| / Automotive Press Technology<br>/ Service<br>/ Procurement<br>/ Production & Logistics<br>/ Corporate Development<br>/ Corporate Communications | / Corporate Engineering<br>/ Technical Shared Services<br>/ Innovation Management<br>/ Market and Competition Monitoring<br>/ Patents | / Stamping & Cutting Technology<br>/ Forging Technology<br>/ Highspeed Technology<br>/ Hydraulic Press Technology<br>/ Automation Technology<br>/ Tool & Die Technology | / Finance & Controlling<br>/ Investor Relations<br>/ HR<br>/ IT<br>/ Legal Affairs & Compliance<br>/ Internal Audit |

## / SUPERVISORY BOARD

The Supervisory Board of Schuler AG is composed in accordance with the German Codetermination Act and consists of 12 members: six each are voted by the representatives of the shareholders and the company's employees for a period of five years. The last election was held in 2008. In the case of tied votes, the Chairman of the Supervisory Board has two votes. The Supervisory Board monitors and advises the Board of Management in its management of business.

Major business transactions of the Board of Management require the prior approval of the Supervisory Board. The Board of Management regularly provides the Supervisory Board with detailed and up-to-date information concerning the development of business and current planning.

The Supervisory Board has formed a Personnel Committee, a Committee pursuant to § 27 (3) of the German Codetermination Act (MitbestG), an Audit Committee and a Nomination Committee. The Personnel Committee prepares the personnel decisions of the Supervisory Board. The Audit Committee is concerned in particular with: questions of year-end accounting and risk management, the necessary independence of the external auditors, deciding which areas they should focus on, agreeing upon their remuneration, and commissioning them to audit the company's annual financial statements. Additionally, the Audit Committee prepares the respective discussions and decisions of the Supervisory Board. The Nomination Committee consists exclusively of shareholder representatives and proposes suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting regarding the election of Supervisory Board members.

There was one personnel change in the Supervisory Board during fiscal year 2011/12: the Supervisory Board member Prof. Dr. Dr. h.c. Walther Zügel retired from the Supervisory Board, effective from the end of the Annual General Meeting 2012. The Annual General Meeting of April 18, 2012 elected Hans-Jürgen Thaus, Abensberg, former Deputy CEO of KRONES AG, Neutraubling, as his successor in representing shareholder interests for the period up to the end of the Annual General Meeting 2013. The retirement of Prof. Dr. Dr. h.c. Walther Zügel also necessitated changes to the Supervisory Board's committees. These were also made on April 18, 2012. Mr. Helmut Zahn succeeded Prof. Dr. Dr. h.c. Walther Zügel in both the Personnel Committee and the Permanent Committee acc. to § 27 (3) of the German Codetermination Act (MitbestG). Hans-Jürgen Thaus replaced Prof. Dr. Dr. h.c. Zügel in the Audit Committee. Prof. Dr. h.c. Roland Berger was elected in place of Prof. Zügel in the Nomination Committee.

## / WORKING PROCEDURE OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The Board of Management and Supervisory Board of Schuler AG collaborate closely in a spirit of mutual trust in the interests of the company. The main objective of both bodies is to ensure the company's continued existence and drive its successful development.

In accordance with legal regulations, there is a strict separation between the composition of the management and supervision bodies at Schuler. The Board of Management regularly provides the Supervisory Board with prompt and detailed information on the company's current progress, its strategy, the financial and earnings position, corporate planning, and risk management. The Supervisory Board advises and monitors the Board of Management in its management of the company.

The members of the Board of Management took part in all seven Supervisory Board meetings in fiscal year 2011/12. There was also a regular exchange of information outside the Supervisory Board meetings.

## / DIRECTORS' DEALINGS

According to § 15a of the German Securities Trading Act (WpHG), executive bodies are obliged to inform Schuler AG immediately should they buy or sell shares in their own company.

All Directors' Dealings announcements reported to Schuler AG can be found online at ↦ WWW.DGAP.DE or ↦ WWW.SCHULERGROUP.COM. Schuler AG publishes such transactions immediately after they have been communicated to the company.

**TABLE 04 DIRECTORS' DEALINGS (ACC. § 15A WPHG) IN FISCAL YEAR 2011/12**

| Date | Name | Function | Type and place of transaction | Amount | Price per share in € | Total volume in € |
|---|---|---|---|---|---|---|
| Feb. 06, 2012 | Dr. Markus Ernst | Member of the Board of Management | Acquisition through exercise of stock options, OTC | 57,500 | 2.60 | 149,500 |
| Feb. 06, 2012 | Dr. Markus Ernst | Member of the Board of Management | Sale of shares, OTC | 57,500 | 10.72 | 616,400 |
| Feb. 06, 2012 | Joachim Beyer | Member of the Board of Management | Acquisition through exercise of stock options, OTC | 115,000 | 2.60 | 299,000 |
| Feb. 06, 2012 | Joachim Beyer | Member of the Board of Management | Sale of shares, OTC | 115,000 | 10.72 | 1,232,800 |
| May 29, 2012 | Schuler-Beteiligungen GmbH | Company closely associated with a member of the Supervisory Board | Sale of shares, OTC | 11,431,095 | 20.00 | 228,621,900 |
| June 8, 2012 | Helmut Zahn | Member of the Supervisory Board | Sale of shares, Xetra | 5,784 | 20.20 | 116,836.80 |
| June 8, 2012 | Helmut Zahn | Member of the Supervisory Board | Sale of shares, Xetra | 128 | 20.18 | 2,583.04 |

## / ANNUAL GENERAL MEETING

The Annual General Meeting is the company's third executive body, in addition to the Board of Management and Supervisory Board. At the Annual General Meeting shareholders are invited to direct questions to the Board of Management and Supervisory Board and to exercise their voting rights. Each share entitles the owner to one vote and is represented by a global certificate in bearer form. Only those shareholders who have proven their entitlement and registered are allowed to participate in the Annual General Meeting. Confirmation of such proof is by a written certificate of shareholding, issued in German or English by the depositary institution. This proof must be related to the 21st day prior to the shareholders' meeting, and must be received by the company or any agent identified in the notice convening the shareholders' meeting no later than on the seventh day prior to the meeting.

## / ACCOUNTING AND AUDITING

The consolidated financial statements are prepared according to IFRS (International Financial Reporting Standards) as mandatory in the EU. The annual financial statements are based on the accounting regulations of the German Commercial Code (HGB). The Annual General Meeting elects an independent auditor who is responsible for auditing the annual financial statements of Schuler AG and the consolidated group. The accounting firm KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed to audit the annual financial statements for the Group and Schuler AG.

## / INTERNAL CONTROLLING SYSTEM (ICS) AND RISK MANAGEMENT

Schuler AG has an efficient internal controlling and risk management system. The principles and guidelines of this system are designed to help detect risks as soon as possible in order to take the required corrective action. The system is reviewed regularly and adapted to new circumstances whenever necessary. Additional details are provided in the "Opportunity and Risk Report" section of the Management Report

## / COMMUNICATION

In a dialogue with the capital market, we pursue a strategy of open and transparent communication. We provide shareholders, analysts, business associates, employees, and the general public with extensive and up-to-date information on current company developments. Information is also shared in the form of financial reports, press releases, ad-hoc announcements, and other publication formats. All information can be accessed on our website ↦ WWW.SCHULERGROUP.COM. A financial calendar provides all dates for financial reports and other important events.

# REMUNERATION REPORT

**The following remuneration report is a constituent part of the Management Report.**

## REMUNERATION OF THE BOARD OF MANAGEMENT

The Personnel Committee of the Supervisory Board regularly reviews the structure and size of the remuneration system for the Board of Management and develops recommendations for the full Supervisory Board. The appropriateness of the Board of Management's remuneration is assessed using a variety of criteria: these include the tasks of the Board of Management as a whole and of its individual members, the personal performance of each member, the economic environment, and the company's success and future prospects. In addition, the Supervisory Board considers the development of Board of Management remuneration at other companies.

The remuneration of the Board of Management comprises a non-performance-related and a performance-related component. The non-performance-related remuneration component consists of fixed basic compensation and benefits, as well as post-employment benefits in the case of two Board of Management members with old contracts. The additional performance-related component is designed as a variable bonus based on consolidated EBITDA – the key performance indicator used by the Group – or on net profit (old contracts).

The performance-related remuneration elements are capped at a specific maximum amount. Moreover, the variable remuneration components based on consolidated EBITDA are divided into an annual amount paid immediately (short-term incentive) and an amount whose payment is postponed for two years and is dependent on the fulfillment of specific targets at the time of later payment (long-term incentive).

Other remuneration mainly comprises the reimbursement of expenses, the provision of a company car, and premiums for group accident and directors' and officers' (D&O) liability insurance. The D&O insurance policy provides for a deductible as defined by § 93 (2) of the German Stock Corporation Act (AktG).

The post-employment benefits existing in certain cases are all based on standard group-wide regulations concerning the granting of pension supplements, and also consider such aspects as last basic remuneration and the number of service years. Pensions are paid on termination of the service contract and always after completion of the 63rd year of age or in the case of prior service disability.

Remuneration amounted to € 4.6 million in fiscal year 2011/12 (prior year: € 3.2 million), of which € 3.0 million (prior year: € 1.6 million) were in the form of variable, performance-related payments. In addition, the current service cost included in pension obligations amounted to € 0.1 million (prior year: € 0.3 million).

**TABLE 05 BOARD OF MANAGEMENT REMUNERATION 2011/12** IN € THOUSAND

| | Non-performance-related remuneration granted for the fiscal year | | Performance-related remuneration granted for the fiscal year | Total Board of Management remuneration granted for the fiscal year without pension benefits | Expenses for pension benefits | Total |
|---|---|---|---|---|---|---|
| | Basic remuneration | Other remuneration | | | | |
| Stefan Klebert | 500 | 37 | 1,395 | 1,932 | 0 | 1,932 |
| Marcus A. Ketter | 330 | 33 | 412 | 775 | 0 | 775 |
| Joachim Beyer | 348 | 11 | 600 | 959 | 117 | 1,076 |
| Dr. Markus Ernst | 330 | 27 | 600 | 957 | 21 | 978 |
| **Total** | **1,508** | **108** | **3,007** | **4,623** | **138** | **4,761** |

No remuneration with a long-term incentive as defined by § 285 No. 9a Sentence 5 of the German Commercial Code (HGB) was granted in 2011/12.

**TABLE 06 BOARD OF MANAGEMENT REMUNERATION 2010/11 [1)]** IN € THOUSAND

| | Non-performance-related remuneration | Performance-related remuneration | Total Board of Management remuneration without pension benefits | Expenses for pension benefits | Total |
|---|---|---|---|---|---|
| Total Board of Management | 1,608 | 1,563 | 3,171 | 320 | 3,491 |

1) Board of Management remuneration is not disclosed individually in 2010/11 as in 2010/11 the opting-out resolution of the Annual General Meeting 2007 still applied which forbade individualized disclosure.

Total remuneration of former members of the Board of Management or management and their surviving dependents amounted to € 2 million (prior year: € 1.7 million) in the year under review. Provisions for pensions of former members of the Board of Management amount to € 11.6 million (prior year: € 12.9 million). Provisions not formed according to Art. 67 (2) EGHGB amount to € 2.6 million.

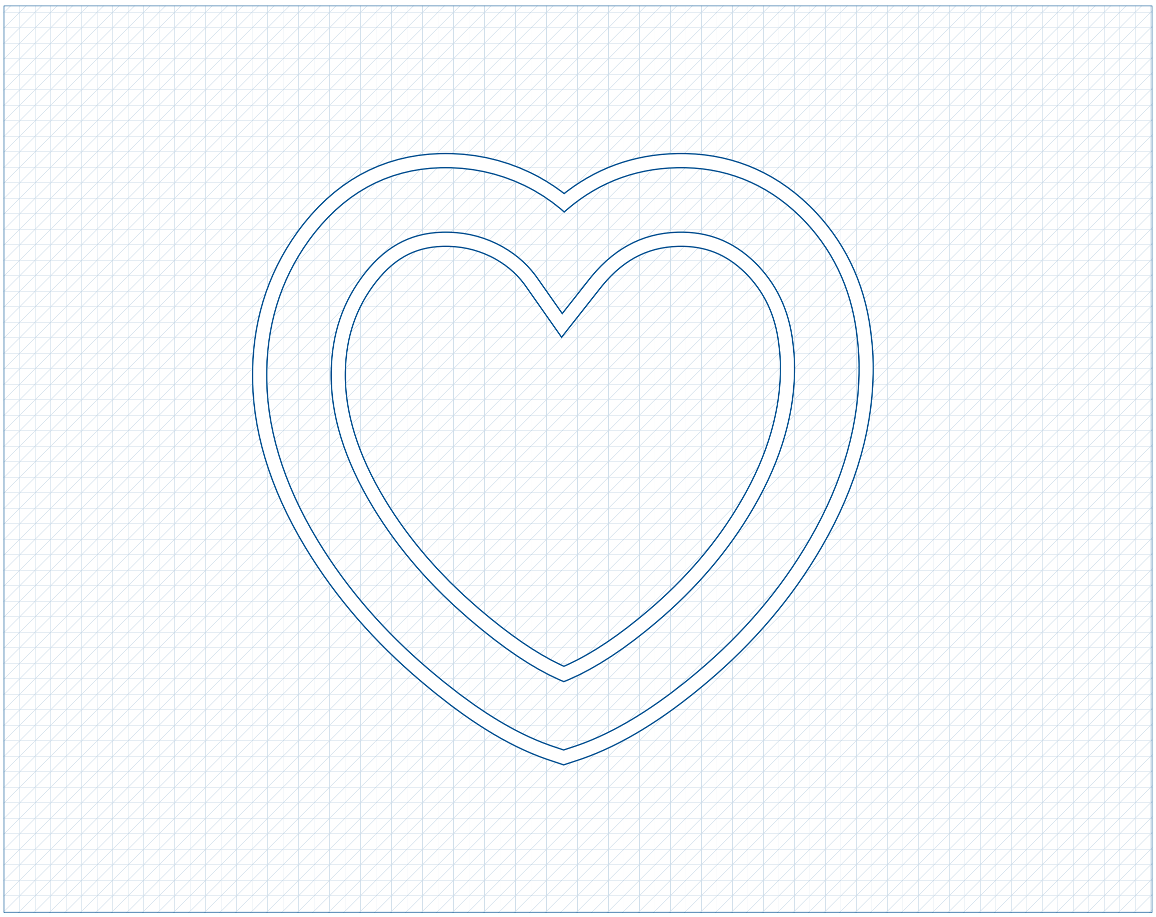
## REMUNERATION OF THE SUPERVISORY BOARD

§ 10 of the company's articles regulates the remuneration paid to members of the Supervisory Board. The members of the Supervisory Board receive a fixed remuneration, which was last set by the Annual General Meeting of Schuler AG on April 18, 2012. Basic annual remuneration amounts to € 25,000 per Supervisory Board member and is increased according to function and the frequency of meetings. The remuneration of the Supervisory Board does not contain any variable component. Chairmanship and deputy chairmanship of the Supervisory Board and membership and chairmanship of its committees qualify for higher remuneration. In addition to the fixed annual amount, the members of the Supervisory Board are paid meeting attendance fees and their expenses are reimbursed. In the past fiscal year, Supervisory Board remuneration amounted to € 0.5 million (prior year: € 0.3 million). The D&O insurance policy for members of the Supervisory Board does not include a deductible.

During the period under review, there was no remuneration nor benefit for personally rendered services, such as consulting and brokering.

SCHULER AG
ANNUAL REPORT 2011/12

# GROUP MANAGEMENT REPORT THE GROUP



## CONTENT



SCHULER

HTTP://WWW.SCHULERGROUP.COM/GB

**CHART 04** **SELECTED FIGURES ON GROWTH 2011/12**

2011 / 12

**+27.9**
[ PERCENT ]
**GROWTH IN SALES**

**+9.6**
[ PERCENT ]
**EBITDA MARGIN**

**+5.3**
[ PERCENT ]
**GROWTH IN HEADCOUNT**

# SCHULER AT A GLANCE

## BRIEF PROFILE

As the technological and global market leader in metalforming, Schuler supplies machines, production lines, dies, process know-how and services for the entire metal-working industry. We offer a wide range of innovative products and solutions in all areas of metalforming technology. From mechanical and hydraulic press systems, transfer and tryout presses, automation equipment, dies, high-speed presses, and systems for solid forming and hydroforming – Schuler has an extensive range in all areas of metalforming. In addition, we offer our customers an excellent service program.

**Schuler offers a wide range of innovative products and solutions in all areas of metal-forming technology.**

Our leading market position is due mainly to our strength for developing products and solutions with a clear customer benefit – in close cooperation with the customers themselves. We have been active in the metalforming sector for over 170 years and have great experience in handling these types of projects. In addition to our process know-how in metalforming technology, we have the systems expertise to plan and deliver complete automated press lines according to customer specifications – for numerous metal and lightweight materials.

Our strong international alignment enables us to be on site for our customers around the world. We employ over 5,500 people in over 40 countries and boast a global network of service and sales offices.

## THE CORPORATE STRUCTURE

Our corporate structure is divided into the business segments Forming Systems, Automation and Tools. These segments comprise the entire spectrum of products and services of relevance for metalforming and are managed by legally independent subsidiaries. All activities that cannot be allocated to these segments are grouped in the “Others” segment – this mainly comprises the Sales & Service companies and special purpose entities.

**The Forming Systems, Automation and Tools segments comprise the entire spectrum of products and services for the metal-forming sector.**

**“Forming Systems”** comprises all activities in the field of metalforming. This includes large-scale press lines, mechanical and hydraulic press systems, forging lines, and high-speed presses. Our work for car manufacturers and their suppliers is the main focus of this business segment. With the aid of technology transfer, Schuler is now increasingly targeting new application fields, such as in the packaging industry and the aerospace sector, for example.

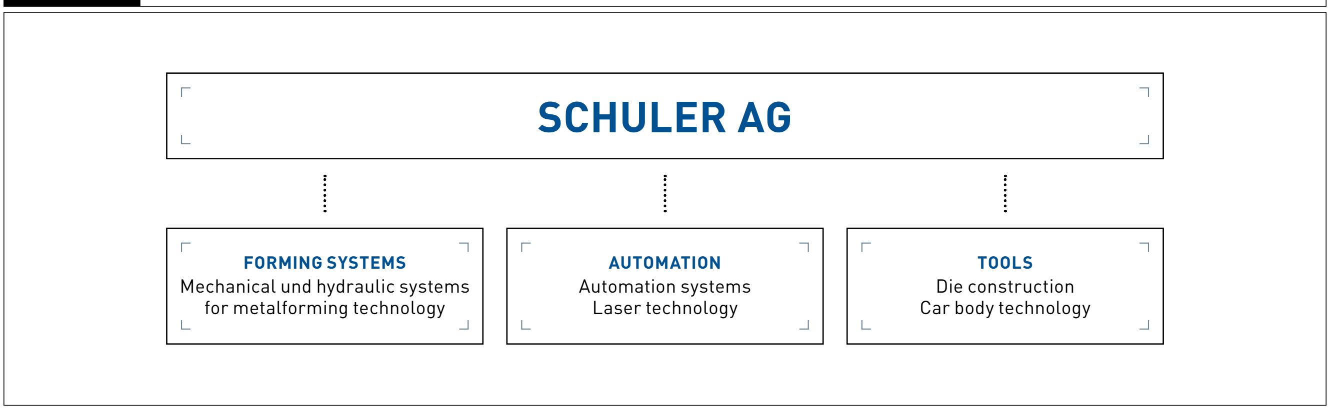
**“Automation”** develops and installs solutions for automating machine tools, including control systems for linked production lines and systems for the manufacturing and transporting of blanks, workpieces and tools. These play a major role in enhancing the performance of manufacturing processes.

The **"Tools"** segment pools complex development tasks in the field of die and process technology and supplies innovative prototypes and dies for complete vehicle sub-assemblies and transmission components for car manufacturers and their suppliers. The segment's core competencies include the development, planning, production and tryout of models, molds and tools for metalforming technology.

**We offer turnkey solutions from a single source.**

We draw on all three business segments to offer customers turnkey solutions from a single source – from planning and consulting, to developing and designing, to setting up and adjusting before the final production launch. In addition to presses, we supply the complete equipment for stamping plants, including the necessary dies and also the automation for the entire process chain.

**CHART 05 SEGMENTS**




## RANGE OF SERVICES

**Our service concept, "Service on site around the world," offers a wide spectrum of services in more than 40 countries.**

Our comprehensive range of services provides support for our customers in all business segments.

Productivity, Safety, Expertise, Partnership, and Future: these five modules form the basis of our service business. With an extended product range, even more customer-oriented services, and customized service contracts, we aim to align ourselves even more closely with market and customer needs.

In order to guarantee more reliable production, we have developed the modular ServiceContractflex, which provides solutions tailored to individual customer needs. It is also targeted to press owners of other Schuler Group brands – such as Müller Weingarten, Umformtechnik Erfurt, Beutler Nova, and Bêché.

When it comes to maintaining a consistently high level of productivity, regular servicing is indispensible. Schuler's new Service PLUS contract gives customers full transparency about the status of their equipment, providing an extensive report with photo documentation, a list of optimization possibilities, and recommendations regarding repair and correction measures. In conjunction with Schuler's preventive maintenance, this dramatically reduces the risk of machine downtime. Should downtime occur, however, more than 900 service staff employees around the world are available to troubleshoot on short notice.

With Schuler's service hotline, customers are secure in the knowledge that many problems can be solved with a simple phone call. Every minute of machine downtime costs money; Schuler's Hotline PLUS provides expert support around the clock. The Remote Service Center team can provide assistance in operating equipment, or diagnose errors and analyze protocol data. Hotline PLUS will be available for all monoblock machines beginning January 2013, and then gradually rolled out for the entire range. Schuler's Safety Check PLUS even goes beyond the legal requirements – especially with regard to checking electrical installations.

The Schuler Academy provides users with the necessary expertise to operate their equipment. The training portfolio comprises basic seminars to gain a solid technical foundation, in-depth technology seminars and customized training – such as machine-specific training at the customer's facility or support during production launch.

Schuler can also act as a partner for its customers when it comes to sourcing used machinery. Thanks to its direct access to the market, it can quickly find the right equipment on behalf of customers. Schuler Service can also handle the dismantling, reassembly, logistics, storage, overhauling, and modernization processes.

By economically modernizing machines, Schuler makes them more productive and efficient – and thus fit for the future. Schuler has the original parts and know-how to successfully return a machine to its original condition. In addition, Service employees can develop modernization solutions tailored specifically to production needs. In the field of control and automation, Schuler recommends the use of cutting-edge technologies. As the technological and global market leader, Schuler has extensive know-how when it comes to optimizing plant and processes. Our experts not only show ways to save money and make processes more efficient, but also how to tap potential energy savings.

**We train our customers' employees in order to ensure optimum use of our equipment and efficient manufacturing results.**

## LEGAL STRUCTURE

The consolidated Schuler Group comprises 27 companies (prior year: 29). Schuler AG, headquartered in Göppingen, Germany, acts as the holding company. It carries out centralized corporate functions, for example, in the fields of strategy, finance, controlling, legal affairs, insurance, and communication.

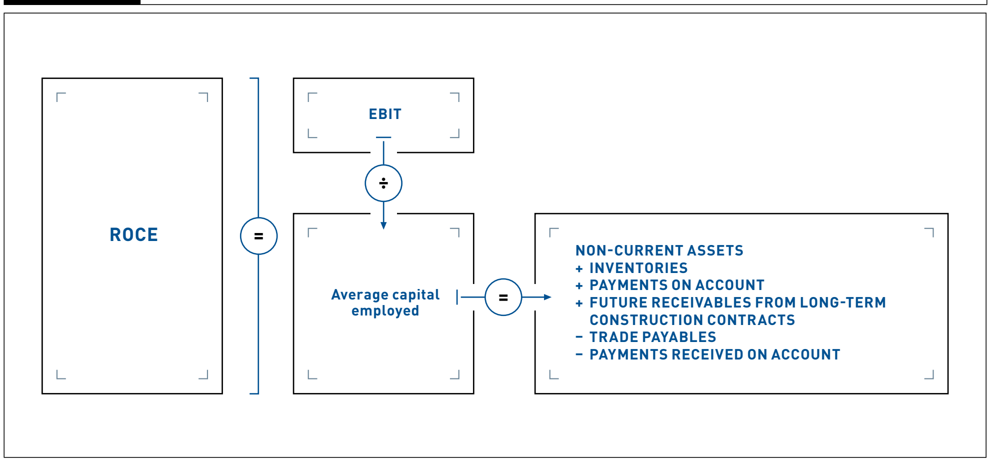
## KEY PERFORMANCE INDICATORS

Our main objective is to continually raise the value of the Schuler Group. In order to achieve this aim while securing and expanding Schuler's position in the marketplace, we have defined various key performance indicators. These are also used to determine the variable remuneration components for our managers.

**The key indicators used to measure Schuler's financial performance are EBITDA, EBIT and ROCE.**

The key performance indicators for Schuler's financial performance are earnings before interest, taxes, depreciation and amortization (EBITDA), earnings before interest and taxes (EBIT) and return on capital employed (ROCE). ROCE compares EBIT with the average capital employed in operating business and thus measures the efficiency of our capital employed. Schuler uses the following calculation for ROCE:

**CHART 06 CALCULATION OF ROCE (RETURN ON CAPITAL EMPLOYED)**




We aim to achieve a ROCE of 16.0% in the medium term.

The ability to translate sales into earnings is measured by the EBITDA margin, which is defined as the ratio of EBITDA to sales. Our medium-term target for the EBITDA margin is 10.0%.

We constantly monitor compliance with these performance targets by means of regular target/actual comparisons, both for the business divisions as a whole and the individual companies. This ensures that developments are recognized at an early stage and corresponding measures can be introduced in the case of any deviation from the defined performance targets.

**Compliance with performance targets is monitored by means of regular target/actual comparisons.**

**TABLE 07 KEY PERFORMANCE INDICATORS OF THE SCHULER GROUP**

| | | 2011/12 | 2010/11 | 2009/10 | 2008/09 | 2007/08 |
|---|---|---|---|---|---|---|
| Sales | € million | 1,226.1 | 958.5 | 650.3 | 823.1 | 966.1 |
| EBITDA | € million | 118.3 | 84.8 | 30.0 | –2.9 | 64.7 |
| EBITDA margin | % | 9.6 | 8.8 | 4.6 | –0.4 | 6.7 |
| EBIT | € million | 95.8 | 54.4 | 17.1 | –43.9 | 36.7 |
| EBIT margin | € million | 7.8 | 5.7 | 2.6 | –5.3 | 3.8 |
| ROCE | % | 32.2 | 16.7 | 4.1 | –9.4 | 7.5 |

# RESEARCH AND DEVELOPMENT

## KEY RESEARCH AND DEVELOPMENT (R&D) FIGURES

**A large part of Schuler's development work involves customer projects.**

In the fiscal year 2011/12, a total of € 7.0 million (prior year: € 11.1 million) was invested in ongoing research and development activities (R&D expenses), of which € 0.4 million (prior year: € 1.0 million) fulfilled the IFRS capitalization criteria. After consideration of amortization on capitalized development costs of € 1.4 million (prior year: € 0.6 million), the total expense charged to the income statement amounted to € 8.0 million (prior year: € 10.7 million). The carrying amount of capitalized development costs amounted to € 2.5 million at the end of the reporting period (prior year: € 3.5 million).

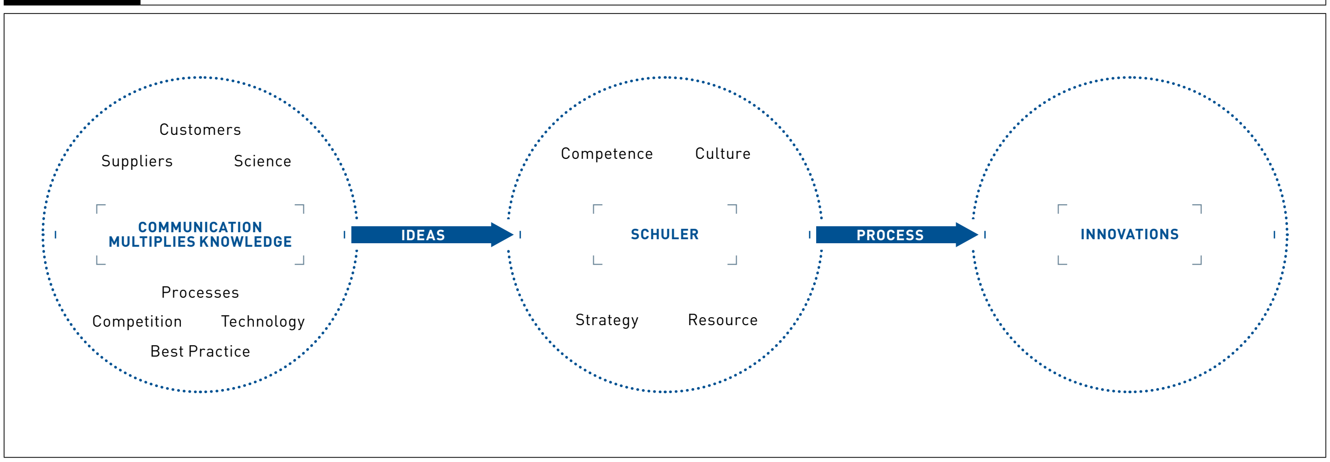
The main proportion of the Schuler Group's development work is involved with individual customer projects. The respective costs are charged as project costs and not included in the above-mentioned R&D figures. As a consequence, only the smaller part of our actual expenditure is disclosed as "R&D expenses."

## THE INNOVATION SYSTEM

**The CTO division formulates visions and strategies for all Schuler products.**

Innovation leadership in all Technology Fields is vital for the success of Schuler's operations. The know-how of our employees and our global presence offer ideal conditions. In order to strengthen and pool our expertise in this field, we established a central standardization and development unit in January 2011. In accordance with its importance, this division was allocated directly to the Board of Management. Together with the Technology Fields, the division formulates the visions and strategies for all products of the Schuler Group. It continually drives product development and organizes the exchange of technical know-how between the Technology Fields.

**CHART 07** **KNOWLEDGE IS THE RAW MATERIAL FOR INNOVATIONS**



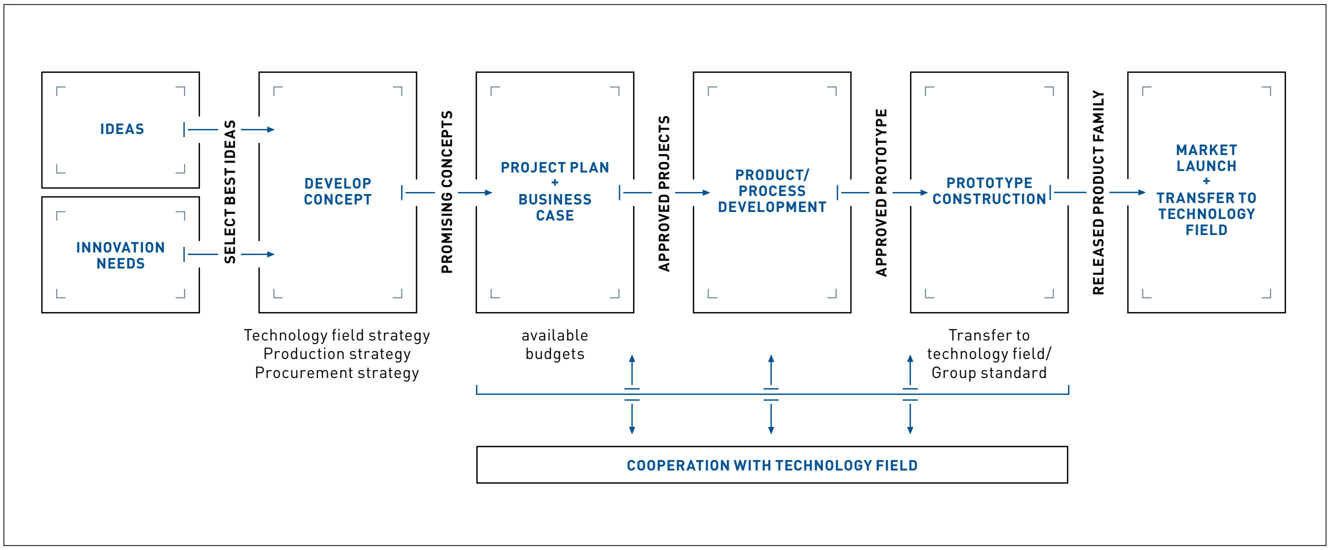
Knowledge is the raw material for innovations. But ideas can only be generated from such knowledge if there is constant communication between all important information owners. We encourage an open exchange of information – not only between our own experts, but in a continuous dialogue with customers, academics and suppliers. In order to create successful innovations, these ideas must then be channeled; This is ensured by our innovation process.

## THE SCHULER INNOVATION PROCESS

In order to secure and systematize Schuler's product roadmap, we have developed a system of innovation management: the Schuler Innovation Process. It defines the path from the idea to the finished product and its market launch. Our entire innovation management system is dedicated to securing increased output quality and sustainable growth. We are convinced: the Schuler innovation process reduces costs and development time.

**Our innovation management system is aimed at raising output quality and securing sustainable growth.**

**CHART 08 SCHULER'S INNOVATION PROCESS**



## OUTSTANDING SCHULER INNOVATION PROJECTS OF FISCAL YEAR 2011/12

### / TRANSFER PRESS WITH TWINSERVO TECHNOLOGY

**TwinServoTechnology with new drive concept successfully presented in September 2012.**

In the presence of some 300 political and business leaders, Schuler unveiled its latest innovation in Erfurt on September 27, 2012: TwinServo Technology (TST). This further development of Schuler's successful ServoDirect Technology (SDT) offers metalforming companies around the world a new drive concept featuring two servo motors. The complete enclosure of the machine reduces noise emissions to a minimum. Thanks to the low height of the new machine, press shops can have lower ceilings in the future – without having to make the foundations larger.

The new machine concept is also much more rigid than conventional presses with tie rod or monoblock designs. As the slide adjustment range can be easily increased, the press can be adapted to a variety of tall dies and so offers a high degree of flexibility.

Schuler will be using the first transfer press with TwinServo Technology at UmformCenter Erfurt to produce small batches for customers in the automotive industry as well as to conduct die tests together with its customers. The new line has a press force of 1,600 metric tons and is fitted completely with Schuler's automation components. In combination with the new press technology, the coil line, roll feed, blankloader, and electronic tri-axis transfer will ensure economic, flexible and reliable part manufacturing.

### / FROM BILLET TO RAILWAY WHEEL

**A newly developed wheel rolling machine without mandrel is used to form one-piece mono-block railway wheels.**

Schuler unveiled a newly-developed wheel rolling machine at its in-house "Rail & Fly" fair in Waghäusel on September 13 and 14, 2012.

High-performance railway networks crisscross the entire globe and are being continually expanded. Ever greater speeds and loads mean that railway wheels have to cope with extremely high levels of stress. Only forged wheels can meet such exacting requirements. Schuler supplies turnkey systems for the forging and rolling of such monoblock wheels.

Schuler's newly-developed wheel rolling machine without mandrel forms the heart of a forging line to be shipped to China in the coming months. Highly dynamic servo motors transfer the torque of the main drives via web rolls onto the pre-forged blank. Together with the main roll and conical rolls, the web rolls form a railway wheel blank. In addition to the wheel rolling machine, the forging line also includes three high-performance hydraulic presses and is fully automated with robots. Rounding out this offering is a descaling device, a flexible marking station and a laser measuring system.

## / ISOTHERMAL FORMING PRESS FOR TITANIUM JET BLADES

Titan is becoming an increasingly important material for aircraft production as it helps reduce weight. It is already being used, for example, for landing gear, bleed air ducts, flaps, and doors. Due to its high-temperature strength, titanium can also be used in the jet engine exhaust area, in hot gas pipes, or in pressure and fire-resistant housings. Schuler developed the isothermal forming press on the basis of a technology partnership with the company FormTech. The press will be supplied to a Russian engine manufacturer.

**Isothermal forming press developed as part of a technology partnership with FormTech.**

THE RESULTS

# PROCUREMENT AND SOURCING

**Sustainable cost savings can be achieved by involving Sourcing in projects and product development at an early stage.**

The central division Procurement and Sourcing successfully completed its implementation of the system sourcing function this year. System sourcing experts act as an interface between Procurement and the Technology Field within the Sourcing division. Sustainable cost savings can be achieved by involving Sourcing in projects and product development at an early stage.

Derived from the strategy papers, the division defined total cost of ownership measures, which were introduced step-by-step in this fiscal year. The main focus was to reduce product complexity and technical alterations, as well as to optimize raw material alternatives. By pooling volumes within the Schuler Group and further consolidating suppliers, we were able to strengthen our negotiating position.

By optimizing the provision of materials, we also strive to improve the efficiency of our assembly operations. We have therefore established a holistic supplier management system, which systematically steers supplier relationships. The supplier management system primarily comprises the following areas: the evaluation and selection of suppliers, the development of a performance level for suppliers, and the decision at which stage of the value chain the supplier should be involved.

The “on-time delivery” concept initiated last year for optimizing the reliability of supplies was successfully implemented, together with the derived measures.

In the past fiscal year, we also succeeded in standardizing and in part automating procurement processes across all German facilities. This will guarantee more efficient processing of our operative procurement business.

## GLOBAL SOURCING

**Expansion of international procurement offices to utilize regional location benefits.**

By developing and expanding our international procurement offices and enhancing our global supply partnerships, we will utilize our regional locations to optimize quality, cost and time as it relates to global sourcing initiatives.

In order to cope with the high level of project activity in China, our local procurement departments were expanded with the addition of buyers from Germany who have experience in Asia.

During the reporting period, we enhanced our newly-established procurement model in Brazil in conjunction with a global division of our scope of supply for various press types. This resulted in significant cost savings.

Information is regularly exchanged between the international procurement offices and the German sourcing organizations, in order to discuss group-wide projects and strategic questions.

## COMMODITY PRICES

The sourcing of metals and metal alloys – especially steel – has a major impact on our cost of materials. Our strategic sourcing team therefore closely monitors market trends and includes such developments in the company's procurement strategy.

Our assessment of future commodity prices is based on cyclical factors as well as micro- and macroeconomic trends. At present, there are no signs in Europe or China of any imminent leap in steel demand and thus any short-time spike in the steel price. Our international procurement organization attempts to balance out or exploit any temporary disequilibrium in global commodity prices.

**We expect a moderate development of commodity prices in fiscal year 2012/13.**

Our commodity suppliers provide indications for a slight downturn by reacting to falling demand with reductions in capacity. As the reduced supply has not led to price increases so far, the general market opinion is that such an effect is not expected in the near future.

In fiscal year 2011/12, the steel price was almost unchanged from the previous year. However, there was a clear tendency toward a slight fall in prices. Most price fluctuations were within a limited range and toward the end of the fiscal year. In general, there was an overall decline in the price of important commodities, such as iron ore, coking coal and copper throughout 2012. We were able to pass on such market fluctuations by placing project-based orders.

We expect a moderate price development in Europe as well as China in future. No price jumps in the primary commodities that we procure are currently visible.

THE RESULTS

# PRODUCTION, TECHNOLOGY AND LOGISTICS

## MODULAR PRODUCTION SYSTEM FOR GREATER EFFICIENCY

Schuler's modular production system enables it to manufacture goods of the highest quality while optimizing costs and ensuring punctual delivery. With the aid of this system, we once again succeeded in efficiently producing both stand-alone presses and tailored press lines for our customers in the past fiscal year. The main concept elements of this modular production system are the standardization of products and components, flexible structures and processes with regard to order management (order fulfillment), and our international manufacturing network in which specific production facilities specialize in components or sub-assemblies requiring in-depth expertise. Our order fulfillment activities ensure optimum project steering along the value chain by integrating all processes: sourcing, project-related research and development, production and assembly, sales, marketing, communication, and customer support. This enabled us to achieve further optimization of processes in fiscal year 2011/12, including shorter lead times, optimized costs and greater flexibility. The interaction of the various concept elements thus optimizes our overall result in accordance with the conditions and requirements of our manufacturing facilities.

**Establishment of model mix line in Highspeed Technology Field enhances efficiency.**

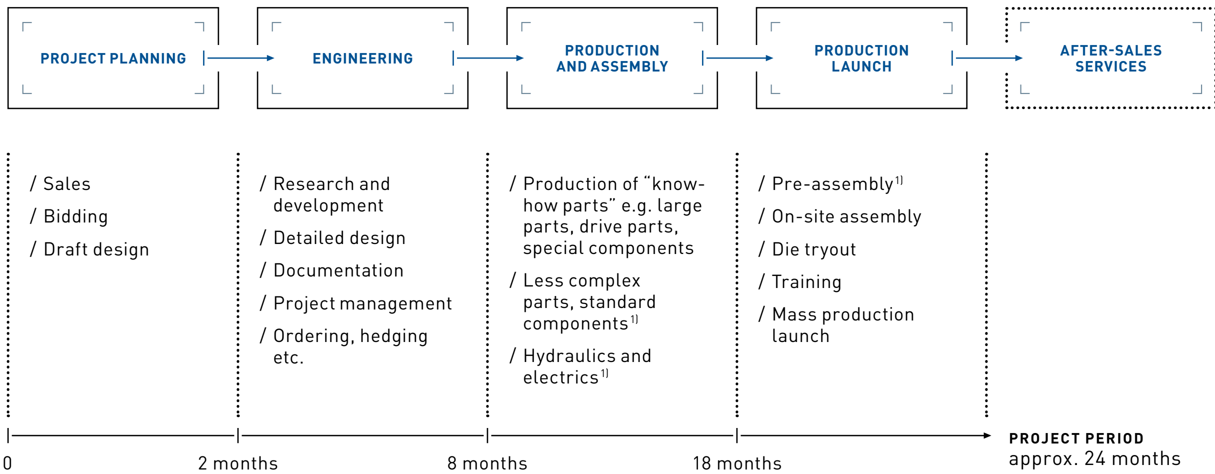
In fiscal year 2011/12, we established a model mix line for products of our Highspeed Technology Field at the Göppingen plant and reached a milestone in our quest to optimize manufacturing efficiency: Several product platforms can now be manufactured on a single assembly line. Materials are now also sourced across a wider range of products. This enables us to produce small-lot orders in a manner known from mass manufacturing.

## EFFICIENT PROCESSING OF MAJOR PROJECTS

**Processing large-scale projects often extends over several years.**

As a systems supplier, we deliver turnkey press systems and hand them over to our customers ready for production. The realization phase of such large-scale projects may extend over several years. In addition to detailed technical consulting and feasibility studies in advance, additional development work is usually required to meet the client's particular specifications.

**CHART 09** PROJECT PHASES/LARGE PRESS




1) outsourced activities

This chart illustrates the typical project phases for the construction of large equipment. The line is assembled in-house on the basis of the detailed design at various production facilities, depending on the respective specialization of the site. The individual components and pre-assembled products are then delivered to the customer's site, where Schuler employees install the complete line and launch production.

## FURTHER EXPANSION OF MANUFACTURING NETWORK

We continued to expand our manufacturing network in the past fiscal year. Production space at our Chinese facility in Dalian was increased from 5,000 to 16,000 square meters in order to lay the foundation for additional growth. The expanded factory will be available to the manufacturing network as of early 2013 for the assembly of presses. Mechanical large-part processing with state-of-the-art equipment is set to follow in April 2014.

**Capacities at Dalian facility in China tripled.**

The background: Schuler currently processes large-scale projects with the cooperation of up to eight manufacturing facilities specializing in components and sub-assemblies, which require considerable expertise. A central planning unit is responsible for coordinating both the planning and execution phases. The wide geographic distribution of our manufacturing facilities means that the production of large components can be optimized according to logistic considerations and cost criteria. By defining components which can be manufactured by at least two Group facilities, we are capable of balancing out capacities whenever necessary.

**CHART 10 MANUFACTURING NETWORK**

| Location/Components | Crown | Uprights | Slide | Bed | Moving bolster | Drive | Pressure points | Automation | Assembly |
|---|---|---|---|---|---|---|---|---|---|
| Erfurt, Germany | ■ | ■ | ■ | ■ | ■ | | | | ■ |
| Göppingen, Germany | ■ | | ■ | | | ■ | | | ■ |
| Weingarten, Germany | | | | | | ■ | ■ | | ■ |
| Gemmingen , Germany | | | | | | | | ■ | ■ |
| Heßdorf , Germany | | | | | | | | ■ | ■ |
| Shanghai, China | | ■ | ■ | ■ | ■ | | | | ■ |
| Dalian, China | | | | | | | | | ■ |
| São Paulo, Brazil | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | ■ |
| Waghäusel, Germany | ■ | ■ | ■ | ■ | ■ | | | | ■ |

## STANDARDIZATION AND BEST-PRACTICE PROCESSES

The prerequisite for any manufacturing network are standardization and the implementation of best-practice processes. We continued to drive these efforts in the past fiscal year. With the establishment of Kanban systems for C-parts at our facilities in Brazil and China, we were able to greatly simplify our ordering and logistics processes. In the future, our on-site assembly teams will be provided with C-part containers as well as containers with all the tools required for autonomous working. This also does away with time-consuming procurement of small parts. The issue of smaller tools and supplies at our facilities is now handled by automated tool depots maintained by our suppliers according to the Kanban system.

**Ordering and logistics processes optimized in Brazil and China.**

## GLOBALIZATION OF DEVELOPMENT AND PRODUCTION

While there is still a close link between design and production, this relationship will become less important in future. We are developing workflow processes in such a way that in the future, each development department can work for each manufacturing facility. The information required for sourcing and production is automatically forwarded to the production sites. This reduces the administrative burden and accelerates the highly-integrated workflow processes. We see a significant competitive advantage in this system, which will enable us to leverage our international manufacturing network and optimize order processing.

# SALES AND MARKETING

## SCHEDULED IMPLEMENTATION OF SALES RESTRUCTURING

**Sales performance strengthened by realignment of sales organization with ten strategic market segments and eight technology fields.**

The reorganization of our Sales division started last year as part of the strategic program "Growing Together" has successfully continued in the reporting period. By focusing strictly on ten strategic market segments and bundling expertise in eight Technology Fields, we have strengthened our sales capabilities and can now tap new growth potential.

The global alignment and networking of our customers call for an equally global and networked sales organization. Schuler is, therefore, represented by its own sales offices in allmajor regions of the world.

## GROWTH THROUGH ALLIANCES

**Technology alliances pave way for further growth.**

In order to provide the aerospace industry with the necessary presses, Schuler has forged a technology partnership with the company FormTech GmbH, Weyhe, Germany, entitled, "Titanium Forming Alliance." FormTech boasts outstanding know-how in the forming of titanium – from the development of forming presses, dies and components to the production of prototypes. The first customer of Schuler and FormTech is a Russian engine manufacturer. The company will take delivery of isothermal forming presses for the production of jet blades from titanium blanks.

Another technology alliance was formed with Simufact Engineering GmbH. This cooperation focuses on adapting Simufact's simulation programs to Schuler's hydraulic press lines. The technology alliance will mostly benefit companies in the forging industry, which can use the solution to simulate complete process chains on their Schuler lines.

## SERVICE NETWORK ENHANCED

**New Service company founded in Poland.**

We continued to expand our international customer service network in the past fiscal year with the foundation of a service company in Poland. The wholly-owned subsidiary of Schuler Poland Service (SPS) began operations at its base in Kędzierzyn-Koźle, in the south of Poland. The services offered range from machine procurement to the production phase as well as maintenance (also via the Internet), servicing, safety inspections, and complete overhauls.

## MARKETING ACTIVITIES SUCCESSFULLY EXPANDED

Schuler's marketing division develops international communication strategies to market the company's complete product spectrum. The customer-oriented implementation of these measures comprises all aspects of modern, creative cross-media communication: from classic print production, to online media and live communication at fairs and customer events around the globe.

**Schuler was present at 43 trade fairs around the world in fiscal year 2011/12.**

In fiscal year 2011/12, Marketing developed communication strategies for entering the market segments Aerospace, Railway and Large Pipes. These measures enabled Schuler to launch its innovative products – such as hydraulic isothermal forming presses for titanium components, automated systems solutions with Schuler forging presses, the first Schuler wheel rolling press, and complete production plants for large pipe manufacturing – in the respective target markets.

International brand and product presence is the key to Schuler's successful sales efforts. In fiscal year 2011/12, we attended 43 international fairs – of which 20 were in Europe, 15 in Asia, seven in North and South America, and one in Russia. Moreover, the Group was represented at over 20 international conventions with lectures or information stands. One major focus of our live activities was once again the company's own in-house fairs, symposia and workshops. We attach great importance to personal contact with our customers in order to encourage their emotional ties to metalforming technology and the Schuler brand by means of first-hand experience. Further innovations launched with the aid of creative live communication included our automatic ARS stacking system for finished parts produced on our fast servo press lines, as well as the new Crossbar Robot or the Schuler Smartline.

The highlight of the year was the world premiere of our new TwinServo Technology at the Umform-Center Erfurt facility in September 2012. It represents a new generation of Schuler's successfully established ServoDirect Technology. The launch of the new 1,600-metric-ton transfer press adds a new chapter to the story of metalforming. Three hundred guests were treated to an exhilarating presentation of the new technology and were truly impressed by Schuler's latest innovation.

**Successful launch of new TwinServo Technology.**

In addition to active marketing activities, Schuler's website continues to be enhanced. Following a re-launch in the past fiscal year, we completely revamped the new foreign sites in their respective languages, and gave priority to the Technology Field Service and its extensive program. Schuler is also active in social networks in an attempt to promote a dialogue with its customers.

Another area of focus for communication was the topic of lightweight construction. At various events, with the aid of PR activities, advertisements and new brochures and fliers, Schuler was positioned as the world's only systems supplier offering competent support in all lightweight technologies for metal and plastics forming with the ability to realize complete turnkey solutions. At the EuroBLECH 2012 fair, lightweight technologies and energy efficiency were the two main future-oriented topics. In the past reporting period, we also stepped up our services for the trade media.

# PERSONNEL

## MODERATE HEADCOUNT GROWTH IN GERMANY – STRONGEST INCREASE IN CHINA WITH OVER 20%

As of September 30, 2012, the Schuler Group employed 5,443 people around the world. This represents an increase of around 5% year on year. The reason for this growth was the increase in business due to consistently strong demand for our products.

**5% rise in headcount.**

The number of employees in Germany rose by 5.3% to 4,236. As a result of our strong international alignment, we once again raised headcount outside of Germany in order to cope with the strong demand on our foreign markets. This increase in manpower needs was particularly felt in our Asian markets where headcount grew by more than 20% year on year to 224.

Global manpower planning is based on future-oriented assessments of market and order developments as well as on the demographic trends of the respective region.

**TABLE 08 EMPLOYEES INCLUDING APPRENTICES**

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| **Schuler Group in total** | **5,443** | **5,168** |
| Forming Systems segment | 3,881 | 3,649 |
| Automation segment | 576 | 516 |
| Tools segment | 348 | 391 |
| Others | 638 | 612 |

**TABLE 09 EMPLOYEES BY REGION INCLUDING APPRENTICES**

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| **Schuler Group in total** | **5,443** | **5,168** |
| Germany | 4,236 | 4,021 |
| Rest of Europe | 92 | 137 |
| Americas | 891 | 824 |
| Asia | 224 | 186 |

## CENTRAL ROLE OF APPRENTICESHIP

**Training ratio of around 5.8%.**

Schuler attaches great importance to the development of its young employees. Vocational training, such as apprenticeships, is viewed as being very important. In the past fiscal year, the number of apprentices increased by 6.0% year on year, and the company's training ratio (apprentices as proportion of total staff) amounted to 5.8% as of September 30, 2012. We promote group-wide cooperation between our training departments by planning and implementing joint projects, programs and activities. This growing cooperation and the resulting improvements represents an achievement that ensures we maintain our high level of company-specific expertise. Schuler promotes excellent technical education at its facilities around the world. In August 2012, for example, Schuler opened a new training center in Puebla, Mexico. Schuler offers a German-style apprenticeship at this location based on the dual education approach for around 30 young people – including those of other companies.

**TABLE 10 OVERVIEW OF APPRENTICESHIPS AT THE END OF THE REPORTING PERIOD**

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| **Schuler Group in total** | **318** | **300** |
| Forming Systems segment | 241 | 231 |
| Automation segment | 30 | 28 |
| Tools segment | 25 | 26 |
| Others | 22 | 15 |

Schuler offers training in a variety of professions. All in all, we provide apprenticeships for 15 industrial-technical professions and two commercial professions. We have also been offering dual and cooperative degree programs with a technical orientation, and three dual degree programs with a business administration focus, for over 12 years now. Demand for such sandwich courses remains strong. A number of reputable companies have transferred part of their vocational training activities to Schuler's training centers in order to benefit from our highly-skilled training capacities.

**Unlimited contracts offered to successful apprentices.**

Thanks to consistently strong demand for our products in fiscal year 2011/12, we were able to offer full-time employment contracts to all apprentices who successfully completed their training and displayed a high level of motivation.

## WORLDSKILLS – MOTIVATION FOR EXCELLENCE

Schuler is a member and partner of WorldSkills, an initiative designed to promote the vocational skills of young people through national and international competitions. Following the success of past years, in which Schuler apprentices repeatedly collected national and international titles, our apprentices added another chapter to Schuler's success story in 2012. Two teams from Erfurt came in 1st and 2nd at the German championships in March 2012 in the "Mobile Robotics" category. The participants had to solve logistical and production tasks with the aid of robots. The winners qualified for the European championships in Spa, Belgium, held in October 2012. The competition was won by an apprentice from Schuler's facility in Erfurt. In addition to his title of "European Champion," he was also honored in a number of other categories. With a total of three gold medals, he was the competition's most successful participant.

## SUCCESSFUL TRAINING DAYS

In the past fiscal year, we once again opened the doors of our training centers for interested visitors. The apprentices themselves were the center of attention at our Training Days. They displayed great enthusiasm and motivation as they presented Schuler's apprenticeship programs to their potential successors. In addition to  presentations on training and university programs, visitors were also treated to factory tours and product demonstrations. Our Training Days attracted a large number of visitors.

**Open Day at our training centers attracted many visitors.**

Our regular presence at university and schools' career fairs is an important element of our university marketing strategy. Students and potential future employees can use the opportunity to exchange notes with our experts and managers regarding jobs, bachelor's and master's theses, and internships.

## PERSONNEL DEVELOPMENT – GROUP-WIDE TRAINING PROGRAM AS KEY ELEMENT

The group-wide training program is aimed at our objective of offering mainly interdisciplinary topics from a single source across all facilities. This not only allows us to utilize synergies but also to promote the formation of networks among course participants. On focus area is to strengthen the methodological skills of our employees, thereby enabling them to work more effectively and successfully. Our cross-cultural training prepares staff for work abroad. One main feature of our program is to constantly take account of changing requirements by offering new courses. Our managers are increasingly being called upon to work across a number of facilities. This also represents a considerable challenge for their leadership skills. At our seminars, managers learn to treat teams equally at different sites, as well as to motivate them and gain their full commitment.

## PERSONNEL DEVELOPMENT PROGRAMS – CONTINUALLY PROMOTING POTENTIAL

**Focus on promoting young talented staff. Targeted change management workshops for senior executives.**

Dedicated young employees with the potential to assume greater responsibility along our defined career paths are provided with the necessary training to take on such new challenges.

Our managers reflect on their current situation and leadership behavior at personnel development workshops, where they receive advice on how to enhance their management skills. In another workshop, experienced managers refresh their leadership techniques and discuss their current issues with the aid of professional support.

## CHANGE MANAGEMENT – THE SPECIAL CHALLENGE FOR TOP MANAGEMENT

In the course of its "GrowingTogether" program, Schuler has implemented numerous changes. In such situations, senior managers are mostly called upon to pro-actively support and communicate the change processes. At a Change Management workshop, managers were given the opportunity to discuss the opportunities and risks of the current situation and to develop strategies for a constructive approach in their respective field of responsibility. The plan is to continue these workshops with new topics in the new fiscal year.

## TOP-CLASS QUALIFICATIONS

The Schuler Group boasts a high degree of well-qualified and highly-skilled employees. Seventeen percent (17%) of all staff have an engineering degree. Fifty percent (50%) have skilled worker qualifications. Thirty-two percent (32%) are commercial and technical employees. One percent (1%) of the workforce are unskilled workers.

## STRONG IDENTIFICATION WITH THE COMPANY

Staff identification with the company continues to be extremely high. Schuler employees are proud of their company and display a high degree of loyalty. This is underscored by the relatively low level of employee turnoverof 2.8%.

**Low fluctuation of 2.8% shows strong identification of staff with their company.**

**TABLE 11** FLUCTUATION IN THE PAST FISCAL YEAR (EXCLUDING APPRENTICES)

| | Fiscal year 2011/12 Total fluctuation | Fiscal year 2011/12 Fluctuation, only voluntary departures | Fiscal year 2010/11 Total fluctuation | Fiscal year 2010/11 Fluctuation, only voluntary departures |
|---|---|---|---|---|
| Total in Group | 6.1 % | 2.8 % | 5.6 % | 2.4 % |
| Total in Germany | 5.9 % | 2.3 % | 4.4 % | 1.5 % |
| Total outside Germany | 6.7 % | 4.3 % | 9.5 % | 5.5 % |

**TABLE 12** AVERAGE SERVICE YEARS (EXCLUDING APPRENTICES)

| | Fiscal year 2011/12 Average service length | Fiscal year 2010/11 Average service length |
|---|---|---|
| Total in Group | 16.6 years | 17.4 years |
| Total in Germany | 18.4 years | 19.3 years |
| Total outside Germany | 10.6 years | 11.1 years |

## COMPANY HEALTH MANAGEMENT

**The Company Health Management program makes a major contribution towards staff satisfaction.**

The first Schuler Health Fair was held in December 2011. Some 20 course providers and partners of Schuler's Company Health Management area were invited to present their health initiatives to staff.

Schuler has been actively promoting its new Company Health Management program since January 1, 2012. The lectures, courses and training sessions offered have been well received by staff. The program comprises back training, yoga, aqua-fitness, body-balance, running techniques, bicycle tours, and fitness breaks. One particular highlight is the lecture series on specific health topics.

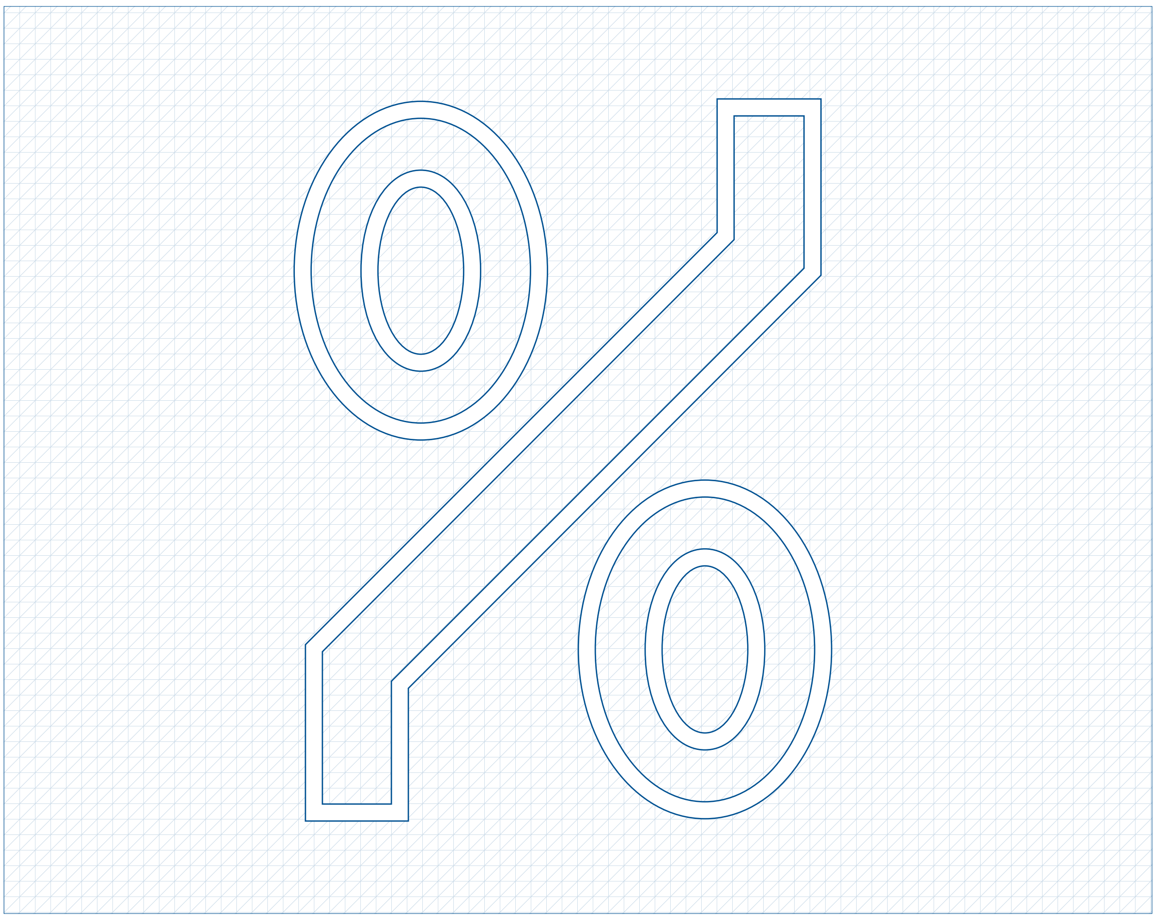
There is also a special event for new apprentices during their induction week. The apprentices visit a climbing park with their trainers to discover the best route for them – and appropriately assess their abilities. This helps achieve a number of things: the sporting challenge, team building, strengthening team spirit, promoting trust, and – of course – the opportunity to get to know each other.

In June 2012, the 10th BASF Company Cup Rhein-Neckar was held. Over 15,000 participants ran the 4.8 kilometers of the Hockenheim Motodrom. Schuler was well represented with 120 employees from five different sites.

With its company sports and company health programs, Schuler makes a decisive contribution toward raising staff satisfaction – and also attracting new active employees. Almost one third of all employees at our Göppingen site have actively participated in our health activities. All measures are regularly evaluated. The new company health program activities offer a variety of benefits: the participants enjoy actively sporting events, and reflect on their current health and wellness. They are highly motivated and identify closely with the company. The company health program also plays an important role in forming networks throughout the Group.

SCHULER AG
ANNUAL REPORT 2011/12

# GROUP MANAGEMENT REPORT THE FISCAL YEAR



## CONTENT



SCHULER

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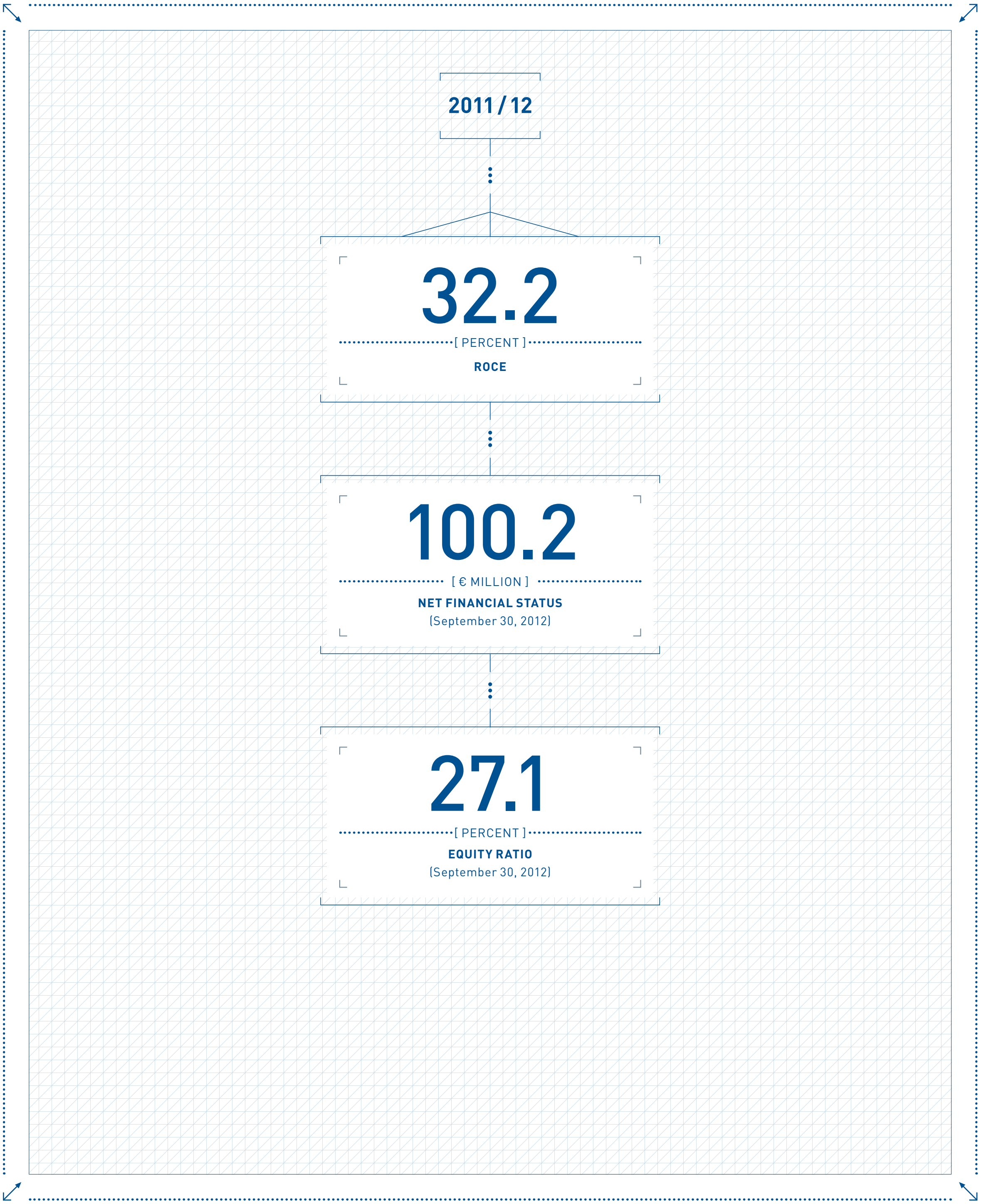
**CHART 11** SELECTED BUSINESS DEVELOPMENT FIGURES IN 2011/12



# ECONOMIC AND SECTOR ENVIRONMENT

## GLOBAL ECONOMY CONTINUES TO LOSE MOMENTUM IN 2012

Global economic growth slowed in the second half of 2011. This trend continued in 2012. In its current fall outlook, the International Monetary Fund (IMF) expects global gross domestic product (GDP) to grow by 3.3%, compared to 3.8% in 2011. This development is due to both the effects of the Euro zone debt crisis and slowing economic drive in the emerging markets.

**Slight recession in the Euro zone.**

After still reaching a growth rate of 1.4% in 2011, GDP in the Euro zone is expected to fall by 0.4% in 2012. Those economies hit hardest by the debt crisis in the southern part of the Euro zone are already in recession, while Germany continues to make positive progress. Experts currently forecast growth of 0.9% for 2012 (prior year: 3.1%). The U.S. achieved growth of 1.8% in 2011 and can expect an additional increase of 2.2% in 2012. The Japanese economy recovered from the consequences of its natural catastrophe in spring 2011 and is likely to grow by 2.2%. China and India both grew strongly in 2011 with rates of 9.2% and 6.8%, respectively. This upturn appears unbroken in 2012, albeit with growth rates slightly below the prior-year figures. The Brazilian economy is expected to grow by 1.5% (prior year: 2.7%). Russia continues to benefit from a strong cyclical momentum. Following GDP growth of 4.3% in the previous year, the IMF forecasts growth of 3.7% in 2012.

TABLE 13 GDP DEVELOPMENT — IN PERCENT

| | 2012 | 2011 |
|---|---|---|
| **World** | **3.3** | **3.8** |
| Euro zone | −0.4 | 1.4 |
| Germany | 0.9 | 3.1 |
| U.S. | 2.2 | 1.8 |
| Japan | 2.2 | −0.8 |
| China | 7.8 | 9.2 |
| India | 4.9 | 6.8 |
| Brazil | 1.5 | 2.7 |
| Russia | 3.7 | 4.3 |

Source: IMF, October 2012

## AUTOMOTIVE SECTOR STILL GROWING IN MANY REGIONS

The year 2011 was a successful one for the global automotive industry. The number of new car registrations rose by around 6.0% to 65.4 million units.

**Marked decline in car sales throughout Western Europe.**

In Western Europe, the number of new registrations fell slightly to 12.8 million cars due to the effects of the sovereign debt crisis. This trend intensified in the course of 2012. After the first nine months, sales were down 7.6% from the previous year at 9.2 million cars. Sales in the new EU countries (EU 11) were more stable, following a slight decline in 2011. As of September 2012, new registrations of 0.6 million were slightly up on the previous year (+0.4%).

After recording strong growth in 2011 (+8.8%), sales in Germany were noticeably down in 2012. At 2.4 million cars, new registrations from January to September 2012 were 2.0% below the corresponding prior-year period. In 2011, the German car industry produced 5.9 million units (+5.8%), of which 4.5 million cars were exported (+6.6%). The German Association of the Automotive Industry (Verband deutscher Automobilindustrie – VDA) expects a slight decline in production (2.0%) and exports (1.0%) in the first nine months of 2012.

**U.S. market still very robust.**

There was strong growth in the U.S. market for light vehicles (cars and light trucks) in 2011, with an increase in sales of 10.2%. Demand continued to rise sharply in the first nine months of the current year. With 10.9 million units, the U.S. market grew by around 14.5%.

Due to the consequences of the natural disaster, sales in Japan were down 16.3% on the previous year to 3.5 million units in 2011. The ensuing recovery phase led to a sharp increase in new registrations. As of the end of September 2012, sales rose by 41.5% to around 3.7 million cars.

There was growth throughout the BRIC nations (Brazil, Russia, India and China) in 2011 and car sales remained extremely robust there in the current year. Following growth of 2.9% to 3.4 million light vehicles, demand in Brazil rose by 5.5% to around 2.7 million units in the first nine months of 2012. The Russian market posted growth of 38.7% in 2011 to almost 2.7 million units. As of September 30, 2012, sales had risen by 13.8% to 2.2 million units. Prior-year sales in India were exceeded by 6.0% to reach a volume of 2.5 million cars in 2011. From January to September 2012, sales rose by 10.0%. In China, a total of 12.2 million light vehicles were sold in 2011 (+8.4%). With 9.6 million new registrations (+8.5%), the Chinese market continued to grow strongly in the first nine months of 2012.

## DYNAMIC GROWTH FOR MACHINE TOOL MANUFACTURERS

**Strong global demand for machine tools in 2011.**

The global machine tool market enjoyed strong growth in 2011. According to calculations of the German Machine Tool Builders' Association (Verein Deutscher Werkzeugmaschinenfabriken – VDW), global production rose by 29% to € 61.9 billion. In an international comparison, China was the leading manufacturer with a share of 23.5%, followed by Japan (21.3%) and Germany (15.5%).

The German machine tool industry raised output by 31.0% to € 12.9 billion. New orders reached an all-time-high of € 16.9 billion with growth of some 45.0%. The annual average order backlog level amounted to 9.1 months – well above the comparative prior-year figure of 7.4 months. Domestic consumption in 2011 increased by 37.0% to € 6.7 billion while exports were up 31.0% year on year to € 7.9 billion.

**Falling order volumes in 2012.**

The first nine months of 2012 saw more progress for Germany's machine tool manufacturers. Production volume was up 12% year on year with sector sales growth of 9%. Demand, however, began to weaken noticeably. There was a marked decline in new orders (–11%), whereby foreign demand was down by 12% and domestic orders by over 8%. The average order backlog reached 8.3 months in October and was below the prior-year figure of 9.2 months. Capacities were still almost fully utilized in October at 93.3%, but already 2.2 percentage points below the preceding month.

# BUSINESS DEVELOPMENT

## NEW ORDERS REACH RECORD PRIOR-YEAR LEVEL

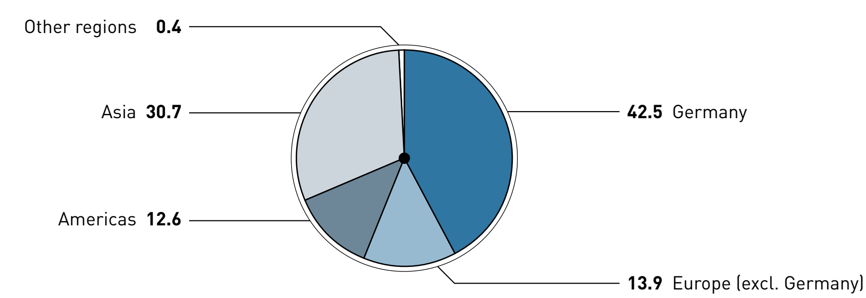
**Demand of € 1.3 billion in fiscal year 2011/12 at record prior-year level.**

Demand for our products and solutions remained strong in fiscal year 2011/12. With a total value of € 1,300.9 million, new orders fell marginally short of the record € 1,319.0 million in the previous year. However, there were also strong regional discrepancies.

TABLE 14 NEW ORDERS IN € MILLIONS

| | 2011/12 | 2010/11 |
|---|---|---|
| Germany | 552.3 | 415.1 |
| Europe (excl. Germany) | 180.4 | 306.6 |
| Americas | 164.6 | 203.4 |
| Asia | 399.1 | 390.7 |
| Other regions | 4.6 | 3.2 |
| **Total** | **1,300.9** | **1,319.0** |

CHART 12 NEW ORDERS BY REGION 2011/12 IN PERCENT




**Domestic market making good progress; sharp fall in demand in rest of Europe and America.**

Whereas domestic business continued to make extremely strong progress with an order volume of € 552.3 million and growth of 33.0%, there were declines in the rest of Europe and the Americas. In Germany, strong demand from car manufacturers and their suppliers for our products with servo technology was largely responsible for a strong increase in orders. In the rest of Europe, orders fell by 41.2% to € 180.4 million (prior year: € 306.6 million). The main reason for this downturn was the special situation in the previous year during which there was very strong demand from major OEMs to equip their East European facilities. Orders in America were down 19.1% to € 164.6 million (prior year: € 203.4 million). The Asian market, however, continues to make strong progress. With new orders worth € 399.1 million, the high prior-year figure of € 390.7 million was once again exceeded.

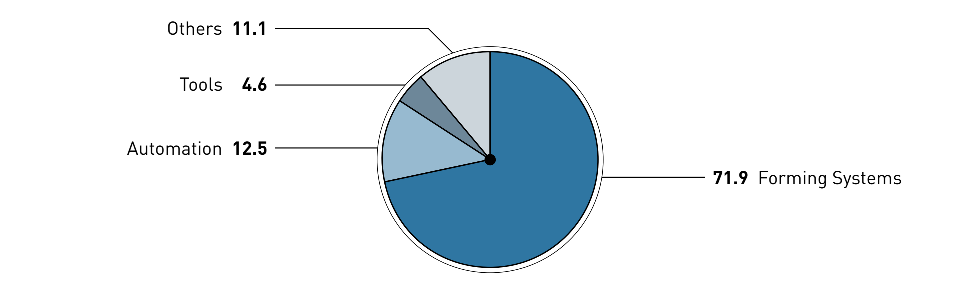
All in all, new orders received from outside Germany in fiscal year 2011/12 amounted to 57.5% (prior-year period: 68.5%). In fiscal year 2011/12, the Forming Systems segment received new orders worth € 1,062.8 million (prior year: € 1,102.1 million) and was once again the strongest segment in terms of total order volume (71.9%). With new orders worth € 184.4 million, the Automation segment almost reached its prior-year figure of € 188.5 million. The Tools segment recorded new orders of € 67.4 million. This represents a decline of 10.0% compared to € 75.0 million in the previous year.

**Automation maintains high prior-year level.**

In the Others segment, new orders reached € 163.8 million. This represents year-on-year growth of 11.4% (prior year: € 147.0 million). This increase is largely due to strong U.S. demand for hydroformed parts. In the hydroforming process, tubes and profiles are expanded from within using a liquid active medium and a closed forming die. This means that hollow bodies can be produced with complex outer geometries and special rigidity characteristics.

New orders of the different segments contain orders from both non-Group third parties as well as from other segments belonging to the Group. Transfer prices for inter-Group transactions are always set on an arm's length basis.

**CHART 13 NEW ORDERS BY SEGMENT 2011/12** IN PERCENT



## ORDER BACKLOG AT ALL-TIME HIGH

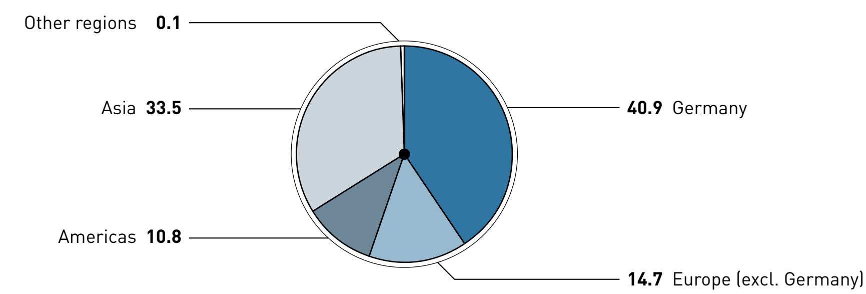
**High order backlog as stable basis for the coming fiscal year.**

At the end of the fiscal year on September 30, 2012, the order backlog of € 1,110.6 million exceeded the prior-year figure by 7.2%. It forms a strong starting point for the fiscal year 2012/13.

**TABLE 15 ORDER BACKLOG** IN € MILLIONS

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Germany | 453.9 | 295.3 |
| Europe (excl. Germany) | 163.1 | 226.3 |
| Americas | 119.5 | 134.8 |
| Asia | 372.5 | 378.1 |
| Other regions | 1.5 | 1.3 |
| **Total** | **1,110.6** | **1,035.7** |

**CHART 14 ORDER BACKLOG BY REGION 09/30/2012** IN PERCENT




**Domestic backlog up strongly by 53.7%.**

There was particularly encouraging growth in Germany, where the order backlog grew by 53.7% to € 453.9 million (prior year: € 295.3 million). The German market also grew strongly in proportion to other regions, accounting for 40.9% of total order backlog (prior year: 28.5%).

The backlog of European orders from outside Germany amounted to € 163.2 million and was thus 27.9% below the prior-year level (€ 226.3 million).

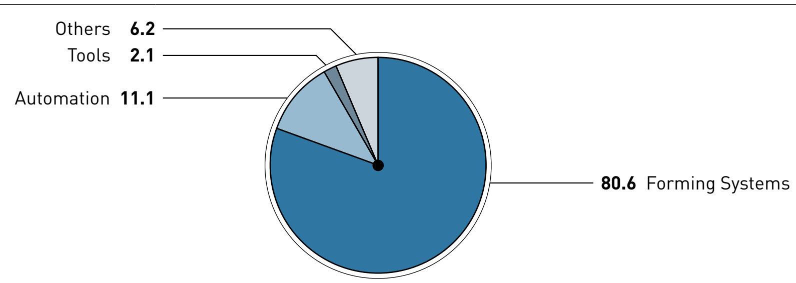
In the Americas, order backlog fell by 11.3% to € 119.5 million (prior year: € 134.8 million).

With an order backlog of € 372.5 million, the Asian market fell just short of its high prior-year figure of € 378.1 million. Foreign orders accounted for 59.1% of the total order backlog (prior year: 71.5%). Forming Systems was once again the strongest segment with an order backlog of € 1,003.5 million and 80.6% of total order backlog. Compared to the previous year, order backlog of the Forming Systems segment thus grew slightly by 5.9% (prior year: € 947.8 million). With an order backlog of € 138.4 million at year-end, the Automation segment almost reached its high prior-year level of € 140.6 million. The Tools segment contributed € 26.0 million to total order backlog (prior year: € 27.3 million). The Others segment made strong progress with a 57.3% increase in order backlog to € 76.9 million (prior year: € 48.9 million).

**The Forming Systems segment accounts for around 80% of total order backlog.**

**"Others" segment grows by 57.3%.**

**CHART 15** **ORDER BACKLOG BY SEGMENT 09/30/2012** IN PERCENT



## STRONG SALES GROWTH FOR SCHULER

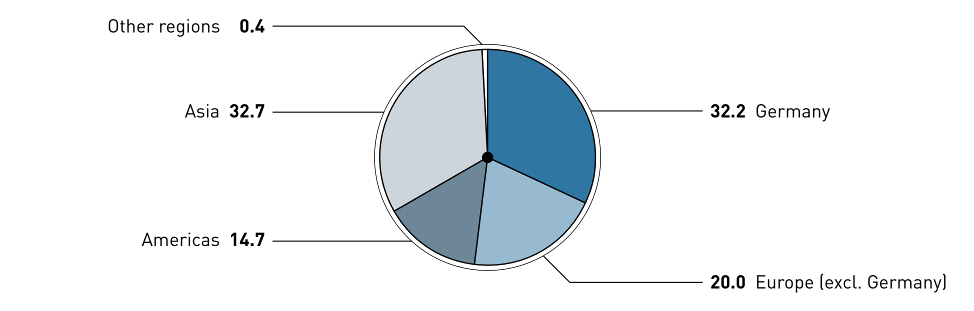
**Sales target of € 1.2 billion reached in fiscal year 2011/12.**

In fiscal year 2011/12, we once again succeeded in raising sales. With consolidated sales of € 1,226.1 million, we reached our sales target and exceeded the prior-year figure of € 958.5 million by 27.9%. The book-to-bill ratio, i.e. the ratio of new orders to sales revenues was thus 1.1 and as expected somewhat down on the prior-year figure of 1.4.

**TABLE 16 SALES** IN € MILLIONS

| | 2011/12 | 2010/11 |
|---|---|---|
| Germany | 394.9 | 297.0 |
| Europe (excl. Germany) | 245.7 | 152.4 |
| Americas | 179.8 | 193.1 |
| Asia | 401.2 | 308.8 |
| Other regions | 4.5 | 7.3 |
| **Total** | **1,226.1** | **958.5** |

**CHART 16 SALES BY REGION 2011/12** IN PERCENT




Once again, sales were strongest in Asia with revenues of € 401.2 million (prior year: € 308.8 million) and a share of 32.7%, closely followed by Germany with sales of € 394.9 million (prior year: € 297.0 million) and a share of 32.2%. This corresponds to sales growth of 29.9% in Asia and 33.0% in Germany.

There was a sharp rise of 61.2% to € 245.7 million in sales generated in the rest of Europe (prior year: € 152.4 million). This strong growth was mainly due to the ongoing processing of the high prior-year order backlog caused by special items.

**Sales in Europe grow by 61.2%.**

Revenues in the American market, however, fell to € 179.8 million (prior year: € 193.1 million).

All in all, revenues from our foreign markets grew by 25.6% to € 831.2 million (prior year: € 661.6 million). Foreign business thus accounted for 67.8% of total sales (prior year: 69.0%).

Sales were once again driven by the Forming Systems segment, which contributed € 1,007.1 million or 72.0% of total revenues. Compared to the previous year, this represents an increase of 31.5% (prior year: € 766.0 million).

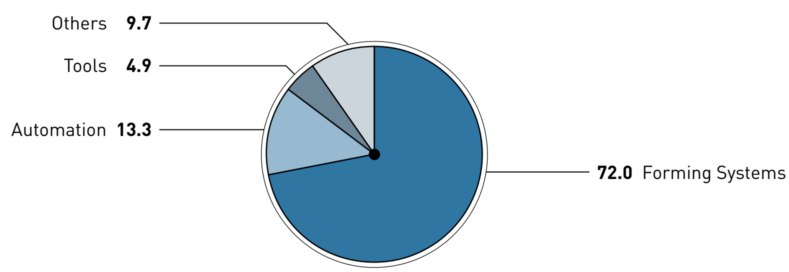
**Forming Systems accounts for 72% of sales. Sales of Automation segment up 59.0%.**

There was also strong sales growth of 59.0% in the Automation segment, which generated revenue of € 186.6 million (prior year: € 117.3 million). The development of the Automation segment depends strongly on the number of press lines sold, as the automation equipment supplied by the segment represents an important part of the press line. The increase in sales of press lines thus helped drive revenues in the Automation segment.

Sales in the Tools segment fell by 9.0% to € 68.7 million (prior year: € 75.5 million).

The Others segment generated revenues of € 133.7 million and thus raised sales slightly, compared to the prior-year figure of € 128.3 million.

**CHART 17 SALES BY SEGMENT 2011/12** IN PERCENT




THE RESULTS

# EARNINGS POSITION

## POSITIVE DEVELOPMENT IN KEY EARNINGS FIGURES

**Record earnings level.**

Fiscal year 2011/12 was an exceptionally successful year for Schuler. Revenues grew by 27.9% to € 1,226.1 million and thus reached an all-time high. Total performance grew almost proportionately to € 1,235.4 million (prior year: € 975.1 million). New orders of € 1,300.9 million were almost unchanged from the previous year (€ 1,319.0 million).

TABLE 17 CONDENSED INCOME STATEMENT IN € MILLIONS

| | 2011/12 | 2010/11 |
|---|---|---|
| Sales | 1,226.1 | 958.5 |
| EBITDA | 118.3 | 84.8 |
| Depreciation/writeups | 22.5 | 30.3 |
| EBIT | 95.8 | 54.4 |
| Interest result | – 16.6 | – 32.1 |
| EBT | 79.2 | 22.4 |
| Income taxes | 27.4 | – 1.7 |
| Group profit or loss | 51.8 | 24.0 |

In fiscal year 2011/12, the cost of materials amounted to € 611.4 million (prior year: € 459.4 million). Based on total performance, the cost of materials ratio amounted to 49.5% (prior year: 47.1%). This was largely due to the increased proportion of large-scale projects for the automotive sector with a proportionately higher cost of materials ratio. Personnel expenses increased by 13.1% to € 363.3 million (prior year: € 321.2 million). With an increase in total performance, the personnel expense ratio fell from 32.9% to 29.4% due to a moderate increase in headcount.

Other expenses rose by 20.8% from € 136.4 million to € 164.7 million. This rise was mainly due to utilization-related costs, such as packaging, outgoing freight costs and duties, as well as repeat effects from maintenance expenses. Other income fell in the reporting period by € 3.7 million to € 22.2 million. This decline resulted mainly from lower reversals of order-based provisions as well as the lack of rental income. Other income includes an amount of € 1.0 million from the sale of know-how in the field of wind turbine technology.

All in all, the Schuler Group strongly improved profitability in the reporting period. EBITDA rose by 39.5% to € 118.3 million, so that the EBITDA margin improved from 8.8% to 9.6%. After accounting for a reduction in depreciation of € 7.8 million, mainly due to lower non-scheduled write-downs, EBIT rose to € 95.8 million (prior year: € 54.4 million). ROCE almost doubled to 32.2% (prior year: 16.7%). In addition to the strong improvement in the operating result, this was largely due to the reduction in average capital employed of 8.8%.

**EBITDA margin improves to 9.6%.**

The increase in EBT from € 22.4 million to € 79.2 million was also helped by the interest result, which improved year on year by € 15.5 million to € –16.6 million. This improvement was helped by the more favorable terms of the new syndicated loan agreement signed in November 2011 and the corresponding reduction of the term loan, as well as to higher interest earnings from increased average cash and cash equivalents during the fiscal year.

**Schuler posts consolidatedprofit of € 51.8 million.**

After consideration of income taxes, consolidated profit for fiscal year 2011/12 more than doubled to € 51.8 million (prior year: € 24.0 million).

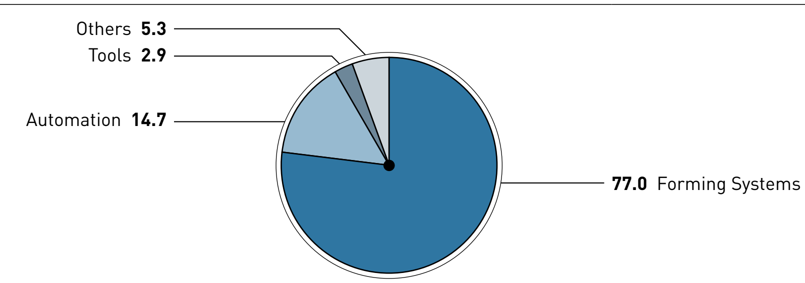
The tax ratio for the reporting period amounted to 34.6% (prior year: –7.5%). Tax expenses of € 27.4 million include domestic taxes of € 2.9 million (prior year: € 3.7 million), foreign taxes of € 6.5 million (prior year: € 3.3 million) and deferred taxes of € 18.1 million (prior year: € –8.7 million). Compared to the previous year, write-ups on originally non-usable loss carryforwards had a less than proportionate effect on deferred tax expenses. Tax expenses also include current tax expenses of € 2.4 million from the ongoing tax audit.

## GOOD SEGMENT RESULTS

**Forming Systems segment makes strong contribution to earnings.**

The operating results of the Group's business segments made further strong progress. Revenues of the Forming Systems segment rose by 31.5% to € 1,007.1 million (prior year: € 766.0 million). EBIT improved even more strongly by 119.5% to € 87.4 million (prior year: € 39.8 million). It should be noted, however, that the prior-year figures were burdened by write-downs and other special items of € 12.9 million. In the Automation segment, revenues increased by 59.0% to € 186.6 million (prior year: € 117.3 million), while EBIT almost doubled to € 16.7 million (prior year: € 8.7 million). Revenues of € 68.7 million in the Tools Segment were down on last year's figure of € 75.5 million. However, there was an increase in EBIT to € 3.3 million (prior year: € 1.5 million). The Others segment posted sales growth of 4.3% to € 133.7 million (prior year: € 128.3 million) and generated an EBIT result of € 6.0 million (prior year: € 14.9 million). The decline in earnings resulted mainly from the development of operating results at the Group's Sales & Services companies.

**CHART 18** **EBIT BY SEGMENTS** IN PERCENT



# FINANCIAL POSITION

## LONG-TERM FINANCE FOR FUTURE DEVELOPMENT

Schuler AG plays a major role with regard to financing and securing liquidity within the Group. It is responsible for most debt financing and provides the Group's subsidiaries with funds as and when they are required. Via the Group's central cash pooling activities, the Treasury department of Schuler AG takes any surplus funds from the Group's subsidiaries and in turn provides them with liquidity where required.

**New syndicated loan with attractive terms.**

Due to Schuler's healthy economic situation and improved equity ratio following the capital increase in the previous year, a new syndicated loan agreement was concluded in November 2011 with a total volume of € 450.0 million and improved conditions. This replaced the existing syndicated loan agreement and the guarantee provided by the federal state of Baden Württemberg. The new syndicated loan agreement expires on September 30, 2016. The agreement comprises a guarantee facility tranche of € 300.0 million (prior year: € 250.0 million), which can be increased if required by a further € 50.0 million, and a credit facility tranche of € 150 million (prior year: € 123.8 million), which may also be used in full as a guarantee facility. The greatly improved terms of the new syndicated loan agreement are dependent on the Schuler Group's relationship of net borrowing to EBITDA and are reviewed and adjusted where necessary each quarter. The syndicated loan agreement contains a standard change-of-control clause, under which the syndicate of banks can demand repayment of the loan agreement if one shareholder or several shareholders acting in unison acquire more than 50% of the shares and voting rights in Schuler AG. In September 2012, the syndicate of banks agreed that should the anti-trust authorities approve the takeover and the shareholding of the technology group Andritz exceeds the 50% threshold, Schuler is no longer obliged to repay the syndicated loan prematurely.

In addition, the Schuler Group has bilateral credit lines and loans which are mainly denominated in EUR and BRL (Brazilian Real). Insofar as variable-interest loans were negotiated, these are mostly hedged against by interest hedging instruments or opposing positions. The average term of the fixed-interest loans is 2.7 years (prior year: 3.2 years) and that of the variable-interest loans 3.6 months (prior year: 3.3 months).

In total, the Schuler Group has credit and guarantee facilities with various credit institutes and credit insurance partners amounting to € 582.7 million (prior year: € 550.6 million), of which € 217.3 million (prior year: € 92.8 million) were unused at the end of the reporting period. In addition to the increase in credit and guarantee facilities, the decreased usage resulted mainly from the repayment of the term loan taken out to redeem the old syndicated loan and a lower need for guarantees. At the end of the reporting period, cash and cash equivalents amounted to € 189.2 million (prior year: € 236.7 million).

Furthermore, we use selected off-balance-sheet financial instruments, such as operating leases. As of September 30, 2012, payment obligations from operating leases amounted to € 111.5 million (prior year: € 119.3 million).

Additional details on finance and on the principles and targets of financial management are provided in the notes to the consolidated financial statements.

## FINANCIAL STATUS STILL STABLE

The statement of cash flows presents a breakdown of cash proceeds and disbursements from operating, investing and financing activities. After adding cash and cash equivalents at the beginning of the year and non-cash changes in liquid funds from exchange rate fluctuations, this results in the total amount of cash and cash equivalents available at the end of each fiscal year.

TABLE 18 CONCISE STATEMENT OF CASH FLOWS — IN € MILLIONS

| | 2011/12 | 2010/11 |
|---|---|---|
| Profit or loss for the year | 51.8 | 24.0 |
| Depreciation, amortization of non-current assets | 22.5 | 30.3 |
| Changes | | |
| Net working capital | – 63.5 | 136.5 |
| Provisions/other | 1.5 | – 10.0 |
| Cash flow from operating activities | 12.3 | 180.7 |
| Capital expenditures | – 26.2 | – 9.6 |
| Other | – 19.1 | 5.1 |
| Cash flow from investing activities | – 45.3 | – 4.4 |
| Increase/redemption of financial liabilities | – 8.0 | – 103.4 |
| Other | – 5.5 | 65.0 |
| Cash flow from financing activities | – 13.5 | – 38.4 |
| Change in cash and cash equivalents | – 46.4 | 138.0 |
| Change in cash and cash equivalents due to exchange rate fluctuations | – 1.0 | – 0.1 |
| Net change in cash and cash equivalents | – 47.5 | 137.9 |

In fiscal year 2011/12, the Schuler Group generated cash flow from operating activities of € 12.3 million, compared to € 180.7 in the previous year. This decrease of € 168.4 million is mainly due to the decline of € 193.7 million in changes to payments on account received. Due to the strong level of new orders in previous periods, payments on account from customers were at a high level and were used in the reporting period for order processing. There was a positive effect on cash flow from operating activities, however, from the strong increase in profit after tax by € 27.8 million to € 51.8 million.

**Scheduled decline in cash flow from operating activities.**

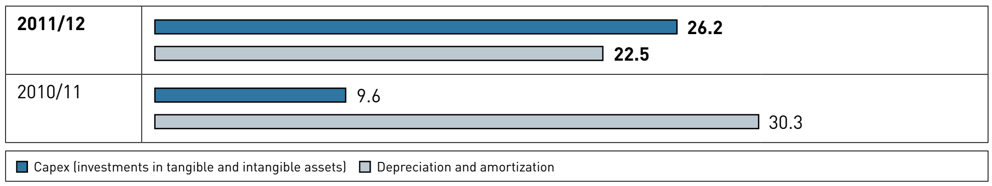
In the reporting period, cash flow from investing activities changed from € –4.4 million to € –45.3 million. This negative balance comprises on the one hand the one-off payment of € 20.0 million for the open purchase price obligation pertaining to the debtor warrant agreed on the purchase of the former Müller-Weingarten AG. The one-off payment was tied to the initial achievement of an EBITDA result of € 81.0 million in the fiscal years 2009/10 to 2011/12. In the fiscal year 2010/11, this condition was met with an EBITDA of € 84.6 million. Further cash outflows resulted mainly from increased investment in property, plant and equipment and intangible assets as well as the purchase price payment (€ 3.1 million) for the acquisition of ATIS GmbH. Cash inflows from the disposal of financial assets result from the sale of Müller Weingarten Česká Republika, Mořkov, Czech Republic.

Cash flow from financing activities amounted to € –13.5 million in fiscal year 2011/12 (prior year: € –38.4 million). The premature repayment of a subordinated loan of Schuler AG amounting to € 15 million had a major influence. There was also a dividend payment of € 5.8 million to the shareholders of Schuler AG in the third quarter of the reporting period.

**Schuler pays dividend of € 5.8 million for fiscal year 2010/11.**

All in all, the change in cash and cash equivalents amounted to € –46.5 million (prior year: € 137.9 million). After accounting for changes due to currency fluctuations, cash and cash equivalents fell from € 236.7 million as of September 30, 2011 to € 189.2 million. In the reporting period net liquidity fell from € 137.8 million in the previous year to € 100.2 million.

**CHART 19 CAPEX AND DEPRECIATION** IN € MILLIONS




**Increase in capital expenditures to € 26.2 million.**

In fiscal year 2011/12, the Schuler Group increased its investment volume from € 9.6 million to € 26.2 million. The main focus of investment was property, plant and equipment with an amount of € 22.7 million (prior year: € 7.9 million) and focused mainly on plant and machinery. Investments in intangible assets amounted to € 3.5 million, compared to € 2.7 million in the previous year, and mainly comprise investments to expand and optimize the IT infrastructure as well as capitalized development costs. Depreciation of tangible and intangible assets fell from € 30.3 million to € 22.5 million in the reporting period. This decline is mainly due to unscheduled write-downs made in the previous year.

# ASSETS POSITION

## SIGNIFICANT IMPROVEMENT IN EQUITY

TABLE 19 **CONCISE STATEMENT OF FINANCIAL POSITIONS** IN € MILLIONS

| | | 2011/12 | 2010/11 |
|---|---|---|---|
| ASSETS | | 902.7 | 896.5 |
| A. | Non-current assets | 283.2 | 285.6 |
| | of which intangible assets, property, plant and equipment, interests in affiliates and participations | 233.6 | 227.9 |
| B. | Current assets | 619.5 | 610.9 |
| | of which inventories | 131.7 | 124.7 |
| | of which trade receivables and future receivables from long-term construction contracts | 239.5 | 204.5 |
| | of which cash and cash equivalents | 189.2 | 236.7 |
| | | | |
| LIABILITIES | | 902.7 | 896.5 |
| A. | Shareholders' equity | 244.6 | 205.2 |
| B. | Non-current liabilities | 178.9 | 172.4 |
| | of which financial liabilities | 57.1 | 67.6 |
| | of which pension provisions | 97.6 | 79.5 |
| | of which other provisions | 16.0 | 22.3 |
| C. | Current liabilities | 479.2 | 519.0 |
| | of which financial liabilities | 31.9 | 31.3 |
| | of which trade payables | 86.9 | 84.8 |
| | of which other liabilities | 270.0 | 314.3 |
| | of which other provisions | 80.0 | 82.8 |

At the end of the reporting period on September 30, 2012, the total statement of financial positions of the Schuler Group was up 0.7% on the previous year at € 902.7 million. On the asset side, non-current assets fell by € 2.4 million to € 283.2 million (prior year: € 285.6 million). Fixed assets rose by a total of € 5.8 million. This increase is largely due to increased investment in property, plant and equipment and the purchase of ATIS GmbH. There was an opposing development in deferred tax assets, which fell by € 11.4 million from € 46.6 million to € 35.2 million. This decline resulted mainly from increased deferred tax liabilities compared to the previous year due to accounting differences for long-term construction contracts. Current assets rose from € 610.9 million to € 619.5 million. This year-on-year increase of € 8.6 million is due to a strong rise in receivables from long-term construction contracts of € 44.2 million and an increase in inventories of € 7.0 million. On the other hand, cash and cash equivalents of the Schuler Group fell year on year by € 47.5 million to € 189.2 million. These funds were used in the reporting period to finance order processing and repay long-term financial debts.

Due to the planned sale of real estate and to a lesser extent electrical fittings at the former base of Schuler Incorporated, USA, in Columbus/Ohio, property, plant and equipment of € 0.8 million was reclassified as available-for-sale assets. During the course of their valuation, an impairment charge of € 0.2 million was recognized for these assets in depreciation of property, plant and equipment.

**Equity ratio amounts to 27.1%.**

In fiscal year 2011/12, shareholders' equity rose by € 39.4 million to € 244.6 million. There was a particularly positive effect from the consolidated profit of € 51.8 million. The dividend payment to shareholders of Schuler AG and minority interests, however, reduced shareholders' equity by € 5.8 million and € 0.8 million, respectively. Moreover, actuarial effects from the measurement of pension provisions amounting to € 10.8 million after deferred taxes had a negative impact on equity. The increase in shareholders' equity of 19.2% exceeded growth in the total statement of financial positions, resulting in an improvement in the equity ratio from 22.9% to 27.1%.

Non-current liabilities rose from € 172.4 million to € 178.9 million in the reporting period. This increase of € 6.5 million resulted mainly from pension provisions, which rose by € 18.1 million to € 97.6 million largely due to a reduction in the discount factor from 4.1% to 3.5%. Moreover, other liabilities and deferred tax liabilities grew in total by € 5.2 million. There was an opposing fall in bank liabilities of € 10.5 million, from € 67.6 million to € 57.1 million, and in other provisions of € 6.3 million to € 16.0 million, especially due to the decline in provisions for personnel.

The fall in current liabilities of € 39.8 million to € 479.2 million is primarily due to a decline in payments on account received of € 35.2 million. Due to the strong level of new orders in the previous years, payments on account from customers were at a very high level and are now being used to process orders. There was also a decline in other provisions of € 2.8 million to € 80.0 million, due mainly to personnel-based items. In contrast, there was an increase in trade payables from € 84.8 million to € 86.9 million, due to increased purchasing volumes. Moreover, income tax provisions rose by € 4.0 million to € 9.5 million.

# OPPORTUNITY AND RISK REPORT

## 1. RISK MANAGEMENT PROCESS

### / 1.1 PRINCIPLES

As an internationally operating company, Schuler is active in a variety of core markets, sectors and regions. This results in numerous opportunities, but also business-specific risks. The objective of our business activities is therefore to exploit the potential opportunities while minimizing risks, thereby systematically and sustainably enhancing the company's value.

**Risk management is an integral part of corporate management.**

Identifying risks and opportunities at an early stage, evaluating them and taking appropriate steps to counter or exploit them is of vital importance for the company's success. Our risk management system is an integral part of corporate management.

The risk management process is standardized and applies throughout the Group. It ensures that risks and opportunities in all major organizational units are analyzed systematically and measured in the same way. The risk transparency this creates enables us to derive suitable measures to control or counter such risks. Implementing these measures generally results in a reduction of the potential damage or the realization of potential opportunities.

### / 1.2 FURTHER DEVELOPMENT OF GROUP RISK MANAGEMENT

In the past fiscal year we made further improvements to our risk management process. The corporate guideline on risk and opportunity management not only includes our strategic risk principles, a description of processes and the respective reporting tools, but also formulates binding instructions on early detection, reporting, evaluation, controlling, and monitoring risks and opportunities.

**Binding regulations on handling of opportunities and risks.**

Based on the quarterly risk analyses conducted by the Risk Officer and a plausibility study of reports prepared by the Risk Coordinator of the respective operating unit, all incoming reports are subsequently summarized in a Group Risk and Opportunity Report. A further plausibility check is conducted and Central Risk Management consolidates the findings where necessary. The quarterly Group Risk and Opportunity Report is then presented to the Board of Management, which in turn informs the Audit Committee.

Due to the differing revenues of the various organizational units, different thresholds have been defined for the risk and opportunity inventory. This ensures that even smaller organizational units are included.

**Systematic classification and evaluation of risks.**

Risks and opportunities are classified and evaluated by Risk Officers according to the probability of their occurrence, the extent of their potential damage, and their time horizon. We distinguish between risks and opportunities, which may occur within the next twelve months, and those whose probability of their occurrence has a time horizon of over one year. As a result, our risk and opportunity reporting also considers strategic issues.

Risk control measures are defined for each risk and monitored as part of the measures controlling process.

In the event of risks with a high potential damage level and a high probability of occurrence, Risk Officers are obliged to submit an ad-hoc report to Central Risk Management.

### / 1.3 MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP'S FINANCIAL REPORTING PROCESS

With regard to the financial reporting process, the internal control and risk management system (ICR) aims to guarantee the complete, correct and timely provision and processing of information. This is intended to prevent or detect material misrepresentations in the accounting and external reporting of the annual financial statements and management report of Schuler AG, as well as the Group management report and consolidated annual financial statements. With regard to our risk strategy, general principles and guidelines have been formulated which ensure the effectiveness, economic efficiency and correctness of the accounting system as well as compliance with the relevant legal regulations.

**Decentralized organization of accounting as key feature of Schuler's ICR system.**

A key feature of the internal control and risk management system within the Schuler Group is its decentralized organization and accounting. All legally independent units of a relevant size have efficient structures to handle critical corporate processes and core processes based on standard Group principles. With due consideration of the available resources and aspects of economic efficiency and effectiveness, we ensure that execution, approval and controlling functions are separated as far as possible. Corporate Accounting supports all domestic and foreign companies with the entire consolidated accounts process. In cooperation with the local accounting/controlling departments and the respective auditors, we ensure that external reporting requirements regarding the type and scope of disclosures are fully met – especially in the case of amendments. Significant accounting and valuation regulations are documented in a group-wide IFRS Consolidated Accounting Guideline. The minimum reporting requirements for the relevant subsidiaries are defined in standardized sets of forms. Together with the group-wide reporting calendar, these serve as an important basis for the preparation of financial statements. Amended reporting obligations are continually analyzed in respect of their relevance and impact on the parent company accounts of Schuler AG and the consolidated financial statements. The separate company accounts of Schuler AG and its subsidiaries are drawn up locally in accordance with the respective local regulations and then reconciled with IFRS standards. For monitoring and controlling purposes, the audited data are compared by Schuler AG with information from corporate planning and ongoing internal reporting to ascertain and analyzed as to whether targeted ratios and figures have been achieved. Monitoring also includes the assessment of opportunities and risks, the investment budget, the development of headcount, the progress of key development projects, and compliance with financial covenants under the terms of the syndicated loan agreement. Standard SAP software is used for the consolidation process, including the documentation, analysis and plausibility checking of reported data. In the case of unusual or complex issues, self-developed spreadsheet calculations are also used.

**Handling of financial risks is regulated in Treasury Manual.**

The management of financial risks is uniformly regulated throughout the Group by a Treasury Manual and is explained in detail in the section "Accounting principles and valuation methods" of the consolidated financial statements as well as in note (29) "Financial risk management and derivative financial instruments." Interest and foreign currency risks above a specified threshold must always be separately hedged against. In order to meet strict hedging relationship requirements, we use standardized forms to ensure compliance with the necessary documentation requirements. The Group's central treasury division conducts effectiveness measurements and sensitivity analyses. Changes in the underlying transactions, as a result of ordinary business, are continually monitored bylocal companies and, when necessary, additional hedges are conducted by the Group's central treasury division.

The handling of significant and risk-bearing processes in accounting, e.g. in the fields of capital expenditures, costing or inventories, is described by the respective guidelines and instructions which are available online via the company's intranet system. They describe areas of responsibility, processes and regulations regarding the application of materiality thresholds and control mechanisms: e.g. observance of the four eyes principle, mechanical IT controls and audit reports, the use of checklists, a dual signature regulation for all binding written correspondence, a staggered approval system for order processes, the obligation to receive comparative offers before awarding contracts to suppliers, an authorization concept which regulates access rights to certain IT systems and system transactions as well as to electronic storage media. The Supervisory Board and its Audit Committee, Internal Audit, and external service providers all conduct process-independent monitoring measures.

**Quarterly reporting on opportunities and risks.**

The development of individual opportunities and risks that have a material impact on the financial statements is reported every quarter as part of the risk management process. Current financial planning and the use of credit lines are stated in the monthly treasury report, while any open positions are presented in the foreign exchange report. All deviations are discussed and monitored.

The information gained from financial reporting is used in the annually prepared three-year budget, with due regard for the Board of Management's risk strategy and other key influencing factors.

**Extensive measures taken to secure the quality of the financial statements.**

All employees involved in the accounting process receive targeted ongoing training. In this way, we ensure that they can meet the growing challenges and that the methods and principles of the risk management systems are in line with current developments. In the case of complex subject matters, Schuler uses the expert knowledge of independent external service providers. This includes support with and processing of specific tax matters, credit rating checks, measuring the fair value of derivative financial instruments and stock option plans, the preparation of pension reports, allocating the purchase price for company acquisitions, and subtasks in the field of internal auditing.

All in all, the measures initiated by the Board of Management are aimed at ensuring coordinated, compliant and punctual annual financial statements and auditing processes, as well as reducing the possibility of unfair practices. Despite the continual development of the internal control and risk management system relating to the financial reporting process, it cannot be guaranteed with absolute certainty that material misrepresentations are avoided or discovered in the financial reporting system.

### / 1.4 OPPORTUNITY MANAGEMENT AS AN INTEGRAL PART OF RISK MANAGEMENT

The simultaneous inclusion of opportunities in the risk and opportunity management process helps to identify possible impacts on planned results and other important key financials at an early stage and thereby achieve a more holistic basis for decisions. Increased transparency with regard to opportunities and risks is an increasingly important factor for the long-term success of a company.

# 2. RISK REPORT

## / 2.1. FINANCIAL RISKS

### 2.1.1 Liquidity risks

One of the most important tasks of Schuler AG is to ensure the solvency of the Schuler Group at all times by providing adequate resources when and where they are needed, and ensuring profitability by carefully managing financial risks. Corporate management also places particular emphasis on the generation of cash from the Group's operating activities. In fiscal year 2011/12 we were always capable of meeting our financial commitments.

**New syndicated loan provides long-term financial basis.**

The new syndicated loan agreement with a total volume of € 450 million signed in November 2011 with improved conditions helped to create a more competitive cost structure. The new financial arrangement expires on September 30, 2016. The term of almost five years provides a long-term financial basis for the implementation of our growth strategy.

Standard financial covenants were agreed for the new syndicated loan. In the case of infringement, the lenders have the right to serve notice on the agreement. Schuler met all the financial covenants during the period under review. Premature termination is only possible, however, if two thirds of the lenders vote in favor of calling in the loan. Schuler met all the financial covenants during the past fiscal year. According to our planning, the financial covenants will all be met during the planning period.

The syndicated loan agreement includes a change-of-control clause which obliges Schuler AG to prematurely repay the loans granted if more than 50% of the shares and voting rights in Schuler AG are acquired by one or more persons acting in unison, as defined by § 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG).

**No obligation to immediately repay the syndicated loan following Andritz takeover.**

Following the approval of the anti-trust authorities regarding the sale of the founding family Schuler-Voith's shareholding of 38.5% to the technology group Andritz, as well as the approval of the unsolicited public takeover bid on July 2, 2012, the change-of-control clause would be met. We therefore held talks with the banking syndicate at an early stage of the process. In September 2012, the banking syndicate agreed that if the 50% threshold were crossed by the technology group Andritz, there would be no obligation to immediately repay the syndicated loan.

In order to optimize its interest result, Schuler AG has arranged a cash pool (EUR, USD) with various banks. These are controlled centrally by the Group Treasury. Moreover, the Group's main subsidiaries have monthly rolling liquidity planning in order to identify potential liquidity bottlenecks at an early stage.

### 2.1.2 Interest and foreign currency risks

**Continual monitoring of currency and financial risks.**

Due to its international alignment, the Schuler Group is exposed to certain interest and foreign currency risks. These include possible value fluctuations of a financial instrument due to changes in the market interest rate or exchange rate. Coverage against such risks is provided by so-called netting, i.e. the balancing of values or cash flows with regard to time and amount. Any remaining risks are reduced by the use of derivative financial instruments (e.g. forward exchange transactions, swaps and currency options, interest swaps and interest options). Such derivatives are generally used as part of so-called micro-hedges, i.e. they serve to secure specific existing or planned underlying transactions.

Currency and financial risks are continually monitored by the central cash and foreign currency management system of the Group's Treasury department, which carries out the corresponding hedging transactions. The responsibilities of all Group companies are clearly and comprehensively regulated. These include in particular the definition of the operational framework, a clear functional separation between trading and processing and the internal financial reporting system. We also regularly check the efficiency of the hedging instruments and the reliability of our internal control systems by means of internal and external audits.

As of September 30, 2012, currency risks were covered by forward exchange contracts and foreign currency swaps with a nominal value of € 90.5 million (prior year: € 69.9 million). The nominal value of the interest swaps and interest options to cover such interest rate risks amounted to € 4.7 million at the end of the reporting period (prior year: € 7.1 million). There were no interest hedge not recognized as a cash flow hedge as of September 30, 2012, due to the dedesignation or non-fulfillment of the strict requirements of hedge accounting. Derivatives are negotiated exclusively with banks offering good credit ratings.

### 2.1.3. Default risks

**Active management of accounts receivable and credit checks limit the risk of default.**

In order to limit the risk of default, the creditworthiness of customers is already checked during the offer phase. If such checks reveal increased risks, or if prepayment conditions during the offer phase differ from group guidelines, approval must be sought from the Board of Management.

Default risks are also limited by active management of accounts receivable's continual monitoring of creditworthiness and payment behavior, and in certain cases by using letters of credit and bank guarantees.

### 2.1.4 Risks from pension plans

Schuler has performance-based pension obligations which are only partially covered by plan assets. The balance of these two items equals the financial status of the pension plans. A change in the assumptions and parameters that are important for valuation, such as a reduction in the discount factor, may lead to an increase in obligations. On the other hand, the market value of plan assets depends mainly on capital market circumstances. Unfavorable developments, especially for fixed-interest securities, may reduce the respective market value. These effects would have a negative impact on the financial status of the pension plans and as a consequence may lead to increased net expenses in connection with such pension obligations in subsequent periods.

**2.1.5 Risks from subsequent tax demands following company audits**

In fiscal years 2010/11 and 2011/12, the German tax authorities began a tax audit for the years 2005 – 2009 at the German companies of the Schuler Group. Due to the varying assessment of certain items, this may lead to a burden for the Group from subsequent demands and the respective interest. A suitable provision has been formed for such risks.

**Tax audits may lead to a burden for the Group.**

**2.1.6 Risks from the loss of tax loss carryforwards of Schuler AG**

The completion of the unsolicited public takeover bid of Andritz Beteiligungsgesellschaft IV GmbH, Berlin, may have a detrimental impact on the tax situation of the Schuler Group. Schuler AG and the domestic subsidiaries have corporation tax loss carryforwards of € 264.6 million as of September 30, 2012 as well as trade tax loss carryforwards of € 311.7 million. Insofar as Andritz holds at least 50% of shares in the capital stock of Schuler AG after completion of the takeover bid, these loss carryforwards will be lost completely. This only applies, however, as long as the loss carryforwards and non-used losses exceed the hidden reserves liable for tax in Germany, which are calculated from the mean value of the shares and the prorated tax equity. To the extent that losses previously regarded as being of value are to be regarded as no longer usable after the change in owner, an impairment charge must be made on those deferred taxes formed. We currently regard the risk of significant impairment charges as low.

## / 2.2 BUSINESS ENVIRONMENT AND SECTOR RISKS

**2.2.1 Competitive environment with regard to customers and competitors**

Schuler is the technological leader on the global market. In emerging markets, we often face competition from local low-cost suppliers. In order to remain competitive in future, it is essential that we produce a constant stream of product innovations. It is equally important that we continually improve our cost structures.

**Product innovations and constant improvements in productivity ensure Schuler remains competitive.**

In order to limit the risk of product and trademark piracy, we produce most of our know-how components in Germany. We protect many of our technical innovations by applying for patents or other industrial property rights. In some cases, however, we deliberately choose not to apply for protection as such applications generate publicity and increase the danger of plagiarism.

Our global service network also plays an important role in strengthening the long-term loyalty of customers.

### 2.2.2 Market and sector

The business development of the Schuler Group depends to a large extent on the prevailing macroeconomic situation, the economic cycle and the investment climate. Despite our increased activities in the non-automotive sector, the investment behavior of car manufacturers and their suppliers plays a significant role.

As is typical for the capital goods industry, there is often a time delay before we notice changes in their propensity to invest.

Due to its competitive advantages from innovation and strong standing in growth markets, Schuler managed to escape the downward trend in Germany's engineering sector in the past fiscal year. For the second year in a row, we were able to record new orders of around € 1.3 billion in fiscal year 2011/12 – an absolute record level for Schuler. At € 1.1 billion, the order backlog was also at an all-time high as of September 30, 2012.

**Further worsening of economic prospects – adverse market environment especially in the Euro zone.**

The economic conditions for the fiscal year 2012/13 are hard to predict at present. All in all, there are growing signs of a more difficult market environment than to date. The European financial and sovereign debt crisis remains unresolved. The leading economic research institutes recently downgraded their forecasts of just a few months ago. We also anticipate more challenging market conditions. Over the past few months, there has been a decline in project inquiries, especially from the automotive sector. After two exceptional years, we expect a decline in new orders in fiscal year 2012/13 to a level of € 1 billion to € 1.1 billion.

### 2.2.3 Country risks

In the emerging markets, cultural and language barriers, insufficient information about suppliers, customer and market mechanisms, and specific legal and political conditions may lead to disadvantages. We try to take such specific characteristics into account by providing special training for staff, by issuing country-specific guidelines, and by using local representatives where necessary.

Political developments and the resulting sanctions may endanger the realization of certain projects.

## / 2.3 OPERATING RISKS

### 2.3.1 Order creation process

**Detailed project calculations and feasibility studies in the acquisition phase.**

Our business is generally dominated by contract manufacturing. During the order acquisition phase, we conduct feasibility studies as part of the project planning process and make extensive cost calculations. Systematic plausibility checks are also conducted as part of our internal control systems.

On the sales side, the contractual scope of performance and commercial terms and conditions are discussed in detail with the customer. Binding group-wide standards must be observed during this process. Any deviations from these regulations must be approved in advance by the head of the respective Technology Field or the Board of Management.

**2.3.2 Development/design**

Schuler conducts extensive research and development work in order to improve its existing products and develop new products. By establishing a central research and development unit, expertise has been pooled within a single division. In this way, we intend to extend our technological lead and permanently enhance our innovative strength.

**Serial products in particular are only marketed after the prototype has been put into operation.**

Although we can draw on our core competencies, investments in new products always involve the risk that such products might fail. In order to reduce this risk, serial products in particular are only marketed after the prototype has been put into operation.

We shall continue to drive the standardization and modularization of our products. By lowering the degree of complexity, the risks created by interfaces can be further reduced.

The CAD software we use is state-of-the-art. Internal controls (e.g. 4-eyes principle) are conducted as part of the error prevention process.

**2.3.3 Procurement**

The procurement of metals and metal alloys, especially steel, accounts for a significant proportion of our costs. Strategic sourcing therefore closely monitors market trends and includes such developments in the company's procurement strategy.

Assessments of future commodity prices are based on cyclical factors as well as micro- and macroeconomic trends. At present, there are no signs in Europe or China of any imminent leap in steel demand and thus any short-time spike in the steel price. Our international procurement organization attempts to balance out or exploit any temporary disequilibrium in global commodity prices.

Our commodity suppliers provide indications for a slight downturn by reacting to falling demand with reductions in capacity. As the reduced supply has not led to price increases so far, the general market opinion is that such an effect is not expected in the near future.

In fiscal year 2011/12, the steel price was almost unchanged from the previous year. However, there was a clear tendency toward a slight fall in prices. Most price fluctuations were within a limited range and toward the end of the fiscal year. In general, there was an overall decline in the price of important commodities, such as iron ore, coking coal and copper throughout 2012. We were able to pass on such market fluctuations by placing project-based orders.

We expect a moderate price development in Europe as well as China in future. No price increases in the commodities that we primarily procure are currently on the horizon.

As part of our strategic procurement management, we continually develop structures and business processes that ensure the availability of materials and simultaneously optimize purchasing conditions. By expanding our international procurement offices, especially in China, and enhancing our global supply partnerships we aim to utilize our regional location benefits with regard to procurement.

**Master agree-ments and involving suppliers in the planning process from an early stage help improve the supply situation.**

The supply situation is also improved by concluding master agreements and involving suppliers in the planning process from an early stage. When awarding new contracts, the feasibility of delivery dates is critically examined. Despite these measures, however, delivery delays cannot be excluded.

Due to the high level of capacity utilization, the punctuality of deliveries from certain suppliers is no longer satisfactory. In such cases, we conduct special monitoring. In the case of key components, agreements are therefore made with suppliers for individual cases to ensure that orders are processed on schedule.

### 2.3.4 Infrastructure

Securing stable production conditions is a necessary prerequisite for the efficient execution of work processes. We regularly calculate the need for modernization of our infrastructure (buildings, power supply, heating).

In March 2013, we will begin modernizing the central power supply at one of our German sites.

### 2.3.5 Production

**Focus still on management of production capacities and delivery dates.**

The Group's order backlog stood at the record level of € 1.1 billion on September 30, 2012. The scheduled realization of certain large-scale projects even stretches into fiscal year 2014/15. Due to this high degree of capacity utilization, there is still a very strong focus on the management of production capacities and delivery dates.

In the field of mechanical presses, the management of production capacities and delivery dates is centrally coordinated as part of the global manufacturing network. Capacities are already checked and projects scheduled on submission of the offer. Once the order has been received, it is continuously monitored by the project manager.

Production bottlenecks have been identified and – where possible – a corresponding increase in manpower has been initiated or implemented. Recruiting skilled staff, however, is not easy at present due to the current labor market situation. Close coordination between procurement and production is thus essential in order to secure external capacities in these bottleneck areas at the right time.

At Group level, there is also monthly reporting on planned schedules and monitoring of steps taken. Despite these precautions, however, the risk of delays in delivery cannot be entirely excluded. The risk of additional costs for the period under review has increased.

In order to ensure quality, we have installed local quality assurance departments at all production facilities. Sources of error are systematically analyzed and production processes optimized. A central quality management system ensures standard processes, methods and regular audits. Uniform standards are also prescribed for the selection of suppliers. Provisions are formed to take account of the impact of warranty risks on the income statement.

Almost all Group companies are certified according to the quality management standard DIN EN ISO 9001. In addition, individual companies are certified according to VDA 6.4/ ISO/TS 16949 depending on their function within the Group and on the market.

**2.3.6 Project management**
In order to optimize order processing, we have pooled all activities involved in supplying the customer after order receipt in our central Order Fulfillment office. In this way, all departments along the value chain are integrated into the process. There is continual project controlling and a claim management office, which documents changes to the order received from the customer during the order-processing phase.

## / 2.4. OTHER RISKS

**2.4.1 Environment**
Schuler reduces potential environmental risks by means of its quality assurance and environmental protection systems. In addition to the above mentioned quality management systems (see also section 2.3.4 “Production”), the environmental management systems of various Group companies are also certified according to the DIN EN ISO 14001 standard.

**Extensive quality assurance and environmental protection systems installed.**

**2.4.2 Legal**
As an internationally operating group of companies, Schuler must comply with numerous legal, tax, fair trading, and patent regulations. Current and impending legal disputes are continually monitored, analyzed and assessed with regard to their financial and legal implications, and due consideration is given as part of our ongoing risk prevention measures.

There is currently no recognizable risk of legal proceedings concerning fair trading, antitrust or patent laws.

### 2.4.3 Compliance

**Permanent enhancement of Compliance organization.**

As an internationally operating company, Schuler has to comply with the respective legal regulations of every country in which it operates. The variety and increasing complexity of the relevant regulations at local and international level increases the risk that Schuler may be exposed to significant legal and economic risks through non-compliance, e.g. fines or damage claims. Major compliance risks include the contravention of environmental and tax laws, or health and safety regulations, as well as corruption, cartel or export infringements.

In order to minimize these risks, Schuler has enhanced its Compliance organization with the aid of several measures, e.g. the establishment of a central code of conduct, defined processes for avoiding law infringements and regular briefing or training of staff to make them aware of the risks.

The impact of British (UK Bribery Act) and US (FCPA) legal standards is of particular significance.

We continually develop our compliance organization in order to meet the respective requirements. Schuler's compliance organization and its structures are based on the internationally recognized IDW PS 980 standards and comprise in particular the following elements:

1. Illustration of Schuler's compliance culture by means of a clear "tone at the top"
2. Determination of the compliance objectives to be met
3. Implementation and continual enhancement of the group-wide compliance organization with a Chief Compliance Officer
4. Identification of the compliance risks relevant to Schuler
5. Further development of a compliance program geared to the identified risks
6. Regular group-wide compliance training
7. Monitoring and continual improvement of the internal control system relevant to compliance.

The Chief Compliance Officer reports directly to the Board of Management. In turn, the Board of Management regularly informs the Supervisory Board about the compliance organization and the main compliance risks.

The compliance system is closely linked with elements of the operating risk management system, the internal control structures and the internal audit system.

**2.4.4 Information technology**
IT security, availability and performance are vital prerequisites for successful business operations.

Despite dedicated packages of measures taken, 100% data security cannot be guaranteed in the current IT environment. Existing systems are continuously optimized. In addition, tests are carried out by Internal Audit, with corresponding controlling of the measures implemented.

We continually adapt our IT capacities to current needs. Differentiated backup and recovery strategies help avoid any loss of data.

**2.4.5 Personnel**
The future development of the Schuler Group depends to a great extent on the knowledge and commitment of our employees. We take personnel risks seriously and use systematic personnel planning and training in order to utilize staff according to their abilities, as well as to develop and retain them.

**Personnel development system is important component for ensuring future personnel capacities.**

In addition to cooperating closely with local and national universities and research institutes, we also use external service providers to source highly skilled personnel.

With the aid of targeted personnel and university marketing activities, we aim to raise the appeal of Schuler's companies as attractive employers for internal and external candidates. Our personnel development system is an important component of our efforts to reliably ensure future personnel capacities.

## 3. OPPORTUNITY REPORT

### / 3.1 TAKEOVER BY ANDRITZ
The entry of technology company Andritz offers a number of opportunities for Schuler. Andritz also sees the need for Schuler to strengthen its position in growth markets such as China and expand its global service efforts. By carefully pooling expertise, there may be a positive impact on the speed of implementation and sustainable success of Schuler. No disadvantages for Schuler can be recognized from intentions declared by Andritz during the course of its takeover bid.

**Possible synergies with Andritz may arise from the expansion of service structures and the growth market China.**

## / 3.2 MARKETS

As the leading systems supplier of cold, warm and hot forming equipment, Schuler supplies machines, production lines, dies, process know-how and services for the entire metal-working industry.

**Focus on 10 strategic target markets**

In order to build on our strong market position, we have chosen ten strategic markets on which Schuler will focus in future. This will enable us to align ourselves more closely with customer requirements and tap further growth potential.

**Growing large pipe market**

With the acquisition of ATIS GmbH, an engineering firm with expertise in the planning, development, delivery and modernization of complete pipe manufacturing lines and systems, we have improved the conditions to utilize opportunities offered by the growing market for large pipe production.

**Alliances**

**Technology alliances open up new growth potential.**

Further growth opportunities may arise from the conclusion of cooperation agreements. To this end, we concluded a technology partnership with Simufact Engineering GmbH in the past fiscal year. This globally operating software house offers process simulation software for the manufacturing industry. This cooperation focuses on adapting Simufact's simulation programs to Schuler's hydraulic press lines. The technology alliance will mostly benefit companies in the forging industry.

A further technology alliance was formed with the company FormTech GmbH. The company advises Schuler in the design of hot presses, as used for the forming of titanium. This material is becoming increasingly important in the aerospace industry.

**Strong presence in growth markets**

**Largest investment program of the last decade to further strengthen our competitive standing.**

Our international presence with manufacturing facilities and service offices around the world forms the basis for the profitable expansion of our business activities. Our decision to launch the largest investment program of the last decade will further strengthen our competitive standing. Of particular importance is the expansion of our Dalian production facility and the strengthening of sales, procurement and development in Shanghai. We also plan to expand our service activities in numerous Chinese provinces.

**Service as growth driver**
Schuler supports its customers around the world by providing a wide range of services. By expanding our network of service locations and increasing the range of services provided, we intend to drive our market penetration and tap additional growth potential.

### / 3.3 TECHNOLOGIES

Securing the Group's technological lead is vital for its sustainable growth. By pooling Schuler's technological expertise in a new Board of Management division headed by the Chief Technology Officer (CTO), we aim to drive our technological development and innovative strength. The remit of this central R&D unit includes defining technology platforms and developing product strategy in the various Technology Fields, as well as innovation management, product development and standardization.

Selected innovation projects of the fiscal year 2011/12 are presented in the section Research and Development.

### / 3.4 ENHANCING PROFITABILITY

The merger of the two largest companies, Müller Weingarten AG and Schuler Pressen GmbH & Co. KG, to form Schuler Pressen GmbH on September 30, 2010, may have further synergy effects with regard to processes and the standardization of product components. The resulting effects will help strengthen our competitive standing and profitability.

## 4. SUMMARY OF RISK AND OPPORTUNITY EVALUATION

There are currently no recognizable risks that may endanger the continued existence of the Schuler Group.

**There are currently no recognizable risks that may endanger the continued existence of the Schuler Group.**

The macroeconomic risks have increased. Falling orders in fiscal year 2012/13 may be the consequence. Due to the high level of our order backlog, we must therefore continue to focus on ensuring that orders are processed punctually and with perfect quality.

Schuler's innovations are aimed at securing its technological lead.

The entry of technology company Andritz offers a number of opportunities for Schuler. Possible synergies may arise with regard to purchasing and from the expansion of service structures and the development of structures in the growth market China.

# SPECIAL MANDATORY DISCLOSURES

## REMUNERATION REPORT

The Remuneration Report is included in the Corporate Governance Report and forms part of this Group Management Report.

## DISCLOSURES ACC. TO § 315 (4) GERMAN COMMERCIAL CODE (HGB) AND THEIR EXPLANATIONS ACC. TO § 176 (1) SENTENCE 1 GERMAN STOCK CORPORATION LAW (AKTG)

At the end of the reporting period on September 30, 2012, the capital stock of Schuler AG amounts to € 77.196.168.40 and is divided into 29,690,834 common no-par value shares with a pro rata share of capital stock of € 2.60 each. As far as the Board of Management is aware, there are no restrictions with regard to voting rights or the transfer of shares. According to the published notifications and the information available to us, there are the following direct and indirect holdings in our company which exceed 10% of the voting rights:

| | |
|---|---|
| Andritz Beteiligungsgesellschaft IV GmbH, Berlin | 89.24% [1)] |
| Elliott Group (Paul E. Singer) | 10.10% |

1) a total of 64.24% are still subject to anti-trust approval

There are no shares with special rights which confer controlling powers. There is also no employee participation as described in § 315 (4) no. 5 HGB. The appointment and dismissal of members of the Board of Management is regulated in §§ 84 and 85 AktG, as well as in § 31 of the German Codetermination Act (MitbestG) and § 6 of the articles of Schuler AG. Accordingly, members of the Board of Management are appointed by the Supervisory Board for a maximum of five years.

A repeat appointment or extension of the service period, each time for no more than five years, is permissible. According to § 31 MitbestG, the appointment of a Board of Management member requires a majority of at least two thirds of the members of the Supervisory Board. If such a majority is not reached and no appointment is made, the Mediation Committee of the Supervisory Board must present a proposal to the Supervisory Board for the appointment within one month of the vote. The Supervisory Board then appoints the Board of Management members with a majority vote of its members. If once again no appointment can be made, the Chairman of the Supervisory Board has two votes during the subsequent voting procedure.

Pursuant to § 6 (1) of the articles, the Board of Management consists of at least two persons. The appointment of deputy members of the Board of Management, who have the same rights as ordinary members with regard to representing the company externally, is permissible pursuant to § 6 (1) of the articles. The number of members of the Board of Management is determined by the Supervisory Board, according to § 6 (2) of the articles. Pursuant to § 6 (2) of the articles, the

Supervisory Board is also responsible for appointing deputy members of the Board of Management, concluding service contracts, appointing a member as chairman of the Board of Management, and possibly appointing further members of the Board of Management as deputy chairmen. The Supervisory Board can revoke the appointment of a member of the Board of Management and the appointment of the chairman of the Board of Management, according to § 6 (2) of the articles. In accordance with § 179 (1) AktG, any change of the company's articles must be adopted by the Annual General Meeting. § 12 (3) of the articles states that a resolution can be adopted by the Annual General Meeting with a simple majority of the capital stock represented, provided that a larger majority is not mandatory by law; the latter is particularly the case for resolutions concerning a change of the company's object, capital reductions and changing the company's legal form. In accordance with § 4 (3) and (4) of the articles, the Supervisory Board is authorized to adapt or amend the articles if the authorized capital is used.

Pursuant to § 4 (3) of the articles, the Board of Management is authorized until March 31, 2016, with the approval of the Supervisory Board, to raise the company's capital stock by up to a total of € 12,675,000.00 for contribution in cash or in kind, either in one or several new issues of new common no-par value shares made out to the bearer (Authorized Capital). With the approval of the Supervisory Board, the Board of Management can exclude the subscription rights of shareholders up to a further pro rata share of capital stock totaling € 6,760,000.00 for the purpose of acquiring companies or investments in companies.

Insofar as the Board of Management does not make use of the above mentioned authorizations to exclude subscription rights, the subscription rights of shareholders can only be excluded for fractional amounts. The Board of Management is authorized, with the approval of the Supervisory Board, to determine the further details of capital increases from authorized capital. The Supervisory Board is authorized to adapt the articles if the authorized capital is used.

Pursuant to § 4 (5) of the articles, the company's capital stock has been raised conditionally (Conditional Capital) by up to € 1,820,000.00 by issuing up to 700,000 no-par value bearer shares (common stock). Conditional capital is used solely to meet subscription rights from stock options issued as part of the Stock Option Program 2008 on the basis of an authorization of the Annual General Meeting of Schuler AG on April 10, 2008. The conditional capital increase will only be conducted to the extent that the bearers of the issued stock options utilize their right to subscribe to company shares and the company does not grant treasury shares to satisfy the stock options. The new shares participate in profits from the beginning of the fiscal year in which they were created by exercising subscription rights. Shares from conditional capital are issued at the offering amount as determined by the exercise price set in the authorization of the Annual General Meeting of Schuler AG on April 10, 2008 under letter a), (7). The Supervisory Board is authorized to determine the further details of the conditional capital increase and its implementation.

On February 6, 2012, the beneficiaries of the Stock Option Program made use of their right and exercised two thirds of the stock options in the three tranches (=440,834 units) at a unit price of € 2.60. This raised the number of outstanding common shares from 29,250,000 to 29,690,834. Subscribed capital increased from € 76,050,000.00 to € 77,196,168.40. The common stock in question are no-par value common shares; as such, each share entitles the holder to an imputed share of nominal capital of € 2.60. The shares are made out to the bearer, the capital is fully paid.

Pursuant to § 4 (6) of the articles, the company's capital stock has also been raised conditionally (Conditional Capital II) by up to € 25,480,000.00 by issuing up to 9,800,000 new no-par value bearer shares (common stock). The conditional capital increase will only be conducted to the extent that the bearers of the conversion or option rights from bonds issued by the company or a group subsidiary in the period ending April 14, 2015 on the basis of an authorization adopted by the Annual General Meeting of Schuler AG on April 15, 2010, utilize their conversion or option rights, or that the bearers of convertible bonds with a conversion obligation issued by the company or a group subsidiary in the period ending April 14, 2015, on the basis of an authorization adopted by the Annual General Meeting of Schuler AG on April 15, 2010, fulfill their duty to convert and the company does not use treasury shares to satisfy such rights. The new shares used for issuance participate in profits from the beginning of the fiscal year in which they were created by exercising conversion or option rights, or fulfilling conversion obligations. The Supervisory Board is authorized to adapt the articles in accordance with the scale of the capital increase from Conditional Capital II.

The syndicated loan agreement includes a standard change-of-control provision, according to which Schuler AG is obliged to repay the loan prematurely if one shareholder or several shareholders acting in unison (as defined by § 2 Abs. 5 WpÜG) acquire more than 50% of the shares and voting rights in Schuler AG.

Following the approval of the anti-trust authorities regarding the sale of the founding family Schuler-Voith's shareholding of 38.5% to the technology group Andritz, as well as the approval of the unsolicited public takeover bid on July 2, 2012, the conditions of the change-of-control clause would be met. We therefore held talks with the banking syndicate at an early stage of the process. In September 2012, the banking syndicate agreed that if the 50%threshold were crossed by the technology group Andritz, there would be no obligation to prematurely repay the syndicated loan.

The company has made no compensation agreements with members of the Board of Management or employees for the case of a takeover bid.

# SUBSEQUENT EVENTS

## STEFAN KLEBERT CONFIRMED AS CEO UNTIL 2018

At a meeting of the Supervisory Board of Schuler AG on November 8, 2012, the contract and appointment of Stefan Klebert as Chief Executive Officer (CEO) were prolonged by five years to September 30, 2018. He is responsible for Strategic Corporate Development, Corporate Communications and the divisions Automotive Press Technology, Service, Procurement, Production and Logistics.

## NORBERT BROGER NEW CFO

Norbert Broger was appointed to the Board of Management of Schuler AG with effect from January 1, 2013. He will be responsible for the Finance division, including the function of Labor Director, as of February 1, 2013. The business graduate was Head of Controlling, Corporate Development and Risk Management at Krones AG, Neutraubling, Germany, from 2006 onward. Prior to this, he held various management positions in Germany and abroad for the Schaeffler Group in the field of HR, Finance and Controlling over a period of 16 years. Norbert Broger succeeds Marcus Ketter, who will leave the company on January 31, 2013, to take up a new task as CFO of Klöckner & Co. in Duisburg, Germany.

## CHANGE TO GENERAL STANDARD

On September 24, 2012, the Board of Management of Schuler AG applies for a revocation of admission to the Prime Standard segment. Deutsche Börse accepted the application on September 28, 2012. As of January 2, 2013, the Schuler share will be traded in the General Standard segment of the Regulated Market.

The main motivation for the change to the General Standard was the decision of Deutsche Börse to exclude the Schuler share from the SDax index and the fact that institutional investors would probably no longer be focusing on Schuler shares once the takeover offer of Andritz Beteiligungsgesellschaft IV GmbH had been completed.

## ANTI-TRUST APPROVAL RECEIVED IN THE EU, U.S. AND TURKEY

The purchase agreement between Andritz Beteiligungsgesellschaft IV GmbH and the former major shareholder Schuler-Beteiligungen GmbH, as well as the unsolicited takeover bid to the remaining shareholders of Schuler AG, are subject to anti-trust approval and the expiry of certain waiting periods according to the respective anti-trust regulations of Brazil, the People's Republic of China, the European Union, Turkey and the United States of America. During the reporting period, approval was already received from the anti-trust authorities of the USA and Turkey. After the end of the reporting period, the approval from the European Union was received on October 15, 2012.

# FORECAST REPORT

## FUTURE ECONOMIC CONDITIONS

### / STRONGER GLOBAL ECONOMIC GROWTH IN 2013

**Euro zone in light recession in 2012**

Global economic growth continued to slow in 2012. The IMF forecasts global GDP growth of 3.3% for the calendar year 2012 (prior year: 3.8%). Under the influence of its sovereign debt crisis, the Euro zone is in recession. The current forecast is for a decline in GDP of 0.4%. The German economy is expected to grow, albeit at a slower rate of 0.9%. The USA is enjoying a strong cyclical upturn with expected GDP growth of 2.2% – an increase of 0.4 percentage points compared to the previous year. The Japanese economy is continuing its recovery and is likely to grow by 2.2%. Once again, global economic growth is being driven by the emerging and developing economies in 2012. The dynamic growth of the BRIC states remains unbroken, although the growth rates of last year are unlikely to be matched.

**Global economic growth expected to gather pace in 2013.**

The IMF's fall outlook is somewhat more optimistic for 2013. Global GDP is expected to grow by 3.6%, the Euro zone will gain stability and may grow slightly by 0.2%. Growth in Germany and the USA is likely to be on a par with 2012. In Japan, the pace of growth is expected to slow. The emerging and developing economies – above all the BRIC states – are likely to drive global economic growth again in 2013.

**TABLE 20** GDP DEVELOPMENT — IN PERCENT

| | 2013 | 2012 |
|---|---|---|
| **World** | **3.6** | **3.3** |
| Euro zone | 0.2 | –0.4 |
| Germany | 0.9 | 0.9 |
| USA | 2.1 | 2.2 |
| Japan | 1.2 | 2.2 |
| China | 8.2 | 7.8 |
| India | 6 | 4.9 |
| Brazil | 4 | 1.5 |
| Russia | 3.8 | 3.7 |

Source: IMF, October 2012

## / DIVERGENT DEVELOPMENT OF CAR MARKETS

There were strong differences in the development of international car markets from January to September 2012. Western Europe suffered a sharp decline in sales: the number of new registrations fell by 7.6% to 9.2 million units. Sales in Germany also fell to 2.4 million cars (–2.0%). In the New EU States (EU 11), demand was slightly up on the previous year.

**Declining car sales in Western Europe.**

The US market for light vehicles (cars and light trucks) leapt by 14.5% to 10.9 million units. Japan continued its recovery process and reported growth of 41.5% to 3.7 million cars sold.

There was also growth in the BRIC states. In Brazil, sales in the first nine months of 2012 rose to around 2.7 million light vehicles (+5.5%). Russia and India achieved double-digit growth rates. In Russia, 2.2 million vehicles were registered (+13.8%), while in India car sales rose by 10.0% to 2.1 million units. The Chinese market reported 9.6 million new registrations (+8.5%) and thus almost reached the level of Europe (9.7 million).[1)]

**BRIC states and USA showing strong growth.**

In its latest calculations, the German Association of the Automotive Industry (Verband deutscher Automobilindustrie – VDA) reports growth of around 4.0% to 68.0 million units for the global car market in 2012. According to the VDA, weak demand in Western Europe will be more than compensated for by growth in the other core international markets.

**Global car market grows by 4.0% in 2012.**

In Western Europe, new registrations are likely to fall by 4.8% to 12.2 million units in 2012. Although the German market is more robust, it will probably fall slightly short of its prior-year figure with 3.1 million units (–1.0%). Sales in the New EU States (EU 11) are likely to be slightly up on the previous year at around 0.8 million cars (+0.4%).

The US market continues to enjoy strong demand. Sales of light vehicles are expected to grow by 13.7% to around 14.5 million units. New registrations in Japan are likely to grow by 38.6% to 4.9 million cars.

The dynamic growth of the BRIC states remains unbroken. Sales in Brazil are expected to grow by 3.8% to 3.6 million units. Forecasts for Russia assume growth of 9.9% to 2.9 million light vehicles. India is expected to exceed its prior-year figure by 10.8% with 2.8 million new car registrations. In China, sales in 2012 are likely to be 5.0% higher year on year at 12.8 million cars.

**BRIC states make up for decline in Europe.**



1) Europe (EU27+EFTA, without Malta and Cyprus)

## / SLOWER GROWTH FOR GLOBAL CAR MARKET IN 2013

**Growth outlook for car industry worsening in 2013.**

Growth is expected to be weaker for the global car market in 2013. We currently expect an increase in new registrations of 3.0% to around 70 million units. This is due to the ongoing economic difficulties of the EU and uncertainty on global sales markets.

In Europe, new registrations are expected to decline. The forecast for Western Europe assumes sales of 11.7 – 11.9 million cars (–3% to –5%). In Germany, the number of new registrations is likely to reach 3.0 million – up to 2.0% below the prior-year level.

Expectations for the US market assume further growth of 6.8% to 15.5 million light vehicles. New registrations in Japan will probably be more or less unchanged from the previous year in 2013.

In the BRIC states, the car markets are expected to continue their positive development. New registrations in Brazil are likely to grow by 8.0%. Russia is also expected to show further growth – the latest calculations predict a growth potential of 5.0%. The Indian car market is likely to maintain the growth rate of 2012. New car registrations in China are likely to rise by 5% to 13.4 million units.

## / WEAKER GROWTH EXPECTED FOR MACHINE TOOL INDUSTRY

According to the German Machine Tool Builders' Association (VDW), the global market for machine tools will be much weaker in 2012. Following growth of 29.7% in 2011, growth in 2012 is likely to be around 5.2% (adjusted for currency fluctuations). Global consumption will be slowed significantly by the weakness of Europe as a result of the debt crisis. In a comparison of the economic triad, current forecasts show a slight fall in consumption in Europe (–0.4%), while America (+7.8%) and Asia (+6.5%) both boast strong growth.

**Falling demand in Europe; growth in America and Asia.**

The VDW expects output of the German machine tool industry to rise by 8.0% to almost € 14 billion in 2012. The sector will be able to benefit from its exceptionally strong order backlog. Demand, however, is expected to fall: for the year as a whole, new orders are likely to be down 10.0% compared to the record level of the previous year.

**New orders received by German machine tool sector to fall by 10.0%.**

In its medium-term forecast, the VDW predicts global growth in machine tool consumption of 7.6% for 2013. There will be positive effects from a strong increase in capital spending by key customer sectors of 9.3% (2012: 4.1%). As in the previous year, growth will be driven predominantly by America (+7.3%) and Asia (+9.7%), while demand in Europe is likely to grow by just 1.3%.

**Accelerated growth in 2013.**

Growth is expected to be much weaker for Germany's machine tool manufacturers in 2013. The decline in new orders in 2012 and an expected stagnation of orders in 2013 – with a simultaneous decline in the order backlog – will result in just moderate growth of 1.0%.

**Only moderate growth for German machine tool sector in 2013.**

## FUTURE DEVELOPMENT OF THE SCHULER GROUP

### / NEW ORDERS, SALES AND EARNINGS

**Reve-nues of € 1.2 billion and an EBITDA margin of around 10% expected in 2012/13.**

With an order backlog as of September 30, 2012, of over € 1.1 billion, we were able to exceed even the high level of the previous year. This record figure forms the basis for our fiscal year 2012/13. We are therefore confident that we can follow up the strong performance of fiscal year 2011/12 in terms of sales and earnings. We expect to achieve sales of around € 1.2 billion in 2012/13. Car manufacturers and their suppliers will continue to be our most important market in fiscal year 2012/13. Due to the high level of orders received from this market segment in 2011/12, we expect it to account for around 85% of sales revenues. In the medium to long-term, however, other customer groups will grow in importance.

We also aim to maintain the strong earnings performance of fiscal year 2011/12. We expect to reach an EBITDA margin of almost 10% in fiscal year 2012/13. There is likely to be a slight improvement in the financial result in 2012/13, while depreciation and amortization are expected to rise marginally. On balance, we expect a mildly positive effect on pre-tax earnings. The tax ratio is likely to remain at the prior-year level in the current fiscal year. All in all, we expect earnings after tax to once again improve in 2012/13.

From the current perspective, it is difficult to predict the economic conditions for fiscal year 2012/13. However, there are growing signs that the market environment could become more difficult. The European financial and debt crisis has still not been resolved. The leading economic research institutes recently downgraded their economic outlook compared to just a few months earlier. We, too, are preparing for a more challenging market environment. The number of project inquiries has gone down in the past few months – especially from car manufacturers and their suppliers. After two outstanding fiscal years, we expect new orders to fall in 2012/13 to a figure somewhere between € 1 billion and € 1.1 billion.

We continue to uphold the medium-term targets for fiscal year 2013/14, which we set in early 2011. We will drive the scheduled implementation of our strategy with its three pillars of Innovation, Growth and Efficiency. This strategy is aimed at raising profitability. We want to expand our Service division and our strategic target markets – such as the packaging industry, aerospace and large pipes. The “GrowingTogether” program, launched in 2011 to increase efficiency, will be continued. These measures are expected to help raise our EBITDA margin to 10% in 2013/14, while maintaining a planned sales volume of around € 1.2 billion. New orders are expected to rise again in 2013/14 to a level above € 1.1 billion.

## CAPITAL EXPENDITURES

In fiscal year 2012/13, we plan to invest around € 40.0 million in intangible assets and property, plant and equipment. This corresponds to an investment ratio of 3.3%. One major focus of this spending will be the expansion of capacities at our Chinese facility in Dalian, which we began in 2012. We intend to invest a total of around € 16 million in Dalian. The investment budget for Dalian in fiscal year 2012/13 amounts to € 12 million. Further major investments are aimed at raising our manufacturing efficiency in Germany as well as optimizing our IT systems.

In fiscal year 2013/14, we expect the investment volume to reach around € 30 million.

## FINANCE AND EQUITY

With the conclusion of a new syndicated loan agreement in November 2011, we were able to strengthen our financial base. The new credit and guarantee facilities of € 450.0 million provide the company with sufficient financial scope. The amendment to the syndicated loan agreement signed in September 2012 also ensures that the change-of-control clause is not applied should the technology group Andritz acquire more than 50% of shares. This eliminates the risk of having to repay the syndicated loan prematurely due to the change in ownership.

**Equity ratio in excess of 30% planned for 2012/13 and 2013/14.**

We expect the Schuler Group's equity capital to rise steadily until the end of fiscal year 2013/14. The equity ratio is likely to already exceed 30% by the end of the current fiscal year. No capital increase is planned.

THE RESULTS

## OVERALL STATEMENT OF THE BOARD OF MANAGEMENT REGARDING FUTURE DEVELOPMENT IN THE FISCAL YEARS 2012/13 AND 2013/14

**Further increase in EBITDA margin to 10% forecast for 2013/14.**

There are growing signs of a more difficult market environment in 2012/13. After two exceptional years with new orders of over € 1.3 billion in each, we expect orders to fall in the current fiscal year. New orders are expected to lie between € 1.0 billion and € 1.1 billion. In 2013/14, new orders are likely to exceed € 1.1 billion again.

The high order backlog as of September 30, 2012, forms the basis for our fiscal year 2012/13. We are confident that we can build on the strong performance of fiscal year 2011/12 in terms of sales and earnings. We expect to achieve sales of around € 1.2 billion and an EBITDA margin of almost 10% in 2012/13. We intend to pay an appropriate dividend to our shareholders once again in the current fiscal year.

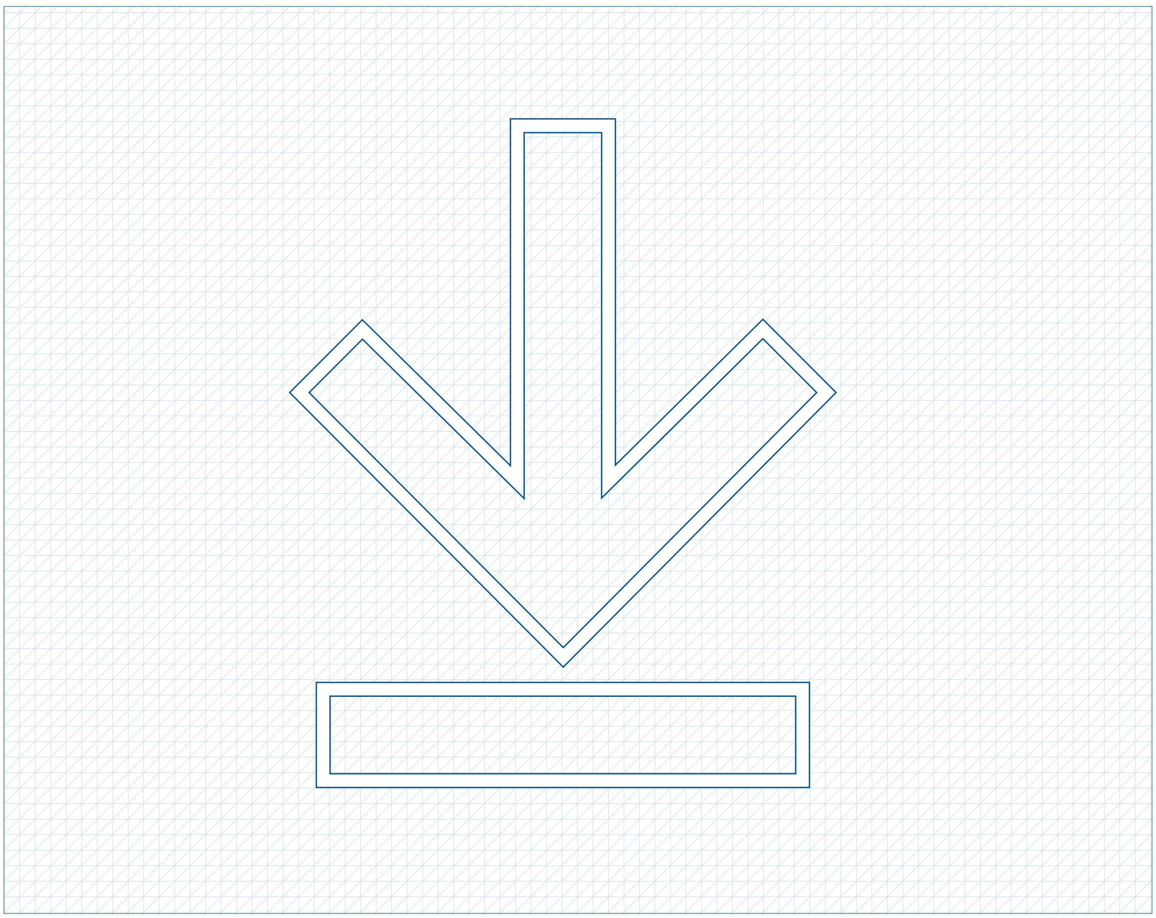
For 2013/14, we aim to maintain sales revenues at the prior-year level and raise earnings again with an EBITDA margin of 10.0%.

Göppingen, December 7, 2012

The Board of Management

SCHULER AG
ANNUAL REPORT 2011/12

# THE RESULTS



## CONTENT



SCHULER

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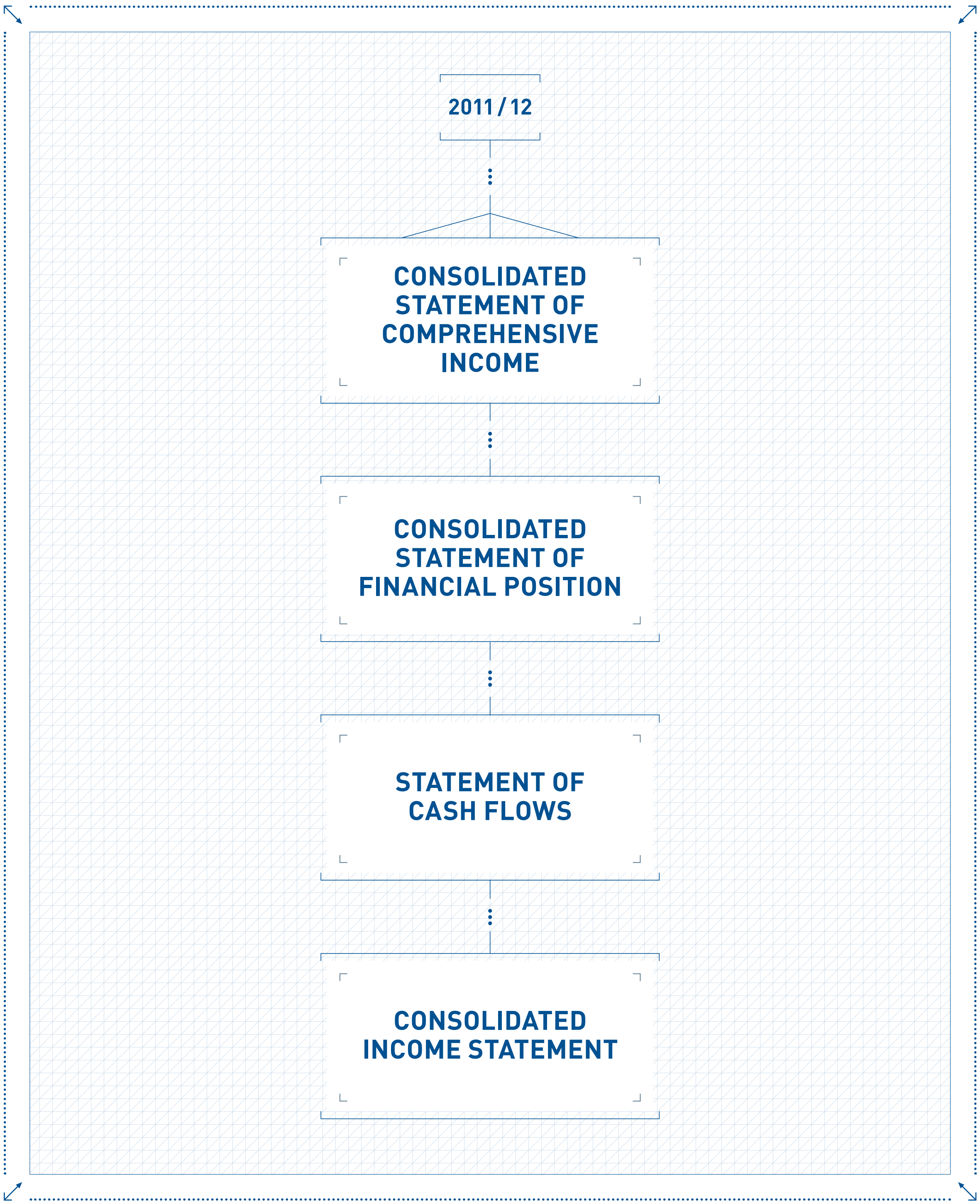
CHART 20 KEY ELEMENTS OF THE ANNUAL FINANCIAL STATEMENTS



# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Göppingen, December 7, 2012

Schuler AG
The Board of Management

Stefan Klebert | Joachim Beyer | Dr. Markus Ernst | Marcus A. Ketter

# CONSOLIDATED INCOME STATEMENT OF THE SCHULER GROUP [1)]

**FOR THE PERIOD OCTOBER 1, 2011, TO SEPTEMBER 30, 2012**

**IN € THOUSANDS**

| | | Notes | 2011/12 | 2010/11 |
|---|---|---|---|---|
| **1.** | **Sales** | (1) | **1,226,090** | **958,549** |
| 2. | Changes in inventories of finished goods and work in progress | | 6,043 | 15,199 |
| 3. | Internally produced and capitalised assets | | 3,242 | 1,364 |
| 4. | Other income | (2) | 22,208 | 25,861 |
| 5. | Cost of materials | (3) | 611,367 | 459,373 |
| 6. | Personnel expenses | (4) | 363,255 | 321,208 |
| 7. | Depreciation and amortization of intangible and tangible assets | (5) | 22,494 | 30,338 |
| 8. | Other expenses | (6) | 164,668 | 136,366 |
| **9.** | **Operating result** | | **95,799** | **53,688** |
| | | | | |
| 10. | Interest income | | 7,024 | 6,057 |
| 11. | Interest expense | | 23,581 | 38,124 |
| 12. | Other financial result | | 1 | 751 |
| 13. | Financial result | (7) | – 16,556 | – 31,316 |
| | | | | |
| **14.** | **Profit or loss before tax** | | **79,243** | **22,372** |
| | | | | |
| 15. | Income taxes | (8) | 27,416 | – 1,673 |
| **16.** | **Consolidated profit or loss for the year** | | **51,827** | **24,045** |
| | | | | |
| | of which attributable to shareholders of Schuler AG | | 51,260 | 23,578 |
| | of which attributable to non-controlling interest | | 568 | 467 |
| | | | | |
| | **Earnings per share in €** | (9) | | |
| | Basic earnings per share | | 1.74 | 0.97 |
| | Diluted earnings per share | | 1.72 | 0.95 |

1) Prior-year figures were adjusted in accordance with IAS 8. Further details in the notes to the consolidated financial statements under "General"

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE SCHULER GROUP 1)

**FOR THE PERIOD OCTOBER 1, 2011, TO SEPTEMBER 30, 2012**

IN € THOUSANDS

| | Notes | 2011/12 | 2010/11 |
|---|---|---|---|
| **Consolidated profit or loss for the year** | | **51,827** | **24,045** |
| Exchange differences on translation of foreign operations | | 2,175 | 1,593 |
| Cash flow hedges: | | | |
| valuation changes recognized in other comprehensive income | | – 1,683 | – 2,816 |
| reclassified from equity to profit or loss | | 3,954 | – 164 |
| Actuarial gains/losses on defined benefit pension plans and similar obligations | (23) | – 15,651 | 7,403 |
| Deferred taxes recognized in other comprehensive income | (8) | 4,095 | – 1,235 |
| **Other comprehensive income for the year, net of tax** | | **– 7,110** | **4,781** |
| **Total comprehensive income for the year, net of tax** | | **44,717** | **28,826** |
| | | | |
| of which attributable to shareholders of Schuler AG | | 43,900 | 28,119 |
| of which attributable to non-controlling interest | | 817 | 707 |

The allocation of tax effects to individual components of "Other comprehensive income for the year, net of tax" is presented in note (19).
1) Prior-year figures were adjusted in accordance with IAS 8. Further details in the notes to the consolidated financial statements under "General"

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE SCHULER GROUP [1)]

**AS AT SEPTEMBER 30, 2012**

IN € THOUSANDS

| | | Notes | 09/30/2012 | 09/30/2011 | 10/01/2010 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **A.** | **Non-current assets** | | | | |
| 1. | Intangible assets | (10) | 80,786 | 84,606 | 92,748 |
| 2. | Property, plant and equipment | (11) | 148,076 | 141,668 | 154,525 |
| 3. | Interests in affiliates and participations | (12) | 4,771 | 1,596 | 1,716 |
| 4. | Income tax receivables | | 2,723 | 3,252 | 3,111 |
| 5. | Other assets | (13) | 11,673 | 7,896 | 10,877 |
| 6. | Deferred tax assets | (8) | 35,158 | 46,572 | 39,399 |
| | | | **283,187** | **285,590** | **302,376** |
| | | | | | |
| **B.** | **Current assets** | | | | |
| 1. | Inventories | (14) | 131,661 | 124,676 | 109,536 |
| 2. | Trade receivables | (15) | 82,050 | 91,213 | 75,571 |
| 3. | Future receivables from long-term construction contracts | (16) | 157,477 | 113,295 | 95,746 |
| 4. | Income tax receivables | | 6,035 | 2,914 | 3,933 |
| 5. | Other assets | (13) | 52,292 | 42,146 | 40,832 |
| 6. | Cash and cash equivalents | (17) | 189,184 | 236,682 | 98,823 |
| 7. | Non-current assets held for sale | (18) | 777 | 0 | 2,871 |
| | | | **619,477** | **610,926** | **427,312** |
| | | | **902,664** | **896,516** | **729,688** |

1) Prior-year figures were adjusted in accordance with IAS 8. Further details in the notes to the consolidated financial statements under "General"

IN € THOUSANDS

| | | Notes | 09/30/2012 | 09/30/2011 | 10/01/2010 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **A.** | **Equity** | (19) | | | |
| 1. | Share capital | | 77,196 | 76,050 | 59,150 |
| 2. | Capital reserves | | 125,371 | 125,224 | 76,056 |
| 3. | Retained earnings | | 43,066 | – 2,365 | – 25,938 |
| 4. | Accumulated other comprehensive income | | – 5,138 | 2,222 | – 2,320 |
| | Equity attributable to shareholders of Schuler AG | | 240,495 | 201,130 | 106,949 |
| 5. | Non-controlling interest | (20) | 4,073 | 4,021 | 3,320 |
| | | | **244,568** | **205,152** | **110,268** |
| | | | | | |
| **B.** | **Non-current liabilities** | | | | |
| 1. | Financial liabilities | (21) | 57,099 | 67,613 | 169,629 |
| 2. | Other liabilities | (22) | 3,502 | 1,127 | 2,343 |
| 3. | Pension provisions | (23) | 97,586 | 79,451 | 86,391 |
| 4. | Other provisions | (24) | 16,037 | 22,288 | 39,017 |
| 5. | Deferred tax liabilities | (8) | 4,720 | 1,932 | 2,992 |
| | | | **178,944** | **172,411** | **300,373** |
| | | | | | |
| **C.** | **Current liabilities** | | | | |
| 1. | Financial liabilities | (21) | 31,862 | 31,253 | 35,464 |
| 2. | Trade payables | (25) | 86,938 | 84,757 | 64,569 |
| 3. | Income tax liabilities | | 824 | 352 | 146 |
| 4. | Other liabilities | (22) | 269,975 | 314,263 | 117,240 |
| 5. | Income tax provisions | | 9,510 | 5,492 | 1,171 |
| 6. | Other provisions | (24) | 80,042 | 82,836 | 100,458 |
| | | | **479,152** | **518,953** | **319,047** |
| | | | **902,664** | **896,516** | **729,688** |

1) Prior-year figures were adjusted in accordance with IAS 8. Further details in the notes to the consolidated financial statements under "General"

# STATEMENT OF CHANGES IN EQUITY OF THE SCHULER GROUP [1)]

**FOR THE PERIOD OCTOBER 1, 2011, TO SEPTEMBER 30, 2012**

IN € THOUSANDS

| | Share capital | Capital reserves | Retained earnings |
|---|---|---|---|
| **As at October 1, 2010 (published)** | **59,150** | **76,056** | **– 28,933** |
| Adjustment acc. to IAS 8 | – | – | 2,995 |
| **as at October 1, 2010 (adjusted)** | **59,150** | **76,056** | **– 25,938** |
| | | | |
| Consolidated profit or loss for the year | – | – | 23,578 |
| Other comprehensive income for the year, net of tax | – | – | 0 |
| Total comprehensive income for the year | – | – | 23,578 |
| Capital increase Schuler AG | 16,900 | 48,745 | – |
| Share-based payment transactions | – | 423 | – |
| Other changes | – | – | – 5 |
| **As at September 30, 2011** | **76,050** | **125,224** | **– 2,365** |
| | | | |
| Consolidated profit or loss for the year | – | – | 51,260 |
| Other comprehensive income for the year, net of tax | – | – | 0 |
| Total comprehensive income for the year | – | – | 51,260 |
| Dividend | – | – | – 5,834 |
| Share-based payment transactions | 1,146 | 147 | – |
| Other changes | – | – | 5 |
| **As at September 30, 2012** | **77,196** | **125,371** | **43,066** |

An explanation of equity is provided in notes (19) and (20).
1) Prior-year figures were adjusted in accordance with IAS 8. Further details in the notes to the consolidated financial statements under "General"

| | | | Shareholders of Schuler AG | Non-controlling interest | Total |
|---|---|---|---|---|---|
| Accumulated other comprehensive income | | | | | |
| Foreign currency translation differences | Unrealized gains and losses from cash flow hedges | Actuarial gains and losses of defined benefit pension plans and similar obligations after deferred taxes | Equity | Equity | Consolidated equity |
| **7,630** | **– 420** | **0** | **113,483** | **3,320** | **116,803** |
| – | – | – 9,530 | – 6,535 | – | – 6,535 |
| **7,630** | **– 420** | **– 9,530** | **106,949** | **3,320** | **110,268** |
| | | | | | |
| – | – | – | 23,578 | 467 | 24,045 |
| 1,335 | – 1,976 | 5,182 | 4,541 | 240 | 4,781 |
| 1,335 | – 1,976 | 5,182 | 28,119 | 707 | 28,826 |
| – | – | – | 65,645 | – | 65,645 |
| – | – | – | 423 | – | 423 |
| – | – | – | – 5 | – 5 | – 10 |
| **8,965** | **– 2,396** | **– 4,348** | **201,130** | **4,021** | **205,152** |
| | | | | | |
| – | – | | 51,260 | 568 | 51,827 |
| 1,937 | 1,527 | – 10,824 | – 7,360 | 249 | – 7,110 |
| 1,937 | 1,527 | – 10,824 | 43,900 | 817 | 44,717 |
| – | – | – | – 5,834 | – 765 | – 6,599 |
| – | – | – | 1,293 | – | 1,293 |
| – | – | – | 5 | – | 5 |
| **10,902** | **– 868** | **– 15,173** | **240,495** | **4,073** | **244,568** |

# STATEMENT OF CASH FLOWS OF THE SCHULER GROUP 1)

**FOR THE PERIOD OCTOBER 1, 2011, TO SEPTEMBER 30, 2012**

IN € THOUSANDS

| | | 2011/12 | 2010/11 |
|---|---|---|---|
| | Consolidated profit or loss for the year | 51,827 | 24,045 |
| +/– | Depreciation, amortization and impairments/impairment reversals of non-current assets | 22,494 | 30,338 |
| +/– | Increase/decrease in pension provisions (less plan assets) | 7,291 | 456 |
| + | Share-based payment transactions | 147 | 423 |
| –/+ | Gain/loss from disposal of non-current assets | –1,263 | –1,017 |
| –/+ | Increase/decrease in inventories | –6,599 | –15,133 |
| –/+ | Increase/decrease in receivables and other assets not relating to investing or financing activities | –39,125 | –45,647 |
| –/+ | Decrease/increase in provisions (excluding pension provisions) | –4,670 | –9,976 |
| –/+ | Decrease/increase in liabilities not relating to investing or financing activities | –17,776 | 197,248 |
| **Cash flow from operating activities** | | **12,327** | **180,739** |
| | Proceeds from sale of tangible and intangible assets | 3,005 | 2,524 |
| – | Additions from capitalized development costs | –404 | –1,013 |
| – | Purchases of other tangible and intangible assets | –25,821 | –8,537 |
| + | Proceeds from the sale of financial assets | 1,541 | 0 |
| – | Purchase of financial assets | –3,175 | –66 |
| – | Subsequent disbursement in connection with company acquisition | –20,422 | –1,054 |
| + | Proceeds from events attributable to neither operating nor financial activities | 0 | 3,719 |
| **Cash flow from investing activities** | | **–45,276** | **–4,428** |
| – | Dividend payment to shareholders of Schuler AG | –5,834 | 0 |
| – | Dividend payment to minority interests | –765 | 0 |
| + | Increase in capital of Schuler AG | 1,146 | 65,645 |
| + | Proceeds from non-current financial liabilities | 11,282 | 23 |
| – | Repayment of non-current financial liabilities | –21,096 | –101,372 |
| – | Repayment of current financial liabilities | 1,766 | –2,033 |
| – | Repayment of financial lease liabilities | 0 | –619 |
| **Cash flow from financing activities** | | **–13,501** | **–38,357** |
| Change in cash and cash equivalents | | –46,450 | 137,954 |
| +/– | Change in cash and cash equivalents due to exchange rate fluctuations | –1,048 | –94 |
| **Net change in cash and cash equivalents** | | **–47,498** | **137,859** |
| + | Cash and cash equivalents at beginning of period | 236,682 | 98,823 |
| **Cash and cash equivalents at end of period** | | **189,184** | **236,682** |
| Cash flow from operating activities includes: | | | |
| Interest received | | 6,747 | 2,461 |
| Interest paid | | 19,951 | 26,388 |
| Income taxes paid | | 7,361 | 1,500 |

The cash flow statement is explained in note (27).
1) Prior-year figures were adjusted in accordance with IAS 8. Further details in the notes to the consolidated financial statements under "General"

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SCHULER AG

**AS AT SEPTEMBER 30, 2012**

## GENERAL

Schuler Aktiengesellschaft ("Schuler AG") is the listed management holding company of the Schuler Group; its registered office is located in Bahnhofstrasse 41, 73033 Göppingen, Germany. It is registered with the District Court of Ulm, Germany, under the number HRB 530210. Schuler is a leading international supplier of metalforming machines, systems, dies and services. Its most important clients include car manufacturers and their suppliers, as well as the railway, aerospace, defense, security and packaging technology, drive and generator construction, general sheet metal production, appliances and large pipes industries and national mints.

The consolidated financial statements of Schuler AG as of September 30, 2012 were prepared in accordance with International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and according to the supplementary regulations of § 315a (1) German Commercial Code (HGB) to be observed under German commercial law. All IFRS, including the interpretations of the IFRS Interpretations Committee, that were binding for the fiscal year 2011/12 and had been adopted into European law by the European Commission were applied. In addition, the articles of Schuler AG were also observed. The accounting and valuation principles applied correspond in the main with the methods used in the previous year.

Moreover, all revised standards and interpretations mandatory for fiscal years beginning on October 1, 2011 were observed – insofar as they were relevant for Schuler:

/ IAS 24 "Related Party Disclosures" (revised)

/ IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Amendments "Prepayments of a Minimum Funding Requirement"

/ Amendment of IFRS 7 "Financial Instruments: Disclosures" – "Transfers of Financial Assets"

/ Improvements to IFRS (annual amendments, released by the IASB in May 2010)

The adoption of these standards and interpretations had no material effect on the consolidated financial statements of Schuler AG as at September 30, 2012.

The IASB passed the following new or revised standard which has already been endorsed by the European Union but whose application was not yet mandatory at the end of the reporting period and which has also not been applied in advance of its effective date by Schuler on a voluntary basis:

/ IAS 1 "Presentation of Financial Statements" – Amendments "Presentations of Items of Other Comprehensive Income"

The mandatory application of this revised standard as of fiscal year 2012/13 will have no significant impact on the consolidated annual financial statements.

The IASB also released the following new or revised standards, which have not yet been endorsed by the European Union:

/ IFRS 9 "Financial Instruments" (mandatory for fiscal years beginning after January 1, 2015)

/ IFRS 10 "Consolidated Financial Statements" (mandatory for fiscal years beginning after January 1, 2013)

/ IFRS 11 "Joint Arrangements" (mandatory for fiscal years beginning after January 1, 2013)

/ IFRS 12 "Disclosures of Interests in Other Entities" (mandatory for fiscal years beginning after January 1, 2013)

/ IFRS 13 "Fair Value Measurement" (mandatory for fiscal years beginning after January 1, 2013)

/ IAS 27 "Consolidated and Separate Financial Statements" (mandatory for fiscal years beginning after January 1, 2013)

/ IAS 28 "Investments in Associates and Joint Ventures" (mandatory for fiscal years beginning after January 1, 2013)

/ Amendment of IFRS 1 "Government Loans" (mandatory for fiscal years beginning after January 1, 2013)

- Amendment of IAS 32 “Offsetting Financial Assets and Financial Liabilities” (mandatory for fiscal years beginning after January 1, 2014)
- Amendment of IAS 12 “Deferred Taxes” – “Recovery of Underlying Assets” (mandatory for fiscal years beginning after January 1, 2012)
- Amendment of IFRS 1 “First-time Adoption of International Financial Reporting Standards” – “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters” (mandatory for fiscal years beginning after July 1, 2011)
- Amendment of IFRS 7 “Financial Instruments: Disclosures” – “Offsetting Financial Assets and Financial Liabilities” (mandatory for fiscal years beginning after January 1, 2013)
- Improvements to IFRSs (2009 – 2011) (mandatory for fiscal years beginning after January 1, 2013)
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (mandatory for fiscal years beginning after January 1, 2013)

The above mentioned new or revised standards are not expected to have any significant impact on the presentation of the consolidated annual financial statements should they be adopted by the European Union. These standards are not likely to be adopted in advance of their effective dates.

### / EARLY ADOPTION OF IAS 19 REV. (2011)

In the current fiscal year, the Schuler Group adopted IAS 19 rev. (2011) “Employee Benefits” in advance of its effective date. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change results from eliminating the corridor method for actuarial gains or losses, which are now recognized in other comprehensive income when incurred. Moreover, interest cost and expected return on plan assets are replaced with a net interest amount. The net interest amount is calculated by multiplying the net defined benefit liability at the beginning of the period with the discount rate. The net defined benefit liability is calculated as follows: defined benefit obligation (DBO) less plan assets measured at fair value. The amendment also involves extended disclosures in the notes to the financial statements.

These consolidated financial statements are the first consolidated financial statements in which the Schuler Group has applied IAS 19 rev. (2011). IAS 19 rev. (2011) was adopted retroactively and in accordance with IAS 8. Consequently, a balance sheet as at October 1, 2010 has been disclosed. The adjustments to items of the consolidated statement of financial position as at October 1, 2010 and September 30, 2011 and the consolidated statement of comprehensive income for the period 2010/11 affected by the change are shown below:

**IN € THOUSANDS**

| | Amount adjusted 10/1/2010 | Adjustment | Amount published 10/1/2010 |
|---|---|---|---|
| Deferred tax assets | 39.399 | 2.910 | 36.489 |
| **Non-current assets** | **302.376** | **2.910** | **299.466** |
| **Total assets** | **729.688** | **2.910** | **726.778** |
| Retained earnings | – 25.938 | 2.995 | – 28.933 |
| Accumulated other comprehensive income | – 2.320 | – 9.530 | 7.210 |
| Equity attributable to shareholders of Schuler AG | 106.949 | – 6.535 | 113.483 |
| Non-controlling interest | 3.320 | 0 | 3.320 |
| **Equity** | **110.268** | **– 6.535** | **116.803** |
| Pension provisions | 86.391 | 13.614 | 72.777 |
| Other provisions | 39.017 | – 4.279 | 43.295 |
| Deferred tax liabilities | 2.992 | 109 | 2.883 |
| **Non-current liabilities** | **300.373** | **9.445** | **290.927** |
| **Total liabilities** | **729.688** | **2.910** | **726.778** |

**IN € THOUSANDS**

| | Amount adjusted 9/30/2011 | Adjustment | Amount published 9/30/2011 |
|---|---|---|---|
| Deferred tax assets | 46,572 | 579 | 45,993 |
| **Non-current assets** | **285,590** | **579** | **285,011** |
| **Total assets** | **896,516** | **579** | **895,937** |
| Retained earnings | – 2,365 | 3,140 | – 5,505 |
| Accumulated other comprehensive income | 2,222 | – 4,348 | 6,570 |
| Equity attributable to shareholders of Schuler AG | 201,130 | – 1,208 | 202,339 |
| Non-controlling interest | 4,021 | 0 | 4,021 |
| **Equity** | **205,153** | **– 1,208** | **206,360** |
| Pension provisions | 79,451 | 4,618 | 74,833 |
| Other provisions | 22,288 | – 2,892 | 25,180 |
| Deferred tax liabilities | 1,932 | 62 | 1,870 |
| **Non-current liabilities** | **172,411** | **1,787** | **170,624** |
| **Total liabilities** | **896,516** | **579** | **895,937** |

**IN € THOUSANDS**

| | Amount adjusted 2010/11 | Adjustment | Amount published 2010/11 |
|---|---|---|---|
| **Income statement** | | | |
| Personnel expenses | 321,208 | – 207 | 321,415 |
| **Operating result** | **53,688** | **207** | **53,481** |
| **Profit or loss before tax** | **22,372** | **207** | **22,165** |
| Income taxes | – 1,673 | 62 | – 1,735 |
| **Consolidated profit or loss for the year** | **24,045** | **145** | **23,900** |
| of which attributable to shareholders of Schuler AG | 23,578 | 145 | 23,433 |
| of which attributable to non-controlling interest | 467 | 0 | 467 |
| **Earnings per share in €** | | | |
| Basic earnings per share | 0.97 | | 0.96 |
| Diluted earnings per share | 0.95 | | 0.95 |
| | | | |
| **Statement of comprehensive income** | | | |
| Actuarial gains/losses from defined benefit pension plans and similar obligations | 8,403 | 8,403 | 0 |
| Return on plan assets (excl. interest income) | – 1,000 | – 1,000 | 0 |
| Deferred taxes recognized in other comprehensive income | – 1,235 | – 2,221 | 986 |
| **Other comprehensive income for the year, net of tax** | **4,781** | **5,182** | **– 401** |
| **Total comprehensive income for the year, net of tax** | **28,826** | **5,327** | **23,499** |
| of which attributable to shareholders of Schuler AG | 28,119 | 5,327 | 22,793 |
| of which attributable to non-controlling interest | 707 | 0 | 707 |

The consolidated financial statements present a true and fair view of the net assets, financial position and earnings of the Schuler Group. They are prepared on the basis of accrual accounting.

For the purposes of clarity, various items of the statement of financial position and income statement have been combined. These items are listed separately and explained in the notes. The income statement was prepared according to the "nature of expense" method. Items in the statement of financial position are presented according to maturity. Assets and liabilities are classified as current if they are expected to be recovered or settled either within twelve months of the end of the reporting period or within a longer business cycle. Consequently, inventories, trade receivables and payables, and receivables from long-term construction contracts are disclosed as current items. However, deferred tax assets and liabilities, and pension provisions are always disclosed as non-current items.

The consolidated financial statements were prepared in euro. Unless otherwise indicated, all amounts are stated in thousands of euros (T€). Minor differences in the presentation of individual amounts within the consolidated annual financial statements may occur due to the presentation in T€.

The Group's affiliated companies and investments as defined by § 313 (2) HGB are listed separately in note (38) to the consolidated financial statements. The consolidated financial statements and Group management report and the annual financial statements and management report of Schuler AG are filed with the electronic Federal Gazette and can be downloaded from the corporate website ↦ WWW.SCHULERGROUP.COM.

The present consolidated financial statements and Group management report were released by the Board of Management on December 10, 2012, for submission to the Supervisory Board. Following the Supervisory Board's inspection and approval, they are expected to be published on December 19, 2012.

## CONSOLIDATED GROUP

In addition to Schuler AG, the consolidated annual financial statements comprise all major domestic and foreign subsidiaries which are directly or indirectly controlled by Schuler AG (control relationship), with generally more than 50% of the voting stock. These include special purpose entities whose assets are attributable to the Group from an economic point of view. Consolidation begins from the moment at which control is possible and ends when this possibility no longer exists.

Subsidiaries with limited activities (mainly management or smaller sales companies) are not consolidated as their influence on the assets, liabilities, financial position and earnings of the Group is only minor. In accordance with IAS 27 and 39, they are carried at fair value or cost.

Schuler Financial Services GmbH & Co. KG was merged with Schuler AG retroactively as of October 1, 2011.

In February 2012, a new Group company named Schuler Poland Service Sp. Z o.o. was founded in Kędzierzyn-Koźle, Poland, to expand service activities in Poland.

In order to expand the product spectrum, the company ATIS GmbH, Deggenhausertal, Germany, an engineering firm specializing in the manufacture of large pipes was acquired in April 2012. Located on Lake Constance, the company will contribute its expertise in the planning, development, supply and modernization of turnkey pipe manufacturing lines and systems around the world. The addition of turnkey systems solutions for the economic manufacturing of large pipes represents a further important step in the strategic expansion of the Non-Automotive business.

Due to their minor economic significance, neither company was consolidated in the reporting period.

In April 2012, shares held in Müller Weingarten Česká Republika, Mořkov, Czech Republic, were sold. The sale was motivated by a desire to pool core die construction activities at the facilities in Göppingen and Weingarten. The following assets and liabilities were sold in connection with the disposal: non-current intangible assets and property, plant and equipment (T€ 714), inventories (T€ 154), trade receivables and other assets (T€ 500), cash and cash equivalents (T€ 19), other provisions (T€ 48), trade payables and other current liabilities (T€ 446). The positive result from the sale amounted to T€ 340, which resulted mainly from other expenses and other income.

The Schuler Group now comprises the following number of companies:

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| **Schuler AG and fully consolidated subsidiaries** | | |
| Domestic | 18 | 19 |
| Foreign | 9 | 10 |
| | | |
| **Subsidiaries carried at amortized cost** | | |
| Domestic | 11 | 10 |
| Foreign | 10 | 9 |
| | **48** | **48** |

## PRINCIPLES OF CONSOLIDATION

The financial statements of domestic and foreign companies included in the consolidation are all prepared using uniform accounting and valuation methods. These methods and the consolidation principles applied remain unchanged in respect of the previous year. Subsidiaries with fiscal years different to the Schuler Group are consolidated on the basis of their interim financial statements as of September 30.

According to IFRS 3 (2004), all business combinations had to be accounted for using the purchase method. Capital consolidation of subsidiaries being consolidated for the first time was performed at the date of acquisition by netting the purchase price and ancillary costs with the newly valued proportionate share of net assets of the subsidiary. The assets, liabilities and contingent liabilities of the subsidiaries were measured at their full fair value, irrespective of the size of any minority interests. Intangible assets were disclosed separately from goodwill if they could be separated from the company or resulted from a contractual or other right. Restructuring provisions were not allowed to be recognized as part of the purchase price allocation. Any excess of acquisition cost over net assets acquired was recognized as goodwill. Negative goodwill resulting from initial consolidation was booked as income. As of the reporting date, there were no business combinations which would have had to be accounted for in accordance with IFRS 3 (rev. 2008). The changes prescribed by this revised version of the standard (e.g. non-capitalization of acquisition-related costs, fair value measurement of contingent considerations, revaluation of previous investments in business combinations achieved in stages) are therefore of no relevance for Schuler at present.

According to IAS 36, goodwill is not amortized. Instead, an impairment test is carried out annually or on indication of any impairment. Should the carrying amount of a cash generating unit to which goodwill is assigned exceed the recoverable amount, i.e. the higher of market value less selling costs or value in use, then a goodwill impairment in the amount of the difference is recorded. Any further impairment needs are considered by a proportionate reduction of the carrying amounts of the other non-current assets. During the removal of companies from consolidation, the residual value of capitalized goodwill is considered in the calculation of profit from disposal.

Assets acquired in a business combination with limited useful lives and newly recognized at their respective fair values are depreciated in scheduled amounts.

Income and expenses between consolidated companies are eliminated, as are payables and receivables; the same applies to liabilities and other financial obligations. The consolidated income statement has been adjusted for dividend payments and loss acceptances from consolidated companies. Intercompany profits from sales and services are eliminated from non-current assets and inventories, insofar as they are not minor. Deferred taxes are recognized on consolidation measures that affect the income statement. In this context, deferred tax assets and liabilities from individual consolidation measures are not netted as they do not meet the requirements of IAS 12.74.

## FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated at the corresponding exchange rates valid at the time of transaction in the individual financial statements of the consolidated companies. Monetary statement of financial position items, other financial obligations and contingent liabilities in foreign currencies are translated at the average spot foreign currency rates applicable at the end of the reporting period. The resulting exchange rate profits and losses are recognized in the income statement.

Foreign companies belonging to the Schuler Group are generally treated as financially, economically and organizationally independent units. Their annual financial statements are thus translated from the respective local currency into the Group reporting currency (euro) in accordance with the functional currency concept, pursuant to IAS 21. With the exception of equity, statement of financial position items are thus translated at the average spot exchange rate at the end of the reporting period. Equity, on the other hand, is translated at historical rates. Foreign currency translation differences resulting from the prior-year comparison are recorded separately under equity without affecting profit or loss until the subsidiary is disposed of.

Goodwill amounts not carried in the annual financial statements of subsidiaries which were already present as of January 1, 2005, continue to be carried at the end of the reporting period at the historic cost of the acquisition date in line with the transitional regulation IAS 21.59.

Income and expense items in the income statement are translated into euros at average annual exchange rates.

The most important exchange rates used for the translation of foreign currencies are as follows:

| | | Closing rate | | Average rate | |
|---|---|---|---|---|---|
| Currency | 1 € = | 09/30/2012 | 09/30/2011 | 2011/12 | 2010/11 |
| UK | GBP | 0.7968 | 0.8614 | 0.8218 | 0.8706 |
| Switzerland | CHF | 1.2092 | 1.2188 | 1.2070 | 1.2526 |
| Czech Republic | CZK | 25.2058 | 24.7159 | 25.2316 | 24.5050 |
| USA | USD | 1.2867 | 1.3417 | 1.3018 | 1.3983 |
| Mexico | MXN | 16.5445 | 18.5569 | 17.2887 | 17.0055 |
| Brazil | BRL | 2.6104 | 2.4908 | 2.4570 | 2.3012 |
| PR China | CNY | 8.0884 | 8.5676 | 8.2400 | 9.1224 |

## ACCOUNTING PRINCIPLES AND VALUATION METHODS

### / INTANGIBLE ASSETS

Intangible assets are capitalized in the amount of their cost of acquisition or conversion. With the exception of goodwill, they have a measurable useful life and are thus amortized in scheduled amounts using the straight-line method. The following amortization periods are used:

| | Useful lives |
|---|---|
| Customer-related intangible assets | 5 to 20 years |
| Technology-based intangible assets[1] | up to 20 years |
| Contract-based intangible assets | 5 to 10 years |

1) incl. acquired drawing rights

Intangible assets (excluding goodwill) are impaired if the recoverable amount, i.e. the higher of fair value less costs to sell and its value in use, is less than the carrying amount. If the reasons for the recognition of impairment no longer exist, the asset is written up to a value not exceeding that which would have resulted in former periods without impairment. If it is not possible to determine future cash flows for individual assets independent of other assets, the impairment test is made on the lowest aggregation of assets that generate largely independent cash inflows.

Development expenses are capitalized if a newly developed product or process can be clearly identified, can be realized with regard to technology, economic efficiency and production capacity, and is intended for the company's own use or for sale. Moreover, there must be a reasonable degree of certainty that the assignable expenses of the intangible asset can be reliably assessed during its development period and recovered after completion by future cash flows. Development expenses which fulfill these criteria are capitalized at the cost of conversion. The cost of conversion comprises all costs which can be directly allocated to the development process as well as a reasonable proportion of development-related overheads. Financing costs are capitalized providing the intangible assets meet the criteria prescribed by IAS 23. Should there be no earlier indication of impairment, capitalized costs are checked annually for impairment until a development project is completed. After completion, capitalized costs are tested annually for impairment until a development project is completed. After completion, capitalized development costs are amortized in scheduled amounts over the expected life cycle of the products. Research expenses are expensed in the period in which they are incurred.

Due to the indefinite useful live, goodwill is not amortized in scheduled amounts but reviewed annually or on indication of any impairment by means of an impairment test in accordance with IAS 36.10. This is normally based on the asset's value in use. Goodwill is assigned to the level of the Group companies as the cash generating units when measuring impairment. The assignment is based on the recoverable amount of those companies which are expected to benefit from the synergies. The total goodwill of T€ 45,094 (prior year: T€ 46,236) at the end of the reporting period (September 30, 2012) is divided among the main cash generating units – according to the value in use of the participating units – as follows: Schuler Pressen GmbH T€ 34,624 (prior year: T€ 34,624) and Schuler SMG GmbH & Co. KG T€ 7,098 (prior year: T€ 7,098). The remaining amount of T€ 3,372 (prior year: T€ 4,514) is attributable to two (prior year: three) further companies.

The future cash flows of these cash generating units are forecast and discounted on the basis of the three-year plans approved by the Board of Management and valid at the time of the impairment tests. In order to calculate the perpetual annuity, free cash flows after this detailed planning period are always extrapolated on the basis of the last planning year, without consideration of any growth rate. Historic values based on experience and management assessment of the long-term relevant economic conditions for the Group companies are also taken into account. The main assumptions for determining fair value are based on the development of sales and costs, especially in the large-scale machine business, as well as the sector and economic cycles, and the discount rate. The forecasts are based on past experience and expectations of future market developments, which are also validated by external sources. Discounting is based on the weighted average cost of capital (WACC) after tax, taking into account the risk class assigned to the respective cash generating unit and its relevant market. The cost of equity is based on the interest rate for long-term, risk-free securities (government bonds), calculated using the published figures of the German central bank (Deutsche Bundesbank) by means of the Svensson method, plus a risk premium. The cost of debt is calculated on a peer group basis. The cost of capital after tax is the weighted average of these individual required rates of return. In the period under review, these rates ranged from 4.2% to 9.1% (prior year: 5.3% to 10.6%). The cost of capital for the two most important cash generating units amounts to 6.8% for Schuler Pressen GmbH (prior year: 7.5%) and 7.9% for Schuler SMG GmbH & Co. KG (prior year: 9.0%). In the case of impairment, goodwill is subject to non-scheduled amortization. This is the case if the carrying amount of the assets attributable to the cash generating unit, less liabilities, exceeds the calculated value in use. If the required impairment need of a cash generating unit exceeds the amount of goodwill allocated to it, the carrying value of its non-current assets is reduced by the remaining amount. Should the reason for impairment no longer apply, it is not permissible to reverse the impairment.

The annual goodwill impairment test at the end of the fiscal year revealed an impairment need for Schuler Guss GmbH & Co. KG of T€ 1,142, as company earnings in fiscal year 2011/12 fell well short of targets. In the case of the other relevant Group companies, the values in use are above the carrying values. As in previous years, no impairment need was therefore identified for the remaining companies. In the period under review, there were no write-ups from the reversal of other impairment losses pursuant to IAS 36.104 (b) (prior year: T€ 0).

In a sensitivity analysis, key parameters of the impairment test were altered to a reasonable degree as part of a possible development. Increasing the WACC by 25 base points or reducing relevant cash flow by 5% did not result in any impairment need for goodwill.

### / PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at acquisition or conversion cost less scheduled and – where necessary – non-scheduled depreciation. Investment grants received are generally deducted from the acquisition or conversion cost of the subsidized asset. Current maintenance and repair costs are recognized immediately in profit and loss when incurred. The cost of conversion comprises individual direct costs as well as prorated material and production overheads including depreciation and production-related administrative costs. Borrowing costs for qualifying assets are capitalized as part of the acquisition or conversion cost if the requirements are met. Schuler defines qualifying assets as those assets which require at least twelve months to get ready for its intended use or sale. Property, plant and equipment are depreciated using the straight-line method according to the asset's standard useful life. The assumptions for determining economic benefit, residual value and remaining useful life are reviewed and adjusted where necessary at each end of the reporting period. Items belonging to property, plant and equipment are derecognized at the time of disposal, due to sale or decommissioning, or when no further economic benefit is expected from their usage. The resulting profits and losses (difference between the net sales value and the carrying value) are disclosed in other income or other expenses.

Scheduled depreciation amounts are based on the following useful lives:

| | Useful lives |
|---|---|
| Buildings | 33 to 50 years |
| Land improvements | 10 to 15 years |
| Machines and technical equipment | 10 to 30 years |
| Other factory and office equipment | 5 to 15 years |

In accordance with IAS 36, property, plant and equipment are subject to non-scheduled depreciation if there is any indication that the recoverable amount of the asset in question has fallen below the carrying amount. The recoverable amount is the higher of net realizable value and the asset's value in use. The value in use is calculated on the basis of current planning, as approved by the Board of Management and valid at the time of the impairment test. Forecasts are based on past experience and expectations of the market's future development. Should the reasons for non-scheduled depreciation carried out in previous years no longer apply, a reversal of impairment loss for the asset is undertaken in an amount no higher than total non-scheduled impairment recognized so far. If it is not possible to allocate to individual assets the company's own future revenue streams generated independently of other assets, impairment is tested on the basis of the superior cash generating unit of assets.

In accordance with IFRS 5, property, plant and equipment which is planned to be sold within one year of the end of the reporting period and which is no longer used in the production process is disclosed separately under current assets, providing the sale is already very likely at the end of the reporting period and corresponding sales measures have been initiated. Such assets are valued at the lower of carrying amount and the expected net realizable value and are no longer written down in scheduled amounts.

In the case of leased property, plant and equipment, the prerequisites of IAS 17 for financial leases are met when all significant risks and rewards incident to economic ownership are transferred to the respective Group company. In such cases, the respective property, plant and equipment is capitalized at the lower of acquisition or conversion cost and the present value of future minimum lease payments, and depreciated using the straight-line method over economic useful life or the shorter lease term. The useful lives applied correspond to those of comparable acquired assets. Payment obligations resulting from future leasing payments are discounted and carried as a liability.

If the prerequisites for financial leases are not met, leasing or rental payments are expensed directly in the income statement (operating lease conditions). In such cases, the leased object is not capitalized in the Schuler Group.

## / GOVERNMENT GRANTS

Government grants are only recognized if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period in which the relevant expenses are incurred. Government grants for investments are deducted from the carrying value of the subsidized asset.

## / FINANCIAL ASSETS

Interests in non-consolidated subsidiaries and other participations are generally valued at their respective acquisition cost, as there are no active markets for these companies.

## / FINANCIAL INSTRUMENTS

Financial instruments are contracts that result in a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets and financial liabilities are only netted and disclosed if there is a right to offset amounts at the current time and there is the intention to create a settlement by netting. The carrying amounts of those financial assets not assessed at fair value with an effect on the income statement are subjected to an impairment test at each end of the reporting period. Any impairment charges resulting from the difference between the carrying amount and the lower fair value are expensed. Regardless of the probability of their occurrence, losses from expected future events are not considered. The following criteria are used to objectively determine impairment:

/ substantial financial difficulties of the issuer or debtor

/ high probability of insolvency proceedings against the debtor or necessary recovery measures of the borrower

/ significant change in the technological, economic or legal environment and the issuer's market environment

/ signs which enable the measurement of a sustained or significant decline in the financial asset's fair value below amortized cost

/ concessions to the borrower for economic or legal reasons in connection with his financial difficulties

/ contractual infringements

/ the disappearance of an active market for the financial asset

Financial instruments are always recognized on delivery, i.e. on the settlement date. Regular purchases or sales based on contracts which provide for the delivery of an asset within a certain period, which is usually determined by provisions or conventions of the respective market, are booked on the trading day and thus on the day on which the Group entered into the contractual obligations of the financial instrument. Derecognition of financial assets takes place when the Group's claims in respect of cash flows from the financial instrument expire or when the financial instrument is transferred to another party, including control or all major risks and rewards. Financial liabilities are derecognized when the Group's obligations specified in the contract expire, or are lifted or terminated. Initial recognition of financial instruments is at fair value, and in some cases plus directly attributable transaction costs. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Financial instruments in foreign currencies are translated using average exchange rates. For all financial instruments which are not subsequently assessed at fair value with an effect on the income statement, transaction costs directly attributable to the acquisition are accrued in the statement of financial position. In accordance with IAS 39, current and non-current financial assets and liabilities are divided into the following categories:

/ Financial assets measured at fair value through profit and loss

/ Loans and receivables

/ Held-to-maturity financial investments

/ Available-for-sale financial assets

/ Financial assets measured at amortized cost

/ Financial liabilities measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include derivative financial instruments, all originated financial instruments held for trading (e.g. shares or interest-bearing securities), and all financial instruments which a company voluntarily allocates to this category. A financial asset is allocated to this category if it was acquired essentially with the intention of a short-term sale, or if the financial asset is so designated by management. Schuler has so far not made use of the possibility to categorize financial assets on initial recognition as financial assets measured at fair value through profit and loss. The Schuler Group only allocates derivative financial instruments to this category, and only if they do not meet the strict criteria of a hedging relationship pursuant to IAS 39. The Schuler Group uses derivative financial instruments exclusively to hedge against interest or currency risks. It can occur, however, that a hedging relationship which makes sound economic sense does not meet the requirements of hedge accounting pursuant to IAS 39. In such cases, the respective hedging instruments are allocated to the “at-fair-value-through-profit-or-loss” category of financial assets/liabilities. Fair value is generally the market or stock exchange value, i.e. the price at which the financial instrument can be freely traded between independent business partners in a current transaction. If there is no active market, fair value is calculated using recognized actuarial methods. Changes in fair value in this category of financial instruments are recognized in profit and loss. Transaction costs incurred when acquiring financial assets measured at fair value through profit or loss are also charged directly to profit and loss.

Loans and receivables are non-derivative financial instruments not quoted on any active market with fixed or measurable payments. They mainly include trade receivables, future receivables from long-term construction contracts, some of the other receivables, cash and cash equivalents. They are carried at amortized acquisition cost. The amortized acquisition cost of a financial asset or financial liability is the amount,

/ at which the financial asset or liability was initially recognized, including transaction costs,

/ less subsequent repayment amounts and non-scheduled amortization for impairment or uncollectibility and,

/ where applicable, plus or minus the difference (premium) between the original amount and the amount to be repaid on maturity, which is spread over the expected life of the financial asset or liability using the effective interest method.

In the case of short-term receivables and liabilities, the amortized acquisition cost is generally identical with the nominal or repayment amount. Individual valuation allowances for dubious receivables are formed to account for the risk of estimated losses from insolvency of contractual partners. They are recognized to reduce the gross receivable if there are specific indications that a debtor cannot meet his financial obligations to a sufficient extent. Valuation adjustments for defaults not yet known are formed on a group basis to cover credit risks from overdue receivables without specific valuation adjustments. Receivables with potential devaluation needs are grouped according to similar default risk characteristics, examined jointly for impairment, and adjusted individually in lump sums where necessary. A decentralized collection management system is responsible for judging the appropriateness of valuation adjustments for dubious receivables, based on the maturity structure of net receivables, specific country risks, the risk structure of financial transactions, experience from receivables already derecognized, customer credit ratings and noticeable changes in payment behavior. The size of a value adjustment is set at the difference between the carrying amount of an asset and the discounted expected future cash flows used to determine present value with the original effective interest rate of the financial asset, which is then recognized in profit and loss. If the amount of the value adjustment is reduced in one of the following reporting periods and the underlying circumstances can be objectively traced to an event which occurred after the value adjustment was recognized, then the previously recognized value adjustment is reversed through profit and loss. The impairment of trade receivables, and part of other assets, is included in allowance accounts. Receivables are derecognized if the contractual rights to payments no longer exist, the respective opportunities and risks are mostly transferred or if they are classified as uncollectible. The degree of risk assessment reliability is an indication of whether a default risk should be covered by an allowance account or via a direct receivable adjustment. Expenses from the value adjustment and derecognition of receivables are disclosed under other expenses, while reversals of valuation allowances and incoming payments for derecognized receivables are disclosed as other income.

Held-to-maturity financial investments are non-derivative financial assets with fixed or measurable payments and a fixed maturity, whereby it is both intended and can be expected with economically sufficient reliability that they will be held until maturity. They are measured using the effective interest method at amortized costs. During the period under review, Schuler did not recognize any such financial instruments.

Available-for-sale financial assets are non-derivative financial assets, which were either allocated to this category or do not fall into one of the other measurement categories presented. They are disclosed under non-current assets, unless management intends to sell them in the following fiscal year. In general, there are no fixed or measurable payments and terms. They are measured at fair value, whereby changes to fair value – except for allowances – are recognized directly in other comprehensive income under consideration of deferred taxes. In the case of asset disposals, the reserve is reversed. If objective indications of an impairment of the financial asset to below its acquisition cost already existed at an earlier time, the impairments hitherto reported in other comprehensive income are removed from equity and disclosed in the income statement for the period. The same applies to currency-based changes in the fair value of debt instruments. The size of the allowance is calculated as the difference between the carrying value and the present value of the estimated future cash flows, discounted with the current market return of a comparable financial asset. Reversals of impairment losses are only shown in the income statement, if events occur at a later valuation date after the impairment has been expensed, which lead to an objective increase in fair value. Available-for-sale financial assets also include interests in affiliated companies and participations. There is no active market for these financial instruments. Fair value can only be measured on the basis of concrete sales negotiations, and is therefore always measured at acquisition cost. In the case of these equity instruments, a permanent or significant decline of fair value below acquisition cost also leads to a loss in value, which is recognized in the income statement of the respective reporting period. In accordance with IAS 39.66, no reversal of impairment losses is made for these shares. Interest from financial assets designated as available-for-sale are carried through profit and loss as interest income using the effective interest method. Dividends are recognized in the income statement upon accrual of payment rights. Premiums or discounts, transaction costs and interest are recognized in profit and loss over the term.

Financial liabilities generally substantiate claims for repayment to another party in cash or another financial asset. Financial liabilities valued at amortized cost mostly comprise financial liabilities, trade payables and part of other debts. After initial recognition using the effective interest method, such financial liabilities are carried at amortized cost. Interest income from the compounding and discounting of trade payables is disclosed in the interest result.

Financial liabilities measured at fair value through profit or loss comprise financial liabilities which are held for trading. Derivative financial instruments which are not, or no longer, included in an effective hedging relationship pursuant to IAS 39 must be classified as held-for-trading. In subsequent valuation, the negative fair values are recognized in the income statement. They are disclosed within other liabilities. The Group does not make use of the possibility to classify financial liabilities as at-fair-value-through-profit-or-loss on initial recognition.

### / NON-DERIVATIVE FINANCIAL INSTRUMENTS

The amount of non-derivative financial instruments can be seen in the consolidated statement of financial position and the notes to the annual financial statements. As no general netting agreements are made with customers, the total amount disclosed under assets is also the maximum credit risk – irrespective of existing collateral. In the case of all underlying performance relations in respect of non-derivative financial instruments, collateral is requested to minimize the credit risk – depending on the type and size of the respective performance. Moreover, credit information/references are requested or historical data used from past business transactions, especially regarding payment behavior. Insofar as there are recognizable credit risks in respect of individual financial assets, such risks are accounted for by impairment losses. The credit risk in connection with derivative financial instruments is minimized by only conducting business with contractual partners with good credit ratings. The general credit risk resulting from derivative financial instruments is therefore regarded as not material. There is no recognizable concentration of credit risk from relations with individual debtors.

### / DERIVATIVE FINANCIAL INSTRUMENTS/HEDGE ACCOUNTING

In order to hedge statement of financial position items and future cash flows from operations, as well as financial transactions and investments against interest and foreign currency risks, the Schuler Group uses derivative financial instruments (e.g. forward exchange transactions, currency swaps, interest swaps and options) whose efficiency is examined in regular effectiveness tests. The Schuler Group neither holds nor issues derivative financial instruments for speculation purposes. Derivative financial instruments are measured at fair value, both on initial recognition and at every subsequent end of the reporting period. Measurement is based on the exchange rates (average rates), interest rates and credit ratings of the contract partners at the closing date. The fair value of listed derivatives corresponds to the positive or negative market value at the closing date. If there are no market values, however, fair values are calculated using recognized actuarial models (e.g. using the present value method or Black-Scholes option pricing model). Derivatives with positive fair values are disclosed as financial assets and derivatives with negative fair values as financial liabilities. Financial instruments which represent an effective hedging relationship pursuant to IAS 39 (Hedge Accounting) are classified from this moment onward as fair value hedges or as cash flow hedges.

In the case of fair value hedges, the company hedges the risk of changes in the fair value of a firm obligation without effect on the statement of financial position or a statement of financial position item. In this case, both the hedging and underlying transaction are carried at fair value and both value adjustments are recognized in the income statement.

Cash flow hedges serve to hedge against future cash flow fluctuations in connection with a recognized asset, a recognized liability or a highly probable future cash flow. Schuler uses this instrument primarily to hedge against future cash flows from expected payments, which are mainly based on existing orders. The hedging instruments are again carried at fair value. However, unrealized profits and losses from hedging transactions as a result of changes in market values are first recognized (less a proportion for tax) in other comprehensive income and only transferred to the income statement if the respective hedged item influences the period result. That portion of the market value change of a derivative instrument which is not covered by the underlying transaction is recognized directly in profit or loss.

In the case of forward exchange transactions, fair values are calculated as the present value of cash flows on the basis of contractually agreed forward rates and reference exchange rates at the end of the reporting period under consideration of forward premiums or discounts. The fair values of interest hedging instruments are calculated on the basis of expected discounted cash flows. The market interest rates used are based on the remaining terms of the financial instruments. Only those cash flow hedges are recognized which meet the strict requirements of IAS 39 with regard to hedge accounting. To this end, the type of financial instrument used, the underlying transaction, the hedged risk and an assessment of the degree of effectiveness of the hedging instruments are all documented. In order to judge the effectiveness of the hedging relationship with regard to compensating for risks from changes in cash flows related to the hedged risk, its effectiveness is examined at the closing date. If the conditions for hedge accounting purposes are no longer met, or Schuler decides not to continue the designation, the hedging relationship is reversed with an effect on the income statement.

## / LONG-TERM CONSTRUCTION CONTRACTS

Customer-specific construction contracts are measured pursuant to IAS 11 according to the percentage-of-completion method (PoC method), i.e. according to the project's effective state of completion. The development of the project's progress is determined according to the percentage of completion of a particular order, measured on the basis of the ratio between costs incurred to date and the expected total contract costs (cost-to-cost method). Increases or decreases in income from order amendments and additional claims are considered if these are deemed likely and their amount can be reliably determined. If the profit of a construction contract cannot be reliably estimated, revenue is estimated to be only the amount of the incurred contract costs (zero-profit method). Expected contract losses are recognized as a loss in the period of recognition by means of allowances for the disclosed receivable. Should the expected contract loss exceed the capitalized receivable, a provision is also formed. Possible contract losses are calculated on the basis of concurrent estimations and under consideration of all recognizable risks.

As the PoC method is based on estimations of the costs incurred until completion of the contract, it may be necessary to subsequently adjust the underlying calculations. Such corrections of income and expenses are recognized in the income statement in the period in which the deviations are determined.

Construction contracts are disclosed under receivables or payables. As soon as accumulated services (incurred contract costs and prorated profits) exceed payments received on account for a particular contract, the construction contract is disclosed under future receivables from long-term construction contracts. If there is a negative balance after deducting the customer's payments on account, a liability is disclosed within the payments received on account for construction contracts.

### / INVENTORIES

Inventories are measured at the cost of acquisition or conversion, or at the lower net realizable value. The cost of conversion comprises individual direct costs as well as a reasonable proportion of material and production overheads, including production-related depreciation which can be directly attributed to the manufacturing process. Administrative and social costs are capitalized insofar as they can be allocated to production. Calculation rates are measured on the basis of normal capacity utilization. Borrowing costs are included in the conversion costs of those inventory assets which require a period of more than twelve months to convert into a saleable condition. In the period under review, borrowing costs of T€ 747 (prior year: T€ 356) were capitalized for qualified inventory assets whose conversion began after October 1, 2009. A weighted average borrowing cost rate of 10.2% (prior year: 10.3%) was used to measure those borrowing costs requiring capitalization. Current customer contracts are carried without loss. Risks arising from storage duration, reduced usability or similar occurrences are accounted for by value reductions. If the reasons leading to a value reduction of inventories no longer exist, then the value reduction is reversed. Similar inventory objects are generally valued using the average cost method.

## / DEFERRED TAXES

Deferred tax assets and liabilities are recognised for temporary differences between the tax-base and the carrying amount of assets and liabilities on the basis of the balance-sheet oriented method in accordance with IAS 12. Temporary differences from goodwill or from initial recognition of other assets and liabilities (provided it is not a business combination) which affect neither taxable profit nor accounting profit at the time of the transaction are not considered. Deferred tax assets also consider tax reduction claims from existing tax loss carryforwards and unused tax credits, for example in Germany from interest charges which are no longer directly tax deductible, providing it is likely that they can be used in the following years.

Deferred tax assets are only recognized if there is sufficient probability that the resulting tax credits can actually be used in future.

Income taxes relating to items recognized in other comprehensive income are recognized in the relevant equity category and not in the income statement. Deferred taxes which refer to items to be recognized directly in equity are recognized directly in equity.

Deferred taxes are measured according to the expected size of the tax burden or benefit in future years under consideration of the tax rates valid or expected at the time of realization. They are based on the tax regulations of the individual countries valid, or virtually adopted, at the end of the reporting period. In the case of domestic companies and consolidation transactions, a tax rate of 30% was applied once again. For foreign subsidiaries, deferred taxes are calculated on the basis of the valid local tax rates.

In the case of items recognized under accumulated other comprehensive income, the change in the respective deferred tax position is also recognized in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset wherever deferred taxes refer to the same tax subject and the same tax authority and there is a legally enforceable right to set off current tax assets from current tax liabilities. Current tax receivables and liabilities are offset if the tax authority has granted permission to settle on a net basis.

### / PENSION PROVISIONS

Actuarial valuation of pension provisions is based on the projected unit credit method in respect of post-employment benefits in accordance with IAS 19. The valuation is not only based on pension payments as known at the end of the reporting period, but also includes future increases in salary and pensions. Actuarial gains and losses from the valuation of the DBO and plan assets, which result from changes in actuarial assumptions or from deviations between actuarial assumptions and the actual development, are recognized directly in other comprehensive income in the period they are incurred and disclosed separately in the statement of comprehensive income. Past service cost is recognized immediately in profit or loss. In the case of insurance policies, these are offset as plan assets with pension obligations if they meet the criteria of IAS 19. Interest income from plan assets and expenses from the discounting of obligations are disclosed in the interest result. Current service cost is recognized in personnel expenses.

### / OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized where a present legal or constructive obligation exists in respect of third parties as a result of a past event, where a future outflow of resources is probable and where a reliable estimate of that outflow can be made. The settlement value of provisions is mainly determined using internal as well as external data sources, such as actual warranty costs incurred in the past, technical information about the design of products and process technology, as well as internal statistics and experience reports from damage cases or test setups, individual contract commitments, the expertise of external assessors and actuaries, or management's assessment of individual issues, such as environmental risks or legal disputes with the involvement of external lawyers. Especially in the case of impending losses, subsequent costs and warranties, all cost elements are considered which are capitalized in inventories.

Provisions not resulting directly in an outflow of resources in the following year are discounted, providing the resulting effect is significant. The relevant market interest rates are used in each case. Claims for reimbursement which are sufficiently secure are carried as separate assets.

If the scope of the commitment is reduced following a changed estimation in subsequent periods, the provision is reversed pro rata against those original cost items recognized at the time when the provision was formed.

Provisions are reviewed on an annual basis to ascertain whether and to what degree they are still necessary. If the grounds for forming the provision no longer apply, the provision is reversed with an effect on the income statement.

## / LIABILITIES

With the exception of derivative financial instruments, non-current liabilities are recorded at amortized cost in the statement of financial position. Differences between historical cost and the repayment amount are considered using the effective interest method.

Liabilities under finance leases are carried at the present value of the future minimum lease payments.

With the exception of derivative financial instruments, current liabilities are recognized at their repayment or settlement value.

## / SHARE-BASED PAYMENT

Stock options were granted to members of Schuler AG's Board of Management in the fiscal years 2008/09 and 2009/10. The fair value of these non-cash compensation components was measured on the grant dates during the year in accordance with IFRS 2.16. It is expensed over the vesting period in the consolidated income statement using the straight-line method and weighted according to the exercise probability. After fulfillment of the contractually defined conditions, an increase in nominal capital is recognized from conditional capital when the stock options are exercised, providing the company does not grant treasury stock.

## / INCOME AND EXPENSE RECOGNITION

Sales revenue resulting from the typical business activities of the Schuler Group and other income is only recognized when the relevant delivery or service has been performed and the risk has thereby passed to the customer (transfer of significant risks and opportunities). The prerequisite for income recognition is that all major contract components – depending on the agreement, not just delivery but also services, such as construction and assembly – must be completed at the end of the reporting period. If a transaction consists of several delivery or service components, it is divided into several accounting units. Total compensation is allocated pro rata to the respective components according to their relative fair values. The customer's compensation for a measurement unit must not depend, however, on the provision of further services. If acceptance agreements were concluded with the customers, revenue is not recognized in the income statement until after acceptance. The exception to this principle are customer-based, long-term construction contracts, where the respective revenue is measured and disclosed according to the percentage-of-completion method. Revenues are recognized after deduction of sales rebates, sales taxes and other taxes charged by the customer. Royalties are measured according to the economic content of the relevant agreements and capitalized pro rata temporis. Income and expenses are capitalized pro rata temporis using the effective interest method; dividend income is recognized at the time it comes into legal existence.

Operating expenses affect profit or loss at the moment the service is utilized or incurred.

## / ESTIMATES AND ASSUMPTIONS BY MANAGEMENT

Preparation of the consolidated financial statements requires management to make certain assumptions and estimates in order to judge and evaluate the effects of uncertain future events. They reflect the current state of available knowledge at the time of financial reporting and may have a material impact on the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosure of contingent assets and liabilities of the reporting period.

Such estimates relate primarily to the assessment of the recoverability of intangible assets, and especially of goodwill, assumptions concerning the technical and economic ability to realize development projects, the economic useful lives of intangible assets and property, plant and equipment, the measurement of fair value for non-current assets, the sales and profit recognition of long-term construction contracts, the suitability of value adjustments for dubious receivables, the amount of expenses for pension benefits and expected income from plan assets, the future use of deferred tax assets depending on expected taxable income, and the recognition and measurement of provisions.

Key individual factors include discount rates, cost increases, salary trends, tax rates, cash flows or biometric assumptions – e.g. life expectancy – cost and revenue estimates for customer projects, and above all an overall assessment of expected business development and the sector-specific environment which will impact the development of future cash flows or results of the Schuler Group.

Due to fluctuating market and economic conditions, actual amounts may differ from the original estimates. For instance, valuations based on discounted cash flows generally fall when interest rates are rising. This effect is magnified over longer time horizons. In the case of such diverging developments, the estimates and, where necessary, the carrying amounts of the assets and liabilities affected are adjusted.

Further explanations are provided where necessary in the respective notes.

# CONSOLIDATED INCOME STATEMENT DISCLOSURES

## (1) SALES

For segment reporting purposes (see note (28)), consolidated sales revenue is presented by the Group's business segments, products/services, and regions. Revenue from long-term construction contracts calculated according to the PoC method amounts to T€ 826,472 (prior year: T€ 562,399).

## (2) OTHER INCOME

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Reversal/usage of provisions | 7,909 | 12,567 |
| Income from rent and leases | 1,681 | 3,476 |
| Cost refunds/compensation from third parties (incl. insurance payments) | 1,579 | 2,371 |
| Income from ancillary activities (material and scrap sales etc.) | 2,348 | 1,989 |
| Income from the disposal of fixed assets | 1,534 | 1,569 |
| Other income | 7,156 | 3,890 |
| | **22,207** | **25,861** |

Other operating income includes currency gains of T€ 1,057 (prior year: T€ 488).

## (3) COST OF MATERIALS

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Expenses for raw materials, supplies and goods purchased | 523,952 | 391,556 |
| Expenses for services purchased | 87,416 | 67,816 |
| | **611,367** | **459,373** |

## (4) PERSONNEL EXPENSES

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Wages and salaries | 306,833 | 268,210 |
| Social security costs | 56,422 | 52,998 |
| | **363,255** | **321,208** |

The annual average number of employees developed as follows:

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Direct employees | 3,067 | 2,906 |
| Indirect employees | 1,985 | 1,875 |
| | **5,052** | **4,781** |
| Apprentices | 283 | 287 |
| | **5,335** | **5,068** |

## (5) DEPRECIATION AND AMORTIZATION OF INTANGIBLE AND TANGIBLE ASSETS

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Intangible assets | 7,375 | 10,666 |
| Tangible assets | 15,119 | 19,672 |
| | **22,494** | **30,338** |

In the fiscal year 2011/12, impairment on intangible assets amounted to T€ 1,707 (prior year: T€ 5,320) and on property, plant and equipment to T€ 175 (prior year: T€ 2,938). Of the total impairment, an amount of T€ 1,142 relates to goodwill of Schuler Guss GmbH & Co. KG, as company earnings in fiscal year 2011/12 fell well short of targets.

## (6) OTHER EXPENSES

**IN € THOUSANDS**

| | 2011/12 | 2010/11 |
|---|---|---|
| Packaging, outgoing freight costs, duties | 25,367 | 19,298 |
| Travel costs for machine assembly, other travel expenses | 22,255 | 18,830 |
| Advertising, trade fair and exhibition costs, commissions | 19,060 | 18,060 |
| Repairs, servicing, maintenance | 22,851 | 17,788 |
| Rent and leasing | 19,708 | 17,702 |
| Other expenses | 55,427 | 44,687 |
| | **164,667** | **136,366** |

Currency losses included in other expenses amount to T€ 1,592 (prior year: T€ 1,136).

## (7) FINANCIAL RESULT

**IN € THOUSANDS**

| | 2011/12 | 2010/11 |
|---|---|---|
| Interest income | 7,024 | 6,057 |
| of which from affiliated companies | 47 | 90 |
| Interest expense | 23,581 | 38,124 |
| of which to affiliated companies | 36 | 34 |
| **Interest result** | **– 16,556** | **– 32,067** |
| Income from investments | 1 | 751 |
| of which from affiliated companies | 0 | 750 |
| **Other financial result** | **1** | **751** |
| **Financial result** | **– 16,556** | **– 31,316** |

## (8) INCOME TAXES

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Current tax expense, Germany | 2,887 | 3,725 |
| Current tax expense, other countries | 6,473 | 3,332 |
| **Current income taxes** | **9,360** | **7,057** |
| of which relating to other periods | 2,385 | – 11 |
| **Deferred taxes** | | |
| **Origination and reversal of temporary differences** | **18,056** | **– 8,729** |
| of which relating to other periods | 1,677 | 0 |
| **Total tax income/expense** | **27,416** | **– 1,673** |

At the end of the reporting period, there were domestic corporate tax loss carryforwards amounting to T€ 264,551 (prior year: T€ 247,742), trade tax carryforwards of T€ 311,678 (prior year: T€ 297,783), and interest carryforwards of T€ 9,756 (prior year: T€ 11,626). Tax loss carryforwards of non-German Group companies amount to the equivalent of T€ 18,628 (prior year: T€ 32,110). The total amount includes loss carryforwards of T€ 240,753 (prior year: T€ 250,447) deemed non-usable (corporate tax T€ 85,589 (prior year: T€ 94,726), trade tax T€ 143,902 (prior year: T€ 141,767), foreign income taxes T€ 1,506 (prior year: T€ 2,327), interest carryforwards T€ 9,756 (prior year: T€ 11,626)). Of this amount, T€ 239,881 (prior year: T€ 248,706) can be carried forward indefinitely, while T€ 0 of foreign Group companies (prior year: T€ 963) can be used to reduce tax within a period of up to five years and T€ 872 (prior year: T€ 778) can be used within the next eight (prior year: ten) fiscal years.

At the end of the reporting period, there were temporary differences (outside basis differences) in the individual financial statements in connection with shares in affiliated companies and investments amounting to T€ 95,205 (prior year: T€ 113,318). However, these are only partially liable to tax.

In order to calculate expected income taxes, profit or loss for the year before taxes is multiplied by a tax rate of 30.0% (prior year: 30.0%). This figure comprises corporation tax (15.0%), the solidarity surcharge (5.5% of corporation tax) and trade tax (14.0%).

As in the previous year, the nominal income tax rates valid at year-end for the Group's foreign subsidiaries were between 14.0% (prior year: 12.5%) and 34.0%.

The main causes for deviations between expected and disclosed income taxes are presented in the following reconciliation calculation:

**IN € THOUSANDS**

| | 2011/12 | 2010/11 |
|---|---|---|
| Profit or loss before taxes | 79,243 | 22,372 |
| Statutory income tax rate | 30.0 % | 30.0 % |
| **Expected income taxes** | **23,773** | **6,712** |
| Tax-free income | – 21 | – 350 |
| Non-deductible expenses, incl. foreign withholding tax | 2,060 | 2,014 |
| Adjustments in respect of current income tax and deferred taxes of previous year | 4,062 | – 11 |
| Subsequent capitalization of deferred taxes for temporary differences and tax loss carryforwards | – 6,959 | – 15,482 |
| Unrecognized deferred taxes for temporary differences and tax loss carryforwards | 5,232 | 5,628 |
| Different tax rates | – 401 | – 138 |
| Change in tax rates | – 194 | – 9 |
| Loss of tax loss carryforwards as a result of merger | 0 | 75 |
| Other | – 136 | – 111 |
| **Current income taxes** | **27,416** | **– 1,673** |
| Effective tax rate | 34.6 % | – 7.5 % |

The following deferred tax assets and liabilities in the statement of financial position refer to recognition and valuation differences between tax statements of financial position and the consolidated statement of financial position for individual items and to capitalized tax carryforwards:

**IN € THOUSANDS**

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | 09/30/2012 | 09/30/2011 | 09/30/2012 | 09/30/2011 |
| Non-current assets | 1,994 | 2,707 | 13,124 | 13,826 |
| Inventories and receivables | 11,488 | 6,125 | 79,000 | 38,293 |
| Tax loss carryforwards | 93,351 | 92,227 | – | – |
| Other assets | 4,623 | 4,612 | 387 | 536 |
| Pension provisions | 9,971 | 6,146 | 742 | 807 |
| Other provisions | 3,007 | 2,146 | 2,071 | 10,756 |
| Liabilities | 42,984 | 35,765 | 4,491 | 1,471 |
| **Gross value** | **167,418** | **149,728** | **99,815** | **65,689** |
| Valuation allowances | – 37,165 | – 39,399 | – | – |
| Offsetting | – 95,095 | – 63,758 | – 95,095 | – 63,758 |
| **Recognition in the statement of financial position** | **35,158** | **46,572** | **4,720** | **1,931** |

Despite the very positive order position, deferred tax assets are not expected to be fully utilized in the foreseeable future and were therefore partially adjusted. In accordance with IAS 12, unused tax loss carryforwards are only recognized to the extent that there is likely to be a taxable income in future which can be offset against unused tax losses. Account was taken of tax plans based on corporate planning. This covers a period of five years and takes account of the long-term economic conditions relevant to Schuler.

The above value adjustments are based mainly on tax loss carryforwards at the end of the reporting period.

In the period under review, an amount of T€ 4,095 (prior year: T€ –1,235) was recognized in other comprehensive income from changes in deferred taxes. At the end of the reporting period, deferred taxes totaling T€ 448 (prior year: T€ 1,180) were recognized in other comprehensive income in connection with the market valuation of cash flow hedges and an amount of T€ 6,690 (prior year: T€ 1,863) due to actuarial gains on pension commitments. Moreover, in the previous year, deferred taxes of T€ 1,117 were recognized in capital reserves due to the tax deductibility of capital increase costs. Currency translation differences recognized in other comprehensive income in connection with deferred taxes of foreign subsidiaries amounted to T€ –241 (prior year: T€ –377). All other changes were recognized in the income statement.

## (9) EARNINGS PER SHARE

Earnings per share are calculated as the ratio of consolidated profit for the year attributable to shareholders of Schuler AG and the weighted average number of no-par value shares outstanding during the fiscal year. The ratio may be diluted by so-called “potential shares” (mainly stock options and convertible bonds). Following the granting of the three tranches of the Stock Option Program 2008, potentially diluting shares were created due to outstanding options. The prescribed performance targets for the first two thirds of these tranches were met and the stock options were exercised in February 2012. The resulting capital increase of 440,834 no-par value shares was recognized pro rata temporis from the exercising of the stock options when calculating the average number of outstanding shares. The prescribed performance targets for the remaining third of the tranches were met during the period under review, so that diluted earnings per share are to be reported. In accordance with market prospects, the treasury stock method was used to determine the number of additional shares included in the calculation.

The conditional capital adopted by the Annual General Meeting is explained in note (19).

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Consolidated profit or loss for the year | 51,827 | 24,045 |
| Profit attributable to non-controlling interest | 568 | 467 |
| Profit attributable to shareholders of Schuler AG | 51,260 | 23,578 |
| Weighted average number of common shares outstanding – basic (number of shares in thousands) | 29,537 | 24,388 |
| Diluting potential common shares from stock option program (number of shares in thousands) | 181 | 309 |
| Weighted average number of common shares outstanding – diluted (number of shares in thousands) | 29,718 | 24,697 |
| | | |
| Earnings per common share (€) – basic | 1.74 | 0.97 |
| Earnings per common share (€) – diluted | 1.72 | 0.95 |

# STATEMENT OF FINANCIAL POSITION DISCLOSURES

## (10) INTANGIBLE ASSETS

### / CHANGES IN INTANGIBLE ASSETS BETWEEN OCTOBER 1, 2011, AND SEPTEMBER 30, 2012

IN € THOUSANDS

| | Customer-based intangible assets and trademarks | Technology-based intangible assets | Capitalized development costs | Contract-based intangible assets | Goodwill | Total |
|---|---|---|---|---|---|---|
| **Cost of acquisition/conversion** | | | | | | |
| **Balance at October 1, 2011** | **25,328** | **18,248** | **16,759** | **35,113** | **58,720** | **154,169** |
| Changes in the consolidated group | – | – | – | –436 | – | –436 |
| Foreign exchange differences | – | 2 | –136 | –47 | – | –182 |
| Additions | 136 | – | 404 | 2,999 | – | 3,539 |
| Transfers | – | – | – | – | – | – |
| Disposals | – | – | 5,320 | 288 | – | 5,608 |
| **Balance at September 30, 2012** | **25,464** | **18,250** | **11,707** | **37,342** | **58,720** | **151,483** |
| | | | | | | |
| **Amortization and impairment** | | | | | | |
| **Balance at October 1, 2011** | **7,219** | **5,295** | **13,261** | **31,303** | **12,484** | **69,563** |
| Changes in the consolidated group | – | – | – | –436 | – | –436 |
| Foreign exchange differences | 0 | 0 | –132 | –44 | – | –176 |
| Additions | 1,926 | 998 | 1,379 | 1,929 | 1,142 | 7,375 |
| of which non-scheduled | – | – | 565 | – | 1,142 | 1,707 |
| Disposals | – | – | 5,320 | 309 | – | 5,629 |
| **Balance at September 30, 2012** | **9,145** | **6,294** | **9,189** | **32,443** | **13,626** | **70,697** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| **Balance at October 1, 2011** | **18,109** | **12,953** | **3,498** | **3,810** | **46,236** | **84,606** |
| **Balance at September 30, 2012** | **16,319** | **11,956** | **2,518** | **4,899** | **45,094** | **80,786** |

## / CHANGES IN INTANGIBLE ASSETS BETWEEN OCTOBER 1, 2010, AND SEPTEMBER 30, 2011

IN € THOUSANDS

| | Customer-based intangible assets and trademarks | Technology-based intangible assets | Capitalized development costs | Contract-based intangible assets | Goodwill | Total |
|---|---|---|---|---|---|---|
| **Cost of acquisition/conversion** | | | | | | |
| **Balance at October 1, 2010** | **25,328** | **18,248** | **16,003** | **35,394** | **57,665** | **152,638** |
| Foreign exchange differences | – | 1 | – 225 | – 215 | – | – 439 |
| Additions | – | – | 1,013 | 595 | 1,054 | 2,663 |
| Transfers | – | – | – | 26 | – | 26 |
| Disposals | – | – | 32 | 686 | – | 718 |
| **Balance at September 30, 2011** | **25,328** | **18,248** | **16,759** | **35,113** | **58,720** | **154,169** |
| | | | | | | |
| **Amortization and impairment** | | | | | | |
| **Balance at October 1, 2010** | **5,304** | **4,297** | **7,481** | **30,324** | **12,484** | **59,889** |
| Foreign exchange differences | – | – | – 188 | – 146 | – | – 333 |
| Additions | 1,915 | 998 | 5,968 | 1,785 | – | 10,666 |
| of which non-scheduled | – | – | 5,320 | – | – | 5,320 |
| Disposals | – | – | – | 660 | – | 660 |
| **Balance at September 30, 2011** | **7,219** | **5,295** | **13,261** | **31,303** | **12,484** | **69,563** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| **Balance at October 1, 2010** | **20,024** | **13,951** | **8,522** | **5,070** | **45,182** | **92,748** |
| **Balance at September 30, 2011** | **18,109** | **12,953** | **3,498** | **3,811** | **46,236** | **84,606** |

The annual impairment test of goodwill conducted at the end of the fiscal year resulted in non-scheduled depreciation of T€ 1,142 for Schuler Guss GmbH & Co. KG, as company earnings in fiscal year 2011/12 fell well short of targets.

A syndicated loan agreement concluded with a consortium of banks and credit insurers by Schuler AG and its major subsidiaries requires the provision of numerous collaterals. As of September 30, 2012, these include in particular the pledging of shares and accounts, blanket assignments, encumbrances, storage security transfers and the pledging of industrial property rights. The explanations below regarding the restricted availability of individual assets reflect the respective values in the statement of financial position of the assets concerned but not the actual amount borrowed at the end of the reporting period. The provision of collateral resulted in restricted right of use amounting to T€ 30,300 (prior year: T€ 33,856).

The following amounts were recognized in the income statement for research and development activities (R&D) in the period under review:

**IN € THOUSANDS**

| | 2011/12 | 2010/11 |
|---|---|---|
| Research costs and non-capitalized development costs | 6,567 | 10,060 |
| Amortization of capitalized development costs [1] | 814 | 648 |
| **R&D costs recognized in the income statement** | **7,381** | **10,707** |

1) excluding non-scheduled amortization (T€565, prior-year:T€ 5,320)

In addition to the amortization of capitalized development costs, the research and development costs recognized in the income statement in the period under review comprise mainly staff and material costs, as well as depreciation and amortization of tangible and intangible assets used for these activities. In total, development costs incurred in fiscal year 2011/12 amounting to T€ 404 (prior year: T€ 1,013) fulfilled the conditions for capitalization pursuant to IAS 38.

In fiscal year 2011/12, government grants of T€ 226 (prior year: T€ 0) were received for investment in plant and machinery and offset from acquisition costs. Other government grants amounting to T€ 2,039 (prior year: T€ 591) were carried directly in the income statement.

As a technology group, the main proportion of Schuler's development work is involved with major customer projects. The respective costs do not constitute R&D expenditure in the stricter sense of accounting and are therefore recognized as project costs.

## (11) PROPERTY, PLANT AND EQUIPMENT

### / CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN OCTOBER 1, 2011 AND SEPTEMBER 30, 2012

IN € THOUSANDS

| | Land, land rights and buildings, including buildings on third-party land | Technical equipment and machinery | Other equipment, factory and office equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| **Cost of acquisition/conversion** | | | | | |
| **Balance at October 1, 2011** | **174,206** | **200,455** | **90,796** | **3,254** | **468,712** |
| Changes in the consolidated group | –3,079 | –3,989 | –470 | – | –7,539 |
| Foreign exchange differences | 1,191 | –65 | –119 | –25 | 982 |
| Additions | 1,444 | 4,627 | 7,844 | 8,770 | 22,686 |
| Transfers | – | 1,297 | 366 | –1,662 | 0 |
| Disposals | – | 1,484 | 1,846 | 376 | 3,706 |
| Reclassification as assets held for sale | 2,603 | 25 | – | – | 2,628 |
| **Balance at September 30, 2012** | **171,159** | **200,816** | **96,571** | **9,962** | **478,507** |
| | | | | | |
| **Amortization and impairment** | | | | | |
| **Changes in the consolidated group** | **87,336** | **163,004** | **76,704** | **–** | **327,044** |
| Changes in the consolidated group | –2,506 | –3,848 | –470 | – | –6,825 |
| Foreign exchange differences | 402 | –189 | –176 | – | 37 |
| Additions | 4,920 | 6,319 | 3,880 | – | 15,119 |
| of which non-scheduled (5) | 175 | – | – | – | 175 |
| Transfers | – | –268 | 268 | – | 0 |
| Disposals | – | 1,414 | 1,679 | – | 3,093 |
| Reclassification as assets held for sale | 1,839 | 12 | – | – | 1,851 |
| **Balance at September 30, 2012** | **88,313** | **163,593** | **78,526** | **–** | **330,431** |
| | | | | | |
| **Carrying amounts** | | | | | |
| **Balance at October 1, 2011** | **86,870** | **37,451** | **14,093** | **3,254** | **141,668** |
| of which leased assets | – | – | – | – | – |
| | | | | | |
| **Balance at September 30, 2012** | **82,847** | **37,223** | **18,045** | **9,962** | **148,076** |
| of which leased assets | – | – | – | – | – |

## / CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN OCTOBER 1, 2010 AND SEPTEMBER 30, 2011

**IN € THOUSANDS**

| | Land, land rights and buildings, including buildings on third-party land | Technical equipment and machinery | Other equipment, factory and office equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| **Cost of acquisition/conversion** | | | | | |
| **Balance at October 1, 2010** | **173,578** | **223,252** | **90,073** | **4,426** | **491,329** |
| Foreign exchange differences | 1,076 | – 1,245 | – 452 | – 14 | – 635 |
| Additions | 56 | 2,323 | 3,458 | 2,106 | 7,943 |
| Transfers | 53 | 832 | 1,272 | – 2,182 | – 26 |
| Disposals | 556 | 24,706 | 3,554 | 1,083 | 29,899 |
| **Balance at September 30, 2011** | **174,206** | **200,455** | **90,796** | **3,254** | **468,712** |
| | | | | | |
| **Amortization and impairment** | | | | | |
| **Balance at October 1, 2010** | **81,127** | **179,234** | **76,443** | **–** | **336,804** |
| Foreign exchange differences | 370 | – 918 | – 434 | – | – 983 |
| Additions | 6,396 | 9,094 | 4,182 | – | 19,672 |
| of which non-scheduled | 1,643 | 572 | 723 | – | 2,938 |
| Disposals | 556 | 24,406 | 3,487 | – | 28,449 |
| **Balance at September 30, 2011** | **87,336** | **163,004** | **76,704** | **–** | **327,044** |
| | | | | | |
| **Carrying amounts** | | | | | |
| **Balance at October 1, 2010** | **92,451** | **44,017** | **13,630** | **4,426** | **154,525** |
| of which leased assets | – | 1,341 | – | – | 1,341 |
| | | | | | |
| **Balance at September 30, 2011** | **86,870** | **37,451** | **14,093** | **3,254** | **141,668** |
| of which leased assets | – | – | – | – | – |

Restricted right of use regarding property, plant and equipment amounts to T€ 94,264 (prior year: T€ 93,171). As in the previous year, there were no leasing relationships to be classified as financial leases at the end of the reporting period.

Various Group companies have obligations from operating leases, mainly concerning the use of third-party real estate assets at the Göppingen and São Paulo facilities, as well as vehicles and IT hardware and software. Real estate at the Göppingen site, including the building and major components, were sold in 2007 in a sale-and-rent-back transaction and rented back over a period of 20 years. The annual rent originally amounted to T€ 4,940. The rent is adapted annually to the German consumer price index (max. 4%). Real estate at the São Paulo site was sold in 2009 and subsequently rented back over a period of 10 years. At the end of these lease terms there are no purchase or prolongation options at terms better than the expected market conditions or residual value guarantees.

Future lease payments due are shown at the end of the reporting period in the table below:

**IN € THOUSANDS**

| | | | Due | 09/30/2012 |
|---|---|---|---|---|
| | up to 1 year | from 1 to 5 years | over 5 years | Total |
| Future minimum payments for operating leases | 12,893 | 40,973 | 57,618 | 111,484 |

**IN € THOUSANDS**

| | | | Due | 09/30/2011 |
|---|---|---|---|---|
| | up to 1 year | from 1 to 5 years | over 5 years | Total |
| Future minimum payments for operating leases | 12,186 | 40,355 | 66,735 | 119,276 |

In the period under review, payments recognized in the income statement for operating leases amount to T€ 19,708 (prior year: T€ 17,702). This figure comprises minimum leasing payments of T€ 19,074 (prior year: T€ 17,133) and contingent rents of T€ 634 (prior year: T€ 569), which are based on contractually agreed annual adjustments of rent payments to consumer price indices.

The Group leases a minor amount of real estate, machines and equipment to third parties under operating lease agreements. These assets were measured at fair value as of September 30, 2012 and non-scheduled depreciation of T€ 175 was recognized. The assets with a residual value of T€ 777 (prior year: T€ 959) were reclassified as non-current held-for-sale assets. The following payments are expected to be received from these operating leases with third parties:

IN € THOUSANDS

| | Due | | | 09/30/2012 |
|---|---|---|---|---|
| | up to 1 year | from 1 to 5 years | over 5 years | Total |
| Future payments received from operating leases | 10 | 0 | 0 | 10 |

IN € THOUSANDS

| | Due | | | 09/30/2011 |
|---|---|---|---|---|
| | up to 1 year | from 1 to 5 years | over 5 years | Total |
| Future payments received from operating leases | 92 | 0 | 0 | 92 |

## (12) INTERESTS IN AFFILIATES AND PARTICIPATIONS

The disclosed interests in non-consolidated Group companies and participations are classified as available-for-sale and carried at acquisition cost. As at the closing date, there was neither a market nor stock exchange price for these financial instruments, nor could their fair value be established with the aid of comparable transactions. Prior to the preparation of the annual financial statements there was no intention to sell any interests. There has been no derecognition in connection with these financial instruments.

In fiscal year 2011/12, there was no impairment of a permanent or significant nature. As a result, no amortization with an effect on the income statement was recognized (prior year: T€ 0).

Interests in non-consolidated affiliated companies include restricted right of use amounting to T€ 158 (prior year: T€ 278).

## (13) NON-CURRENT AND CURRENT OTHER ASSETS

IN € THOUSANDS

| | Remaining term | | 09/30/2012 | Remaining term | | 09/30/2011 |
|---|---|---|---|---|---|---|
| | up to 1 year | over 1 year | Total | up to 1 year | over 1 year | Total |
| Receivables from other taxes | 22,614 | 5,024 | 27,638 | 14,015 | 5,106 | 19,122 |
| Positive fair values of derivatives | 536 | 13 | 549 | 396 | 16 | 412 |
| Payments on account | 17,086 | 0 | 17,086 | 14,814 | 0 | 14,814 |
| Other non-financial assets | 5,020 | 2,066 | 7,087 | 5,127 | 137 | 5,264 |
| Other financial assets | 7,035 | 4,570 | 11,605 | 7,793 | 2,638 | 10,431 |
| | **52,292** | **11,673** | **63,965** | **42,146** | **7,896** | **50,042** |

There are no restrictions on title in respect of the disclosed financial and non-financial assets. As at the closing date, Schuler had also not transferred other receivables and financial assets to third parties which qualify as partial or no derecognition of the asset.

Default risks are accounted for by means of valuation allowances, which amount to T€ 5,039 at the end of the reporting period (prior year: T€ 4,703).

Valuation allowances for other financial assets developed as follows:

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| **Valuation allowances as at Oct. 1** | **2,702** | **2,834** |
| Additions | 50 | 0 |
| Utilization | 0 | 132 |
| Reversals | 61 | 0 |
| **Valuation allowances as at Sep. 30** | **2,690** | **2,702** |

The following table shows the extent of the credit risks contained within non-current and current other receivables and financial assets:

**IN € THOUSANDS**

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Neither impaired nor past due as at the closing date | 11,760 | 9,874 |
| Not impaired at the closing date and past due in the following time periods: | | |
| less than 3 months | 163 | 425 |
| between 3 and 6 months | 2 | 15 |
| between 6 and 9 months | 66 | 8 |
| between 9 and 12 months | 0 | 11 |
| over 12 months | 52 | 10 |
| | **283** | **468** |
| Valuation allowances to individual other receivables and other financial assets (net) | 111 | 500 |
| **Carrying amount (net)** | **12,154** | **10,842** |

Renegotiated contracts which would otherwise be overdue or requiring valuation adjustment are insignificant. With regard to those financial assets included which are neither impaired nor past due, there were no indications as at the closing date that the debtors would not meet their payment obligations.

The carrying amounts of disclosed financial and non-financial assets mainly correspond to their fair values: foreign exchange receivables are generally translated at the exchange rate valid at the end of the reporting period; derivatives are valued by means of actuarial models incorporating market values valid at the end of the reporting period; credit risk is accounted for by means of valuation allowances; and non-current, non-interest-bearing receivables are discounted.

## (14) INVENTORIES

**IN € THOUSANDS**

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Raw materials, consumables and supplies | 26,921 | 26,573 |
| Work in progress | 95,033 | 89,051 |
| Finished goods and purchased merchandise | 9,707 | 9,053 |
| | **131,661** | **124,676** |

In the period under review, valuation allowances for raw materials, consumables and supplies amounting to T€ 797 (prior year: T€ 1,244), as well as reversals of valuation allowances amounting to T€ 2,446 (prior year: T€ 1,782) as a result of increased fair values, were recognized as material expenses in the income statement. The devaluation of unfinished and finished goods booked as a reduction in inventories amounts to T€ 19,741 (prior year: T€ 17,014). Of the total inventories, a volume of T€ 78,466 (prior year: T€ 55,989) is recognized at net realizable value.

Restricted right of use from the provision of collateral amounts to T€ 103,713 (prior year: T€ 98,644).

## (15) TRADE RECEIVABLES

IN € THOUSANDS

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Trade receivables from | | |
| third parties | 81,047 | 90,206 |
| affiliated companies | 994 | 951 |
| companies in which an investment is held | 9 | 56 |
| | **82,050** | **91,213** |

Valuation allowances for trade receivables developed as follows:

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| **Valuation allowances as at Oct. 1** | **6,200** | **5,153** |
| Change in the consolidated group | – 92 | 0 |
| Additions | 747 | 1,844 |
| Utilization | 854 | 259 |
| Reversals | 1,277 | 584 |
| Exchange rate effects and other changes | 13 | 45 |
| **Valuation allowances as at Sep. 30** | **4,736** | **6,200** |

The following table shows the extent of the credit risks contained within trade receivables:

| IN € THOUSANDS | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Neither impaired nor past due as at the closing date | 33,531 | 58,329 |
| Not impaired at the closing date and past due in the following time periods: | | |
| less than 3 months | 39,912 | 23,923 |
| between 3 and 6 months | 6,260 | 7,232 |
| between 6 and 9 months | 1,757 | 884 |
| between 9 and 12 months | 320 | 115 |
| over 12 months | 3 | 139 |
| | **48,253** | **32,294** |
| Valuation allowances to individual trade receivables (net) | 266 | 591 |
| **Carrying amount (net)** | **82,050** | **91,213** |

An amount of T€ 1,971 (prior year: T€ 2,247) was charged to the income statement in the period under review for impairment and derecognition of trade receivables. As at the closing date there were no trade receivables with renegotiated conditions which would otherwise have been past due or impaired. On the basis of experience and often long-standing customer relationships, Schuler judges those trade receivables which are neither adjusted nor past due to be generally creditworthy and without significant risk of default.

Depending on the market circumstances and liquidity needs, Schuler occasionally sells trade receivables due from end customers to third parties for the purposes of refinancing. Before derecognizing such receivables, Schuler examines to what extent the legally transferred receivables meet the criteria for derecognition according to applicable regulations; if these criteria are not met, the receivables remain in the statement of financial position. As at the closing date, Schuler has not transferred trade receivables which qualify as partial or no derecognition of the asset.

Restricted right of use from the provision of collateral amounts to T€ 52,213 (prior year: T€ 64,794). The parties concerned have no rights to sell or pledge the collateral provided.

## (16) FUTURE RECEIVABLES FROM LONG-TERM CONSTRUCTION CONTRACTS

IN € THOUSANDS

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Contract costs incurred, including partial profits | 955,030 | 584,496 |
| Payments received on account for construction contracts not yet invoiced | – 942,346 | – 653,091 |
| Impending loss provisions | – 250 | – 1,471 |
| **Future receivables from long-term construction contracts, net** | **12,434** | **– 70,066** |
| | | |
| of which contracts with net receivables | 157,477 | 113,295 |
| of which contracts with net payables | 145,043 | 183,360 |

Future receivables from long-term construction contracts comprise those claims calculated according to the degree of completion and resulting from customer-specific, long-term contracts, provided that the customer has not yet been invoiced. The contracts all have fixed prices. Work already invoiced is included in trade receivables.

Capitalized conversion costs incurred, including profit portions, are netted with payments received on account according to the specific contract. Contracts with a remaining positive balance after deduction of payments received on account are disclosed as future receivables from long-term construction contracts, while all others are carried as liabilities under payments received on account.

Future receivables from long-term construction contracts do not have maturity dates; no impairment due to default risks has been made. They are classified as current as the receivables are realized within the normal course of Schuler's business cycle.

Restricted right of use from the provision of collateral amounts to T€ 130,047 (prior year: T€ 89,589). The parties concerned have no rights to sell or pledge the collateral provided.

## (17) CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to T€ 189,184 (prior year: T€ 236,682) include bank balances (T€ 189,076, prior year: T€ 236,582), as well as checks and cash in hand (T€ 109, prior year: T€ 100). At the end of the reporting period, the average effective interest rate for short-term bank deposits amounted to 0.55% (prior year: 1.27%) in €, to 0.04% (prior year: 0.0%) in USD, to 7.50% (prior year: 12.67%) in BRL, to 3.50% (prior year: 3.12%) in CNY, to 0.05% (prior year: 0.12%) in CHF, and to 0.05% (prior year: 0.04%) in GBP. These deposits have terms of between one and 55 days and are subject to only minor value fluctuations. At the end of the reporting period, account balances totaling T€ 10,389 (prior year: T€ 193,988) were provided as collateral in connection with the syndicated loan agreement, as well as cash guarantees for additional bilateral sureties, and for obligations from semi-retirement agreements.

## (18) NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

In the coming fiscal year, Schuler Incorporated, USA, intends to sell land and buildings at its former base in Columbus/Ohio, consisting of offices and a factory hall, as well as a small amount of electrical fittings. The assets have been let since the company moved to its current base in Canton in 2001.

The breakdown of assets held for sale belonging to the “Others” segment is shown below:

| IN € THOUSANDS | 09/30/2012 |
|---|---|
| Company land and buildings | 763 |
| Technical plant and machinery | 14 |
| **Non-current assets held for sale** | **777** |

## (19) EQUITY

### / SHARE CAPITAL

On the basis of a resolution adopted by the Annual General Meeting on April 10, 2008, the beneficiaries of the Stock Option Program made use of their right and exercised two thirds of the stock options in the three tranches (=440,834 units) at a unit price of € 2.60 on February 6, 2012. This raised the number of outstanding common shares from 29,250,000 to 29,690,834. Subscribed capital increased from € 76,050,000.00 to € 77,196,168.40. The common stock in question are no-par value common shares; as such, each share entitles the holder to an imputed share of nominal capital of € 2.60. The shares are made out to the bearer, the capital is fully paid.

## / AUTHORIZED CAPITAL

On the basis of a resolution adopted by the Annual General Meeting on April 13, 2011, the Board of Management is authorized until March 31, 2016, with the approval of the Supervisory Board, to raise the company's capital stock by up to a total of € 29,575,000.00 for contribution in cash or in kind, either in one or several new issues of new common no-par value shares made out to the bearer (Authorized Capital).

With the approval of the Supervisory Board, the Board of Management can:

aa) exclude the subscription rights of shareholders during capital increases for cash contribution up to a pro rata share of capital stock totaling € 5,915,000.00 (10% limit), in order to issue the new shares at an offering price which is not significantly lower than the stock market price (§§ 203 (1 and 2), § 186 (3) sentence 4 AktG);

bb) exclude the subscription rights of shareholders up to a further pro rata share of capital stock totaling € 17,750,000.00 for the purpose of acquiring companies or interests in companies.

Insofar as the Board of Management does not make use of the above mentioned authorizations to exclude subscription rights, the subscription rights of shareholders can only be excluded for fractional amounts. The Board of Management is authorized, with the approval of the Supervisory Board, to determine the further details of capital increases from authorized capital. The Supervisory Board is authorized to adapt the articles if authorized capital is used.

On the basis of this authorization and with the consent of the Supervisory Board, the Board of Management resolved on June 10, 2011 to increase the capital stock of Schuler AG by partially using authorized capital. A total of 6,500,000 new common no-par value shares made out to the bearer with a pro rata share of capital stock of € 2.60 each were to be issued against cash contribution, thus raising capital stock by € 16,900,000 to € 76,050,000. The capital increase was conducted to the full amount of 6,500,000 new common no-par value shares at a subscription price of € 10.50 and entered into the Commercial Register of the District Court of Ulm on June 16, 2011.

Following its partial use, the authorization of the Board of Management to raise the company's capital stock (Authorized Capital) – as granted by the Annual General Meeting on April 13, 2011 – still amounts to € 12,675,000.00. At the same time, the authorization of the Board of Management described above under bb) to exclude the subscription rights of shareholders for the purpose of acquiring companies or interests in companies has fallen to € 6,760,000.00.

### / CONDITIONAL CAPITAL

The Annual General Meeting of Schuler AG on April 10, 2008, adopted the creation of conditional capital. The company's capital stock has been raised conditionally (conditional capital) by up to € 1,820,000.00 by issuing up to 700,000 no-par value bearer shares (common stock). Conditional capital is used solely to meet subscription rights from stock options issued as part of the Stock Option Program 2008 on the basis of an authorization of the Annual General Meeting of Schuler AG on April 10, 2008. The conditional capital increase will only be conducted to the extent that the bearers of the issued stock options utilize their right to subscribe to company shares and the company does not grant treasury shares to satisfy the stock options. The new shares participate in profits from the beginning of the fiscal year in which they were created by exercising subscription rights. Shares from conditional capital are issued at the offering amount as determined by the exercise price set in the authorization of the Annual General Meeting of Schuler AG on April 10, 2008. The Supervisory Board is authorized to determine the further details of the conditional capital increase and its implementation.

Due to the exercising of 440,834 stock options by the beneficiaries, a conditional capital increase was conducted in the reporting period (see the above explanations under Share Capital).

**Convertible bonds, bonds with warrants, profit participation rights, income bonds or combinations of such instruments**

The Annual General Meeting of Schuler AG on April 15, 2010 resolved to form additional conditional capital. The company's capital stock was raised conditionally (Conditional Capital II) by up to € 25,480,000.00 by issuing up to 9,800,000 new no-par value bearer shares (common stock). Issue can also be made for cash contribution. The conditional capital increase will only be conducted to the extent that the bearers of the conversion or option rights from convertible bonds, bonds with warrants, profit participation rights, income bonds or combinations of such instruments (collectively referred to as the "bonds"), with or without maturity date, with a total nominal value of up to € 98,000,000.00 and issued by the company or a group subsidiary in the period from April 15, 2010 to April 14, 2015, utilize their conversion or option rights, or that the bearers of convertible bonds with a conversion obligation issued by the company or a group subsidiary fulfill their duty to convert and the company does not use treasury shares to satisfy such rights. The new shares used for issuance participate in profits from the beginning of the fiscal year in which they were created by exercising conversion rights. The Supervisory Board is authorized to adapt the articles in accordance with the scale of the capital increase from Conditional Capital II.

The bond issuance conditions can determine that the company does not grant no-par value shares to the bearers of conversion or option rights, or those obliged to convert, but instead pays their value in cash. Insofar as convertible bonds or bonds with warrants are issued for cash contribution, the Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of shareholders to convertible bonds with a total nominal value of up to € 21,000,000.00, providing the issuance price is not significantly lower than the theoretical market value of the convertible bonds or bonds with warrants as calculated according to recognized actuarial methods. This authorization to exclude subscription rights, however, is only valid in analogous application of § 186 (3) sentence 4 AktG insofar as the no-par value shares issued, or to be issued, to settle conversion or option rights do not exceed ten percent of share capital – neither at the time of effectiveness nor at the time this authorization is exercised. Moreover, the Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe for bonds, insofar as these are issued for cash contribution for the purpose of acquiring companies, parts of companies or investments in companies and the value of the non-cash consideration is reasonably proportionate to the value of the bond. In the case of convertible bonds or bonds with warrants, the theoretical market value as calculated according to recognized actuarial methods is decisive.

The Board of Management is authorized to determine the further details of the issuance and details of the bonds, in particular their interest rate, term and denomination.

No bonds or profit participation rights were issued in the period under review.

**Stock Option Program 2008**

The Annual General Meeting of Schuler AG of April 10, 2008 authorized the Supervisory Board to issue up to 700,000 share options in the period up to December 31, 2012, each with a subscription right for one common share of Schuler AG, however not before the adopted conditional capital of € 1,820,000.00 had become effective through entry in the Commercial Register and after specifying the following key provisions of the Stock Option Program 2008.

The Stock Option Program 2008 has the following key provisions:

/ Only the members of the Board of Management of Schuler AG (at the time) have subscription rights as part of the Stock Option Program 2008. The Supervisory Board of Schuler AG alone is responsible for determining and issuing subscription rights. Providing no contractual guarantees have to be upheld with respect of the subscription right beneficiaries, the Supervisory Board is free in its decision about “whether” to grant subscription rights and – within defined upper limits – in its decision as to “the scope” of subscription rights granted.

- Shareholders do not have subscription rights.

- From the moment the conditional capital adopted to serve the Stock Option Program 2008 is entered in the Commercial Register until December 31, 2012, no more than two tranches of subscription rights per year from the total volume of the stock option program can be issued to the beneficiaries. No tranche may exceed 40% of the total volume of the Stock Option Program 2008.

- Each subscription right entitles the beneficiary to acquire a common no-par value share of Schuler AG on payment of the exercise price. The exercise price per subscription right corresponds to an amount of € 2.60, subject to possible adaptations during the term of the stock options should capital measures be conducted in future.

- The stock options can be exercised no sooner than after a waiting period of two years following the respective grant date (“vesting period”) and within a period of a further two years during defined exercise periods.

- The issue periods and exercise periods for the stock options are to be set in such a way that the issue and exercise of stock options occur in periods with the greatest possible general information of the market concerning the company’s affairs.

- Subscription rights can only be exercised if the following performance targets are reached:
  - The performance target for two thirds of the subscription rights of a tranche has been achieved if it is proven that in the period between granting subscription rights to this tranche and their exercise the Schuler Group has posted a consolidated EBITDA of over € 78.0 million in its annual financial statements adopted by the Supervisory Board for a fiscal year following September 30, 2009.
  - The performance target for the remaining third of the subscription rights of a tranche has been achieved if it is proven that in the period between granting subscription rights to this tranche and their exercise the Schuler Group has posted a consolidated EBITDA of over € 78.0 million in its annual financial statements adopted by the Supervisory Board for two fiscal years following September 30, 2009.

- Stock options expire if they have not been exercised by the end of the two years during which they can be exercised.

- The Supervisory Board is entitled to determine further details concerning the granting of stock options and further exercise conditions.

At its meeting of September 23, 2008 the Supervisory Board specified the individual exercise conditions and resolved to offer the Board of Management members of Schuler AG a total of 661,250 share options in three tranches spread over the following two fiscal years, as part of the above mentioned stock option program. With the offer and acceptance of the third tranche in fiscal year 2009/10, the program was completed. Details regarding the development of outstanding options can be seen from the following table:

**Stock Option Program 2008**

| | Number of stock options | Max. (remaining) contractual term | Exercise price/option | Initial Schuler share price [1] | Fair value/ option [1] |
|---|---|---|---|---|---|
| | Units | Years | € | € | |
| **As of October 1, 2008** | **–** | **–** | **–** | **–** | **–** |
| Tranche 1 (1/30/2009) | 264.500 | 4,0 | 2,60 | 3,45 | 1,62 |
| Tranche 2 (4/3/2009) | 264.500 | 4,0 | 2,60 | 2,60 | 1,01 |
| **As of September 30, 2009** | **529.000** | **3,4** | **2,60** | **3,02** | **1,32** |
| Tranche 3 (2/5/2010) | 132.250 | 4,0 | 2,60 | 4,05 | 2,29 |
| **As of September 30, 2010** | **661.250** | **2,6** | **2,60** | **3,23** | **1,51** |
| **As of September 30, 2011** | **661.250** | **1,6** | **2,60** | **3,23** | **1,51** |
| Exercise of 2/3 of tranches (2/6/2012) | 440.834 | | 2,60 | | |
| **As of September 30, 2012** | **220.416** | **0,6** | **2,60** | **3,23** | **1,51** |

1) on the grant date

The fair values of stock options on the grant dates were calculated using the Monte-Carlo simulation and the Cox-Ross-Rubinstein binomial tree valuation methods, based on historic share prices of the last four years. Historic quarterly EBITDA results were considered from October 2003 onward; expected planning figures as of the grant dates were used for future EBITDA results.

The setting of a performance target in the form of a minimum EBITDA result represents a so-called non-market vesting condition. According to IFRS 2.19, such a target may not be used directly in the valuation procedure, but should be considered as part of the exercise probability. The expected development is to be reassessed at the end of every reporting period. The same applies to the agreed service condition. The expense from the stock option program is recognized pro rata temporis over the vesting period. Based on the calculations of an external assessor, the prorated personnel expense for share-based compensation transactions in fiscal year 2011/12 amounts to T€ 147 (prior year: T€ 423). On February 6, 2012, the Board of Management of Schuler AG made use of its right and exercised two thirds of the stock options. On the day of exercise, the weighted average share price was € 12.05. As the performance target for exercising the remaining third of the stock options was reached in the reporting period, this third of the stock options (=220,416 options) can be exercised in the next fiscal year once the current consolidated annual financial statements have been adopted by the Supervisory Board.

### / CAPITAL RESERVES

Capital reserves regularly contain the share premiums from the issue of company shares after deduction of capital increase costs and the opposing items from the expensing of stock-based remuneration. It is subject to the availability restrictions of § 150 AktG. Capital reserves increased by T€ 147 (prior year: T€ 49,168) in fiscal year 2011/12. The increase results from the pro-rated recognition of the Stock Option Program 2008. A capital increase was conducted in the previous year.

### / RETAINED EARNINGS

Retained earnings contain the legal reserve of Schuler AG and the accumulated results of Group companies, providing no dividends were paid. In addition, retained earnings – and to a lesser extent capital reserves – contain the netting of acquired goodwill undertaken according to old HGB accounting procedures, insofar as these could be maintained at the time of the IFRS transition as part of the exempting provisions of IFRS 1.

### / ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income comprises any changes in fair values from cash flow hedges, actuarial gains and losses from the valuation of pension commitments – after accounting for respective deferred taxes – and currency translation differences arising from the conversion of the financial statements of foreign subsidiaries not carried in euro.

The following table shows changes in the components of accumulated other comprehensive income with separate disclosure of the respective tax effects:

**IN € THOUSANDS**

| | 2011/12 | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| | Before taxes | Tax effect | net | Before taxes | Tax effect | net |
| Exchange differences on translation of foreign operations | 2,175 | – | 2,175 | 1,593 | – | 1,593 |
| Cash flow hedges: | | | | | | |
| Valuation changes recognized in other comprehensive income | – 1,683 | 536 | – 1,147 | – 2,816 | 860 | – 1,955 |
| reclassified from equity to profit or loss and similar obligations | 3,954 | – 1,267 | 2,686 | – 164 | 126 | – 39 |
| Actuarial gains/losses on defined benefit pension plans | – 15,651 | 4,827 | – 10,824 | 7,403 | – 2,221 | 5,182 |
| **Other comprehensive income for the year** | **– 11,206** | **4,095** | **– 7,110** | **6,016** | **– 1,235** | **4,781** |

## / DISCLOSURES ON CAPITAL MANAGEMENT

The primary aim of capital management is to achieve a satisfactory equity ratio for the Group of at least 30% in the medium term in order to secure the continued existence of the company, to raise shareholder value and to utilize growth opportunities. This also involves the creation of sufficient liquidity reserves to ensure financial solvency at all times. The equity ratio is measured on the basis of equity capital disclosed in the statement of financial position. In the previous year, Schuler AG increased equity capital by a gross amount of T€ 68,250 in order to strengthen the company's equity base, refinance the Group, and finance further growth.

**IN € THOUSANDS**

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Equity capital | 244,568 | 205,152 |
| Total of statement of financial position | 902,664 | 896,516 |
| Equity ratio | 27.1 % | 22.9 % |

In the existing syndicated loan agreement, Schuler AG committed itself to meeting certain financial covenants. The capital measures include achieving a minimum level of equity capital. According to our calculations, the terms of the agreement were met at all times throughout fiscal year 2011/12.

### / PROPOSED APPROPRIATION OF PROFIT

In accordance with § 58 (2) AktG, the dividend available for distribution of Schuler AG is based on its disclosed (HGB) statement of financial position profit. In fiscal year 2011/12, Schuler AG distributed a total dividend of T€ 5,834. Of this amount, € 0.25 per share was paid for the 17,875,000 no-par value shares WKN A0V9A2 and € 0.12 per share for the 11,375,000 no-par value shares WKN 721060. The Board of Management proposes to distribute a dividend of € 7,422,708.50 from the statement of financial position profit of Schuler AG as of September 30, 2012, amounting to € 12,537,811.12, corresponding to € 0.25 on 22,049,082 no-par value shares WKN A0V9A2 and € 0,25 on 7,641,752 no-par value shares WKN A1PG9F, and to carry forward the remaining amount of € 5,115,102.62.

## (20) NON-CONTROLLING INTEREST

The minority interest in equity is attributable to the companies Shanghai Schuler Presses Co. Ltd., Beutler Nova AG, and Eclips Vermietungsgesellschaft mbH & Co. Objekt Göppingen Kommanditgesellschaft.

## (21) NON-CURRENT AND CURRENT LIABILITIES

IN € THOUSANDS

| | | | Remaining term | 09/30/2012 | | | Remaining term | 09/30/2011 |
|---|---|---|---|---|---|---|---|---|
| | up to 1 year | from 1 to 5 years | over 5 years | Total | up to 1 year | from 1 to 5 years | over 5 years | Total |
| Liabilities to banks | 31,862 | 48,980 | 8,120 | 88,961 | 31,240 | 49,382 | 18,231 | 98,853 |
| Other financial debts | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 13 |
| | **31,862** | **48,980** | **8,120** | **88,961** | **31,253** | **49,382** | **18,231** | **98,866** |

In November 2011, Schuler AG and its major subsidiaries concluded a syndicated loan agreement with a total volume of T€ 450,000 with a syndicate of banks and credit insurance companies in order to cover their financial requirements. This replaced the former syndicated loan agreement and additional bilateral credit facility lines. The new syndicated loan agreement was concluded mainly with the existing syndicate of banks and credit insurance companies led by Landesbank Baden-Württemberg and Deutsche Bank AG. The new syndicated loan agreement expires on September 30, 2016. It comprises a guarantee facility tranche of T€ 300,000, which can be increased if required by a further T€ 50,000, and a credit facility tranche of T€ 150.000, which may also be used as a guarantee facility. The greatly improved terms of the new syndicated loan agreement are dependent on the Schuler Group's relationship of net borrowing to EBITDA and are reviewed and adjusted where necessary each quarter.

The collateral for the syndicated loan agreement includes shares in subsidiaries, property, plant and equipment, and current assets. Due to the early repayment, the accrued one-off costs of the old agreement were partially recognized as interest expense already in the past fiscal year. This will correspondingly relieve on the financial results of the reporting period and the following years.

Liabilities to banks include fixed-interest loans with a carrying amount of T€ 83,870 (prior year: T€ 84,948) and variable-interest loans of T€ 5,091 (prior year: T€ 13,904). The weighted average interest rates for fixed-interest liabilities amounted to 4.35% in EUR (prior year: 7.98%), 6.61% in BRL (prior year: 6.05%) and 3.20% in CHF (prior year: 3.20%). In the case of variable-interest liabilities, the corresponding figures amounted to 1.47% in EUR (prior year: 3.09%), and 7.80% in BRL (prior year: 9.52%). The average remaining term of fixed-interest liabilities amounts to 2.7 years as of September 30, 2012 (prior year: 3.2 years), while the average term (interest adjustment dates) of variable-interest liabilities is around 3.6 months (prior year: 3.3 months).

Variable-interest liabilities are secured in part by interest swaps or opposing positions. As at the end of the reporting period, there were no unsecured variable-interest liabilities (prior year: T€ 0).

Of the liabilities to banks, a total of T€ 51,209 (prior year: T€ 40,550) is payable in BRL, and T€ 87 (prior year: T€ 201) in CHF. Loans in EUR make up the remaining amount.

In addition to the syndicated loan, there are additional bilateral credit and guarantee lines with various banks. Total credit and guarantee lines of the Schuler Group amount to a volume of T€ 582,679 (prior year: T€ 550,596). Credit/guarantee lines used at present amount to T€ 365,339 (prior year: T€ 457,785).

Of the financial liabilities, an amount of T€ 37,729 (prior year: T€ 43,462) is secured by encumbrances and other non-current and current assets. Credit lines with banks amounting to T€ 249,251 (prior year: T€ 293,476) are secured by various non-current and current assets.

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

IN € THOUSANDS

| | Remaining term | | | 09/30/2012 | Remaining term | | | 09/30/2011 |
|---|---|---|---|---|---|---|---|---|
| | up to 1 year | from 1 to 5 years | over 5 years | Total | up to 1 year | from 1 to 5 years | over 5 years | Total |
| Payments on account received in respect of long-term construction contracts (net) | 144,793 | 0 | 0 | 144,793 | 181,889 | 0 | 0 | 181,889 |
| Other payments on account received from customers | 51,381 | 0 | 0 | 51,381 | 49,501 | 0 | 0 | 49,501 |
| Financial liabilities in respect of staff | 49,696 | 1,942 | 0 | 51,638 | 36,095 | 5 | 0 | 36,100 |
| Liabilities relating to social security | 7,076 | 270 | 0 | 7,346 | 5,940 | 254 | 0 | 6,194 |
| Liabilities from other taxes | 7,086 | 0 | 0 | 7,086 | 9,901 | 0 | 0 | 9,901 |
| Negative fair values of derivatives | 1,545 | 563 | 0 | 2,108 | 3,703 | 425 | 0 | 4,128 |
| Other financial liabilities | 8,070 | 369 | 78 | 8,517 | 27,031 | 377 | 65 | 27,474 |
| Other non-financial liabilities | 328 | 281 | 0 | 609 | 202 | 0 | 0 | 202 |
| | **269,975** | **3,424** | **78** | **273,477** | **314,263** | **1,061** | **65** | **315,389** |

Liabilities in respect of staff benefits and compensation mainly comprise wages, salaries, social security, accrued holiday and Christmas money, and special payments not yet due at the end of the reporting period. The respective fair values do not differ significantly from the disclosed carrying amounts. Other liabilities per September 30, 2011, included the open purchase price obligation of T€ 20,000 from the debtor warrant agreed on the purchase of Müller Weingarten AG, Weingarten, which was paid in the reporting period.

## (23) PENSION PROVISIONS

In fiscal year 2011/12, the Schuler Group adopted the regulations of IAS 19 rev. (2011) in advance of its effective date. In accordance with IAS 8, the adjustment was made retroactively as of October 1, 2010. Further details are provided under “General”. Where necessary, the prior-year figures below have been adjusted.

Company pension schemes are generally divided into defined contribution plans and defined benefit plans. In the case of defined contribution plans, the company has no other legal or constructive obligation than the payment of contributions to an external provider. The contributions are recognized as expenses in the income statement as of their due date. Total defined contribution plan expenses in the period under review amount to T€ 24,478 (prior year: T€ 22,999). This total includes employer contributions to the German state pension fund of T€ 24,177 (prior year: T€ 22,751).

Pension provisions are recognised for obligations in respect of future entitlements and current payments to entitled active and former employees and their dependants. Pensions vary according to the legal, fiscal and economic circumstances of the respective country and are generally based on the years of service and remuneration of employees. The main proportion of pension provisions formed by the Schuler Group concern domestic subsidiaries. In order to reduce the risks associated with pension plans, Schuler adjusted certain major pension plans over the past few years in such a way that their benefits are largely based on remuneration conversions. In fiscal year 2011/12, the pension obligations refer to a total of 8,761 beneficiaries, including 5,050 active employees, 1,201 former employees with vested rights and 2,510 pensioners and survivors.

There are individual defined benefit plans for certain former and active members of the Board of Management and General Managers of Schuler AG and its German subsidiaries. There are also general pension obligations. The size of the obligation generally depends on one or more factors, such as age, service years and income. These obligations are mostly financed internally by Schuler via provisions, which mainly concern the domestic group. A part of these obligations is covered by plan assets in the form of reinsurance policies, which qualify as plan assets and are thus netted with the corresponding obligations.

In addition, certain domestic Group companies have defined contribution plans with a fixed defined benefit base, which is financed by staff remuneration conversions and top-ups from the respective company. The plans grant employees the right to a limited monthly pension or a one-off capital payment with a guaranteed annual interest payment on the converted remuneration. The actuarial risk and/or investment risk are mainly borne by the company.

The present value of pension obligations is calculated using the projected unit credit method, which is prescribed by IAS 19.67 for the valuation of provisions. Future obligations are measured on the basis of the ratable benefit entitlements earned as of the end of the fiscal year, while also considering assumptions as to future trends. In addition to assumptions on life expectancy, which for the domestic companies were based on the biometric tables of Prof. Dr. Klaus Heubeck ("RICHTTAFELN 2005 G"), the following assumptions were used for the calculation of the defined benefit obligation of domestic subsidiaries:

IN %

| | 2011/12 | 2010/11 |
|---|---|---|
| Discount rate | 4.9 | 4.1 |
| Future salary increases | 2.5 | 2.5 |
| Automatic adjustment of vested benefit claims for entitled staff with income-independent benefit arrangements | 0.0 | 0.0 |
| Adjustment of current benefits acc. to § 16 BetrAVG | 2.0 | 2.0 |

The assumptions used to calculate the defined benefit obligation as of the reporting date of the previous year are also used to calculate the interest expense and service cost in the following fiscal year.

The changes in the defined benefit obligation (DBO) and the plan assets in the period under review were as follows:

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| **Defined benefit obligation (DBO) as of Oct. 1** | **104,784** | **112,333** |
| Currency translation differences | 19 | 9 |
| Current service cost | 1,274 | 1,130 |
| Interest cost of pension obligations | 4,982 | 4,490 |
| Contributions by plan participants | 2,248 | 1,269 |
| Remeasurement of the defined benefit liabilities | | |
| actuarial gains and losses from changes in financial assumptions | 18,409 | −9,444 |
| actuarial gains and losses from changes in demographic assumptions | 0 | 0 |
| experience adjustments | −225 | 1,041 |
| Benefits paid | −6,121 | −6,207 |
| Past service cost | 166 | 162 |
| **Defined benefit obligation (DBO) as of Sep. 30** | **125,536** | **104,784** |

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| **Fair value of plan assets as of Oct. 1** | **25,333** | **25,963** |
| Expected return on plan assets | 1,213 | 1,048 |
| Contributions by plan participants | 0 | 405 |
| Remeasurement of plan assets | | |
| return on plan assets (excluding amounts included in net interest expense) | 2,450 | −1,338 |
| other effects | 83 | 338 |
| Benefits paid | −1,128 | −1,084 |
| **Fair value of plan assets as of Sep. 30** | **27,951** | **25,333** |

In order to ascertain the funding status, or the net obligation, the defined benefit obligation of the externally financed obligations is compared with the present value of plan assets, and the defined benefit obligation of the internally financed obligations are added.

**IN € THOUSANDS**

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| DBO of externally financed obligations | 34,632 | 29,818 |
| Fair value of plan assets | 27,951 | 25,333 |
| **Benefit liability** | **6,681** | **4,486** |
| | | |
| DBO of internally financed obligations | 90,904 | 74,965 |
| **Funding status** | **97,586** | **79,451** |
| **Pension provisions recognized in the statement of financial position** | **97,586** | **79,451** |

The amount recognized as income or expense in the income statement resulting from defined benefit plans consists of the following items:

**IN € THOUSANDS**

| | 2011/12 | 2010/11 |
|---|---|---|
| Current service cost | 1,274 | 1,130 |
| Interest cost of pension obligations | 4,982 | 4,490 |
| Expected return from plan assets | – 1,213 | – 1,048 |
| Past service cost | 166 | 162 |
| **Portion of pension expense recognized in income statement** | **5,209** | **4,735** |

The following amounts were recognized in the statement of comprehensive income:

**IN € THOUSANDS**

| | 2011/12 | 2010/11 |
|---|---|---|
| **Remeasurement of the net pension obligation:** | | |
| Return on plan assets (excluding amounts included in net interest expense) | – 2,450 | 1,338 |
| Actuarial gains and losses from changes in financial assumptions | 18,409 | – 9,444 |
| Actuarial gains and losses from changes in demographic assumptions | 0 | 0 |
| Experience adjustments | – 308 | 703 |
| **Portion of pension expense recognized in other comprehensive income** | **15,651** | **– 7,403** |

The service cost and the past service cost are considered in personnel expenses, while the remaining components of pension expenses recognized in the income statement are included in the interest result. The remeasurement of the net pension obligation is included in the statement of comprehensive income as part of other comprehensive income.

The plan assets relate exclusively to domestic Group companies which cover the acquired pension claims of plan participants in part via reinsurance policies. These reinsurance policies invest mainly in securities with fixed interest rates. The rating and equity ratio of the issuers are also considered during selection. The investment strategy is aimed primarily at consistent interest income and capital preservation with a low level of volatility. There are no quoted prices on any active market for the reinsurance policies.

The main actuarial assumptions for the calculation of the pension obligation are the discount rate and expected salary increases at year-end. The sensitivity analyses below, in the form of scenario analyses, show how the defined benefit obligation would have been influenced by possible changes in the corresponding assumptions.

If the discount factor had been 0.25 %-points higher (lower), the pension obligation would have declined by T€ 3,626 (risen by T€ 3,826), ceteris paribus.

If the expected salary increase had been 0.25 %-points higher (lower), the pension obligation would have risen by T€ 52 (declined by T€ 50), ceteris paribus.

The Company is exposed to various risks from the defined benefit pension plans. In addition to the general actuarial risks, such as the risk of long life and the risk of interest rate changes, the Company is also exposed to the currency risk and risks associated with the capital market and investments.

In reality, there are certain dependencies between the actuarial assumptions – especially between the discount factor and the expected salary increases – as both depend to a certain degree on the expected inflation rate. The sensitivity analysis does not consider these dependencies.

The average duration of the pension obligation at the end of the reporting period is 10.8 years (prior year: 11.1 years).

Employer contributions to plan assets are expected to reach T€ 0 in the following fiscal year 2012/13.

## (24) NON-CURRENT AND CURRENT OTHER PROVISIONS

IN € THOUSANDS

| | Other taxes | Contract costs | Personnel expenses | Other obligations and risks | Total |
|---|---|---|---|---|---|
| **Balance at 10/1/11** | **563** | **67,239** | **25,676** | **11,645** | **105,124** |
| of which current | 563 | 64,723 | 8,425 | 9,124 | 82,836 |
| | | | | | |
| Changes in the consolidated group | 0 | –45 | 0 | –3 | –48 |
| Foreign exchange differences | 7 | 131 | 72 | –3 | 206 |
| Utilization | 545 | 30,377 | 6,717 | 3,238 | 40,877 |
| Reversals | 4 | 12,938 | 4,196 | 537 | 17,675 |
| Additions | 243 | 40,617 | 2,395 | 4,122 | 47,377 |
| Unwinding of discount | 0 | 263 | 489 | 101 | 853 |
| Interest rate changes | 0 | 209 | 761 | 148 | 1,118 |
| Reclassification | 0 | 106 | –106 | 0 | 0 |
| **Balance at 09/30/12** | **264** | **65,205** | **18,374** | **12,236** | **96,080** |
| of which current | 264 | 63,993 | 6,400 | 9,385 | 80,042 |

Provisions for contract costs comprise provisions for impending losses from pending transactions, subsequent costs from invoiced orders, warranties and settlements, commissions and penalties. Provisions for warranties and settlements are measured on the basis of experience from previous damage claim transactions.

Provisions for employee expenses are recognized mainly for the part-time scheme for employees approaching retirement, service anniversaries, severance pay/ personnel measures and similar obligations concerning employees. The semi-retirement program is conducted as a block model. In addition to individual contractual arrangements, the corresponding provisions also include obligations to which staff have a legal claim due to tariff or in-house agreements.

Other obligations and risks concern identifiable risks and uncertain obligations which are carried in consideration of their expected settlement value. These include in particular provisions for annual financial statement costs, environmental risks or litigation.

Other provisions classified as current are expected to be used in the course of the following fiscal year. Non-current other provisions are expected to be used within a period of two to five years.

At the end of the reporting period, expected refunds capitalized as assets amounted to T€ 8 (prior year: T€ 2).

## (25) TRADE PAYABLES

IN € THOUSANDS

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Trade payables to | | |
| third parties | 70,101 | 68,481 |
| affiliated companies | 1,624 | 1,907 |
| Liabilities from outstanding invoices | 15,213 | 14,369 |
| | **86,938** | **84,757** |

Trade payables with a remaining term of over one year amount to T€ 15 (prior year: T€ 0).

## (26) REPORTING ON FINANCIAL INSTRUMENTS

### / CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values for each individual class of financial instruments, including assets and liabilities not allocated to the categories of IAS 39. The carrying amount of each class of financial assets also represents the maximum credit risk at the end of the reporting period. In view of varying influential factors, the disclosed fair values can only be seen as an indication for the values which can actually be achieved on the market.

**IN € THOUSANDS**

| | Amortized cost | | Fair value | | Carrying amount |
|---|---|---|---|---|---|
| | Carrying amount | For information only: fair value | Recognized in equity | Recognized in profit/loss | 09/30/2012 |
| **ASSETS** | | | | | |
| Interests in affiliates and participations | 4,771 | 4,771 | – | – | 4,771 |
| Trade receivables | 82,050 | 82,050 | – | – | 82,050 |
| Future receivables from long-term construction contracts | 157,477 | 157,477 | – | – | 157,477 |
| Other financial assets | 11,605 | 11,605 | – | – | 11,605 |
| Derivatives without hedging relationship | – | – | – | 71 | 71 |
| Derivatives with cash flow hedging relationship | – | – | 478 | – | 478 |
| Cash and cash equivalents | 189,184 | 189,184 | – | – | 189,184 |
| | | | | | |
| **LIABILITIES** | | | | | |
| Liabilities due to banks | 88,961 | 88,545 | – | – | 88,961 |
| Other financial debts | – | – | – | – | – |
| Trade payables | 86,938 | 86,938 | – | – | 86,938 |
| Other financial liabilities | 60,155 | 60,155 | – | – | 60,155 |
| Derivatives without hedging relationship | – | – | – | 8 | 8 |
| Derivatives with cash flow hedging relationship | – | – | 2,100 | – | 2,100 |

Thereof aggregated according to valuation categories pursuant to IAS 39 (excluding derivatives with cash flow hedging relationship):

**IN € THOUSANDS**

| | Amortized cost | | Fair value | | Carrying amount |
|---|---|---|---|---|---|
| | Carrying amount | For information only: fair value | Recognized in equity | Recognized in profit/loss | 09/30/2012 |
| Financial assets measured at fair value through profit or loss | – | – | – | 71 | 71 |
| Loans and receivables | 440,316 | 440,316 | – | – | 440,316 |
| Available-for-sale financial assets | 4,771 | 4,771 | – | – | 4,771 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | 8 | 8 |
| Financial liabilities measured at amortized cost | 236,054 | 235,637 | – | – | 236,054 |

**IN € THOUSANDS**

| | Amortized cost | | Fair value | | Carrying amount |
|---|---|---|---|---|---|
| | Carrying amount | For information only: fair value | Recognized in equity | Recognized in profit/loss | 09/30/2011 |
| **ASSETS** | | | | | |
| Interests in affiliates and participations | 1,596 | 1,596 | – | – | 1,596 |
| Trade receivables | 91,213 | 91,213 | – | – | 91,213 |
| Future receivables from long-term construction contracts | 113,295 | 113,295 | – | – | 113,295 |
| Other financial assets | 10,431 | 10,431 | – | – | 10,431 |
| Derivatives without hedging relationship | – | – | – | 155 | 155 |
| Derivatives with cash flow hedging relationship | – | – | 256 | – | 256 |
| Cash and cash equivalents | 236,682 | 236,682 | – | – | 236,682 |
| | | | | | |
| **LIABILITIES** | | | | | |
| Liabilities due to banks | 98,853 | 95,210 | – | – | 98,853 |
| Other financial debts | 13 | 13 | – | – | 13 |
| Trade payables | 84,757 | 84,757 | – | – | 84,757 |
| Other financial liabilities | 63,574 | 63,574 | – | – | 63,574 |
| Derivatives without hedging relationship | – | – | – | 14 | 14 |
| Derivatives with cash flow hedging relationship | – | – | 4,114 | – | 4,114 |

Thereof aggregated according to valuation categories pursuant to IAS 39 (excluding derivatives with cash flow hedging relationship):

**IN € THOUSANDS**

| | Amortized cost | | Fair value | | Carrying amount |
|---|---|---|---|---|---|
| | Carrying amount | For information only: fair value | Recognized in equity | Recognized in profit/loss | 09/30/2011 |
| Financial assets measured at fair value through profit or loss | – | – | – | 155 | 155 |
| Loans and receivables | 451,621 | 451,621 | – | – | 451,621 |
| Available-for-sale financial assets | 1,596 | 1,596 | – | – | 1,596 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | 14 | 14 |
| Financial liabilities measured at amortized cost | 247,197 | 243,554 | – | – | 247,197 |

The difference between the individual items of the statement of financial position and the carrying amounts of financial instruments disclosed above corresponds to the Group's non-financial assets and liabilities at the end of the reporting period.

During the period under review, there were no reclassifications of financial instruments into other valuation categories.

Financial instruments measured at fair value are assessed at the end of the reporting period according to the following fair value levels as defined by IFRS:

Level 1: Valuation is based on quoted, unadjusted prices in active markets for identical assets or liabilities.

Level 2: The valuation process is based on inputs which have a significant effect on the recorded fair value, for which either directly or indirectly quoted prices in active markets are available.

Level 3: The valuation process is based on inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments measured at fair value are allocated to the three levels of the fair value hierarchy as follows:

IN € THOUSANDS

| | Fair value hierarchy | | | 09/30/2012 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Carrying amount |
| **Financial assets measured at fair value** | **–** | **549** | **–** | **549** |
| Derivative financial instruments | – | 549 | – | 549 |
| | | | | |
| **Financial liabilities measured at fair value** | **–** | **2,108** | **–** | **2,108** |
| Derivative financial instruments | – | 2,108 | – | 2,108 |

IN € THOUSANDS

| | Fair value hierarchy | | | 09/30/2011 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Carrying amount |
| **Financial assets measured at fair value** | **–** | **412** | **–** | **412** |
| Derivative financial instruments | – | 412 | – | 412 |
| | | | | |
| **Financial liabilities measured at fair value** | **–** | **4,128** | **–** | **4,128** |
| Derivative financial instruments | – | 4,128 | – | 4,128 |

No financial instruments measured at fair value were transferred between the hierarchy levels displayed during the period under review.

The fair values of financial instruments were calculated on the basis of market information available at the end of the reporting period using the methods and premises described below.

There are no liquid markets for loans and receivables. Financial instruments measured at amortized cost have mostly short terms, so that it can be assumed that their carrying amounts as at the closing date approximate their respective fair values.

No fair values based on stock exchange or market values could be calculated for equity interests in affiliated companies and participations valued at amortized cost. We assume that the fair values correspond to their carrying amounts, providing there are no signs of impairment in individual cases.

Derivative financial instruments comprise derivative currency and interest hedging instruments. The fair values of forward exchange transactions were calculated using current reference exchange rates under consideration of forward premiums or discounts. Foreign exchange and interest options were valued on the basis of exchange rates quotes or by using recognized option pricing models. The fair values of interest swaps were calculated by using discounted, future expected cash flows, whereby the remaining terms of market interest rates for these financial instruments were considered. Wherever possible, these models use the relevant market prices and interest rates observed at the end of the reporting period as acquired from recognized external sources.

Financial liabilities and trade payables are valued at amortized cost. Differences between historic acquisition costs and the repayment amount are considered according to the effective interest method. Standard market interest rates based on the respective terms are used for discounting. Trade payables generally have short terms, so that it can be assumed that their carrying amounts approximate their respective fair values.

### / NET GAINS OR LOSSES ACCORDING TO VALUATION CATEGORIES (EXCLUDING DERIVATIVES WITH CASH FLOW HEDGING RELATIONSHIP)

The following overview displays the net gains or losses of financial instruments carried in the income statement in accordance with the categories of IAS 39 (excluding derivatives with a cash flow hedging relationship).

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Financial assets measured at fair value through profit or loss | 0 | 146 |
| Loans and receivables | 5,127 | 4,626 |
| Available-for-sale financial assets | 13 | 1 |
| Financial liabilities measured at fair value through profit or loss | – 79 | 413 |
| Financial liabilities measured at amortized cost | – 8,780 | – 18,990 |

The net results from financial instruments result from changes in fair value, impairments and reversals, results from equity instruments valued at cost, derecognitions, exchange rate changes and interest. Results from financial instruments measured at fair value through profit and loss which do not qualify for a hedging relationship include both interest and currency effects. Net losses from financial liabilities measured at amortized cost (T€ –8,780, prior year: T€ –18,900) mainly result from interest charges for bank liabilities. Total interest income and expenses for financial instruments not carried at fair value through profit or loss amount to T€ 6,821 (prior year: T€ 5,980) and T€ –10,589 (prior year: T€ 19,536). Interest income from impaired assets was not recognized in the period under review, nor in the previous year.

Interest income and expenses from financial instruments are disclosed in the interest result. Qualitative descriptions as to the measurement and disclosure of financial instruments (including derivative financial instruments) are contained in the explanations to accounting principles and valuation methods in the financial instruments section. Valuation changes of derivative financial instruments with a cash flow hedging relationship recognized in other comprehensive income and the respective effects recognized in profit and loss are disclosed in the consolidated statement of comprehensive income of the Schuler Group.

## OTHER DISCLOSURES

### (27) STATEMENT OF CASH FLOWS

The cash flow statement shows how cash and cash equivalents of the Schuler Group changed during the period under review as a result of incoming and outgoing cash flows. In accordance with IAS 7, the statement is divided into cash flows from operating, investing and financing activities. Within the "cash flows from operating activities" section, Schuler also discloses gross cash flow as a further key financial indicator for operations.

The statement of cash flows includes only cash and cash equivalents disclosed in the statement of financial position, i.e. cash in hand, checks and bank balances, providing they are available within three months.

The statement of cash flows from operating activities is derived indirectly from profit before non-controlling interests. As part of this indirect calculation, recognized changes in items of the statement of financial position items connected with operating activities are adjusted to eliminate effects from currency translation and changes in the consolidated group. As a result, they cannot be directly compared with the corresponding changes compared with previous years on the basis of the published consolidated items of the statement of financial position. The decline in cash flows from operating activities from T€ 180,739 to T€ 12,327 is mainly due to the change in cash flows from payments in advance, which decreased by T€ 193,685.

Investing activities include additions to property, plant and equipment, and financial assets, as well as additions to intangible assets including capitalized development costs. The current fiscal year includes the one-off payment of € 20.0 million for the open purchase price obligation pertaining to the debtor warrant agreed on the purchase of the former Müller-Weingarten AG in 2007. It also includes the purchase price payment of T€ 3,055 for the acquisition of ATIS GmbH. Proceeds from the disposal of consolidated companies relate to the sale of Müller Weingarten Česká Republika; the subsidiary had no significant cash balances. In total, cash flows from investing activities amounted to T€ –45,276 compared with T€ 4,428 in the previous year.

Financing activities include cash flows with shareholders of Schuler AG and its subsidiaries as well as proceeds from and redemption of financial liabilities. Cash flows from financing activities amount to T€ –13,501 (prior year: T€ –38,357) – due mainly to the assumption and redemption of bank liabilities during this period and the dividend payment of T€ –5,834. The disclosed redemption of financial liabilities in the previous year included the depositing of T€ 64,803 in cash with the agent as of September 30, 2011 in order to redeem the existing term loan within the credit facility tranches. Liabilities due to banks were therefore netted with cash and cash equivalents by this amount in the previous year.

In summary, the various cash flows and the changes in value caused by exchange rate fluctuations resulted in a decrease in cash and cash equivalents in fiscal year 2011/12 of T€ 47,498 to T€ 189,184.

## (28) SEGMENT REPORTING

### / INFORMATION BY OPERATING SEGMENT

Segment reporting is prepared according to IFRS 8 “Operating Segments”. This accounting standard requires the definition of operating segments which engage in their own business transactions, for which discrete financial information is available, and whose operating results are reviewed regularly by the chief operating decision makers for the purposes of allocating resources and assessing performance. Financial information is reported on the basis of the internal control concept (management approach).

In accordance with the Schuler Group’s internal reporting and organizational structure, three reportable segments have been specified below the management holding. Segment reporting also includes the summarized division “Other Segments” and the Corporate Center of Schuler AG, as well as a consolidation item to reconcile segment reporting with the disclosed consolidated amounts. The consolidation measures only include those items which do not affect the segments themselves (e.g. debt consolidation between segments and the elimination of intersegment sales).

Reporting is based on areas of activities as defined by the differing products and services supplied by the operating segments Forming Systems, Automation and Tools: the products of the Forming Systems segment mainly comprise mechanical and hydraulic metalforming systems, while the Automation segment focuses on automation systems and laser technology. All activities in the field of car body technology and the respective services are pooled in the Tools segment.

The “Other Segments” category summarizes all other activities which do not require separate reporting. These include Schuler Guss, Sales & Service companies and special-purpose entities.

Schuler determines segment success on the basis of its operating result, which is defined as earnings before interest and taxes (EBIT).

The Schuler Group's segment reporting figures are based on the same accounting and valuation principles as applied for the statement of financial position. Intercompany transactions are always transacted at standard business prices and thus correspond to those with external third parties (arm's length principle).

**IN € THOUSANDS**

| | Forming Systems | | Automation | | Tools | | Other Segments | |
|---|---|---|---|---|---|---|---|---|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| Sales to third parties | 967,301 | 743,490 | 88,640 | 41,305 | 62,015 | 70,596 | 108,133 | 103,158 |
| Intercompany sales | 39,757 | 22,471 | 97,950 | 76,033 | 6,660 | 4,900 | 25,615 | 25,120 |
| **Segment sales** | **1,007,059** | **765,961** | **186,590** | **117,338** | **68,676** | **75,496** | **133,748** | **128,277** |
| | | | | | | | | |
| **EBIT** | **87,382** | **39,801** | **16,691** | **8,657** | **3,334** | **1,539** | **6,037** | **14,865** |
| Depreciation [1] | 12,850 | 18,648 | 1,561 | 1,509 | 1,948 | 4,265 | 5,256 | 5,269 |
| of which non-scheduled | 565 | 6,016 | 0 | 0 | 0 | 2,242 | 1,317 | 0 |
| Capital expenditures [1] | 19,119 | 7,378 | 1,527 | 312 | 1,528 | 510 | 1,739 | 1,350 |
| Personnel as of 09/30 (incl. apprentices) | 3,881 | 3,649 | 576 | 516 | 348 | 391 | 581 | 566 |

1) without financial assets

**IN € THOUSANDS**

| | Total Segments | | Schuler AG (Corporate Center)/ Consolidation | | Schuler Group | |
|---|---|---|---|---|---|---|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| Sales to third parties | 1,226,090 | 958,549 | 0 | 0 | 1,226,090 | 958,549 |
| Intercompany sales | 169,982 | 128,524 | – 169,982 | – 128,524 | 0 | 0 |
| **Segment sales** | **1,396,072** | **1,087,074** | **– 169,982** | **– 128,524** | **1,226,090** | **958,549** |
| | | | | | | |
| **EBIT** | **113,444** | **64,862** | **– 17,645** | **– 10,423** | **95,799** | **54,439** |
| Depreciation [1] | 21,616 | 29,691 | 877 | 647 | 22,494 | 30,338 |
| of which non-scheduled | 1,882 | 8,259 | 0 | 0 | 1,882 | 8,259 |
| Capital expenditures [1] | 23,913 | 9,551 | 2,312 | – 1 | 26,225 | 9,551 |
| Personnel as of 09/30 (incl. apprentices) | 5,386 | 5,122 | 57 | 46 | 5,443 | 5,168 |

1) without financial assets

Profit or loss for the year before taxes is reconciled with the performance indicator used in segment reporting (EBIT) as follows:

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| **Total segment results (EBIT)** | **113,444** | **64,862** |
| Corporate Center | – 20,049 | – 10,212 |
| Interest result | – 16,556 | – 32,067 |
| Consolidation | 2,405 | – 212 |
| **Profit or loss for the year before taxes (EBT)** | **79,243** | **22,372** |

## / ADDITIONAL DISCLOSURES AT COMPANY LEVEL

Sales by products and services

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Plant and machinery | 910,393 | 643,781 |
| Tools (including stamped parts) | 81,508 | 85,680 |
| Foundry | 6,411 | 5,613 |
| Service (incl. sales of used machines) | 221,620 | 213,670 |
| Other (incl. contract manufacturing) | 6,158 | 9,805 |
| **Schuler Group** | **1,226,090** | **958,549** |

Segment information by region

IN € THOUSANDS

| | Sales to third parties | | Intangible assets and property, plant and equipment | |
|---|---|---|---|---|
| | 2011/12 | 2010/11 | 09/30/2012 | 09/30/2011 |
| Germany | 394,921 | 296,975 | 194,010 | 179,890 |
| Europe (excluding Germany) | 245,686 | 152,372 | 1,709 | 2,578 |
| America | 179,794 | 193,056 | 20,604 | 34,767 |
| Asia | 401,218 | 308,831 | 12,539 | 9,039 |
| Other | 4,471 | 7,315 | 0 | 0 |
| **Schuler Group** | **1,226,090** | **958,549** | **228,862** | **226,274** |

Segment information by region divides sales according to the location of the customer's headquarters. In the reporting period, sales revenues of T€ 174,900 were generated with a single customer in the segments Forming Systems, Automation and Tools as well as in the Others segment (in the previous year, no revenues with a single customer accounted for more than 10%). Non-current assets are allocated to geographical regions according to the location of the Group company's headquarters.

## (29) FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

### / PRINCIPLES OF RISK MANAGEMENT WITH REGARD TO FINANCIAL RISKS

Due to its international alignment and long-term project business, the Schuler Group is exposed in particular to interest, foreign currency, as well as credit and liquidity risks, which may adversely affect the net assets, financial position and earnings of the Group. The main task of financial risk management is to eliminate or limit such risks with its current operative and finance-oriented activities in order to secure the long-term value of the company.

Financial risks are continually monitored by the central cash and foreign currency management system of Schuler AG's corporate treasury department and limited with the aid of suitable hedging relationships based on corresponding guidelines adopted by the Board of Management. The responsibilities of all Group companies with regard to risk management are clearly and comprehensively regulated by binding group-wide guidelines. The hedging of financial transactions and business conducted by Group subsidiaries outside the Euro zone is closely coordinated with the Group's central treasury division. All companies of the Schuler Group are obliged to hedge foreign currency positions at the time of their creation. Providing there are no legal regulations to the contrary, this is done by delivering open foreign exchange positions to the Group's treasury department, which hedges against the relevant underlying transactions with different terms in accordance with the hedging purpose. In certain cases, future planned transactions may also be the object of a hedging relationship. Financial risk management is subject to strict monitoring, which is guaranteed in particular by a clear functional separation between trading, processing and control. In addition to financial reporting to the Board of Management and Supervisory Board, the regular monitoring of adherence to guidelines adapted to current market and product developments, the efficiency of hedging instruments and the reliability of our internal control systems via internal and external audits all provide a high degree of transparency and permanent function control. Additional explanations on risk management are provided in the Group management report.

### / CURRENCY AND INTEREST RISKS

These risks consist of possible fluctuations in the fair value or future cash flows of a financial instrument (e.g. receivables or payables) due to changes in the market interest rate or exchange rate.

Currency risks result from the conversion of financial instruments whose values differ from the functional currency of the respective individual company and which are of a monetary nature. They mainly arise from Schuler's international activities, as a consequence of which the Group's operative business, financial results and cash flows are subject to exchange rate fluctuations. A related transaction risk results mainly from the operative business process, and in particular with regard to the exchange rate relationships between the US Dollar, the Brazilian Real, the Chinese Yuan (Renminbi) and the Euro. In emerging nations, international orders of subsidiaries are generally concluded in USD or EUR. The economic exchange rate risk (competition risk) resulting from the volatility of the key currencies is primarily reduced by spreading Schuler's production facilities among several nations (natural hedging). Coverage against foreign currency orders is still provided by means of naturally closed positions, or netting, whereby the values or cash flows of originated financial instruments offset each other with regard to time or amount. Any remaining risks are reduced by the use of derivative financial instruments. Wherever possible, underlying transactions and hedges are summarized as hedging relationships which mostly compensate for subsequent changes in market values in the designated transactions. At the end of the reporting period, forward exchange positions referred mainly to the exchange rate parities EUR/USD, USD/BRL, EUR/BRL, USD/CNY and EUR/CNY. Such derivatives are used solely for hedging purposes, which are tied to the corresponding existing underlying business or planned transactions. Schuler does not enter into trading positions with the aim of speculating. Hedging by means of financial derivatives comprises recognized, pending and anticipated transactions. Due to the typically long-term nature of Schuler's large-machine business, the Group generally hedges against currency risks according to individual orders (micro hedges).

Schuler holds various interest-sensitive, medium-term and long-term assets and liabilities in order to meet liquidity requirements. The Group's interest rate risk results from funding which is not in line with the respective maturities, as well as from various interest elasticities of certain assets and liabilities. Whereas liabilities with variable interest rates expose the Group to a cash flow interest rate risk, liabilities with fixed interest rates result in a fair value interest rate risk (cf. note (21)). Schuler is exposed to interest rate risks mainly in the EUR and BRL currency regions. In order to minimize both the risks with regard to maturities and fixed interest rates, and its financing costs, the company uses derivate interest instruments in the Euro zone. The cash flow interest rate risk is mainly hedged against centrally by the use of interest rate swaps. Such interest rate swaps have the economic purpose of converting variable-interest loans into fixed-interest loans. The treasury assesses interest risk positions by comparing the respective financial assets and liabilities with regard to maturities and in connection with the relevant interest derivatives. Wherever possible with reasonable effort, assets are refinanced in accordance with Group guidelines and in line with their respective maturities. In consideration of its hedging activities, the Schuler Group's management is of the opinion that the Group is not exposed to any significant interest rate risk with regard to its financing at the end of the reporting period.

In order to limit the above mentioned financial market risks, the Group uses forward exchange contracts and options, interest swaps and interest caps. All derivative financial instruments are recognized as assets or liabilities at those fair values valid at the end of the reporting period and irrespective of their purpose. Fair values of derivative financial instruments reflect the respective price at which third parties would accept the rights/obligations of the instruments at the end of the reporting period. They indicate what effect closing the positions would have had on earnings at the end of the reporting period – without consideration of opposing value developments from the underlying transactions. Positive fair values stand for potential profits at the end of the reporting period, negative for potential losses. The derivative financial instruments used are valued according to generally recognized discounted cash flow models and methods. Valuation is hereby made according to the present value method or the option pricing model (Black-Scholes). The main calculation parameters are based on the market prices and interest rates valid at the end of the reporting period as well as the agreed hedging and exercise prices. The disclosed notional amount of derivative financial instruments represents the gross totals of all purchase and sale amounts. The size of the notional amount provides an indication of the scope of derivatives used, but not of the risk involved in using such derivatives.

The terms of the derivative financial instruments are based on those of the underlying transactions.

**IN € THOUSANDS**

| | 09/30/2012 | | 09/30/2011 | |
|---|---|---|---|---|
| | Notional value | Market value | Notional value | Market value |
| Forward exchange contracts and swaps | 90,487 | 549 | 69,864 | 412 |
| | | – 1,886 | | – 3,796 |
| Currency derivatives, net | 90,487 | – 1,338 | 69,864 | – 3,384 |
| Interest swaps | 4,706 | 0 | 7,059 | 0 |
| | | – 221 | | – 332 |
| Interest derivatives, net | 4,706 | – 221 | 7,059 | – 332 |
| | **95,193** | **– 1,559** | **76,923** | **– 3,716** |

When interpreting the positive and negative fair values of derivative financial instruments, it is important to note that there are generally opposing underlying transactions which thus limit the market risk from price changes on the financial markets. Moreover, the fair values do not necessarily correspond to those amounts which the Group will achieve in future under current market conditions. In order to reduce the risk of default, hedging transactions are concluded exclusively with prime-rated credit institutes which are continually monitored. The default risk arising from the possibility that contractual partners do not meet their obligations from forward exchange contracts amounts to T€ 549 (prior year: T€ 412).

Provided the strict requirements of hedge accounting are met, the disclosed derivative financial instruments are assigned directly to the underlying transactions in the form of cash flow hedges. The market value of these derivatives (cash flow hedges) amounts to T€ –1,622 (prior year: T€ –3,858) at the end of the reporting period. The market value of those derivatives which were not classified as cash flow hedges due to strict hedge accounting requirements, or are ineffective, amounts to T€ 63 (prior year: T€ 141). Neither in the reporting period nor in the previous year were market value changes recognized in the income statement due to the premature termination of cash flow hedging relationships (dedesignation). Valuation changes which represent the effective portions of hedging transactions and are recognized in equity (accumulated other comprehensive income) are disclosed in the consolidated statement of comprehensive income. On realization of the underlying transaction, the accumulated effects in equity are reversed with an effect on profit or loss and recognized in the income statement as sales revenue or cost of materials (foreign currency derivatives) or in other income or other expenses (interest derivatives).

The effectiveness of a hedging relationship for cash flow hedges is determined prospectively using the Critical Terms Match Method according to IAS 39.AG108. An effectiveness test is carried out retro-spectively at the end of each reporting period using the dollar-offset method. For this, the changes in the fair values of the hedged item and the hedging instrument attributable to exchange rate changes are calculated and a ratio is created. For all recognized hedging relationships, the ratio of these two cumulative valuation changes is within the range proscribed by IAS 39 of between 80% and 125%.

In the case of non-German Group subsidiaries outside the Euro zone, tied net assets are generally not secured against exchange rate fluctuations as exchange rate-related differences from the translation of annual financial statements of non-German Group subsidiaries into the Group's reporting currency (translation risk) are not cash flow relevant. Moreover, Schuler does not generally hedge against the translation risk from exchange rate fluctuations for revenues and profits of subsidiaries outside the Euro zone. However, there may be significant translation differences which may affect revenues, the segment result (EBIT) and Group profit or loss.

### / CREDIT RISK (RATING OR DEFAULT RISKS)

Credit risks result when one party of a financial instrument does not, or not fully, meet its contractual payment obligations within the due period, or when the value of collateral provided is diminished. In addition to the arise of concentrations of risk, direct default risks can result in economic losses or impairment of receivables and other financial assets from the deterioration of customer credit ratings. In the case of sluggish economic and sector growth, there may be an increase in customer defaulting with a negative impact on the financial position and financial performance of the

Group. The risk of default involved in investments and the use of derivative financial instruments is limited by concluding such financial transactions only with high-rated contractual partners, which are continually monitored. Risk management in the credit process is based on the corresponding corporate guideline which regulates such aspects as rating checks for customer inquiries, checks for any grouping of exposures, the requirement of collateral and guarantees, the granting of title retention, consideration of country-specific collateral formats, the use of minimum payment conditions, and staggered approval requirements from the finance division. The risk of default involved in trade receivables from exporting is accounted for in certain cases by letters of credit or taking out credit insurance policies. The development of payment behavior is continually monitored and receivables analyzed for any contractual defaulting. Any other default risks identifiable at the end of the reporting period are covered by forming appropriate valuation allowances. The explanations regarding past due or impaired financial assets are presented in notes (13) and (15). In general, there are no agreements with customers to reduce credit risk, such as set-off agreements, so that the maximum default risk of those financial assets exposed to credit risks corresponds to the carrying amounts disclosed in note (26). As at the closing date, no derivative financial assets are past due or impaired due to default.

Schuler continually analyzes the structure of its receivables in order to ensure the timely identification and assessment of concentration risks. Concentrations of credit risks for Schuler can result from global sales activities of metalforming systems and the respective service business, which depend greatly on the investment behavior of the automotive sector. As at the closing date, there is the following distribution of sector risk (gross, without considering valuation adjustments and payments received on account and offset from assets for long-term construction contracts):

**IN € THOUSANDS**

| | 09/30/2012 | | | 09/30/2011 | | |
|---|---|---|---|---|---|---|
| | Car manufacturers | Automotive suppliers | Non-automotive | Car manufacturers | Automotive suppliers | Non-automotive |
| Trade receivables | 37,650 | 22,336 | 26,800 | 26,715 | 36,177 | 34,521 |
| Future receivables from long-term construction contracts | 681,706 | 134,588 | 139,055 | 416,058 | 68,978 | 100,724 |

As at the closing date, there is no concentration of default risks from business relations with individual debtors.

## / LIQUIDITY RISKS

Liquidity risk refers to the risk that a company cannot, or only insufficiently, meet its financial obligations which must be settled in cash or cash equivalents or with other financial assets. Amongst other things, payment obligations may result from interest and redemption payments for loans taken out or to serve liabilities due to suppliers. Liquidity risks can occur mainly from changed customer payment behavior, especially with regard to payments to be received on account, as well as from more restrictive bank lending or more restrictive cover behavior of credit insurers. Liquidity is safeguarded by a financial plan spanning several years, a rolling monthly liquidity projection, the ability to issue securities on the capital market, the use of modern financial instruments and the Group's provision with sufficient credit lines. As part of short- and medium-term liquidity management, surplus liquidity is netted with the liquidity needs of individual Group companies by means of a central cash pool in order to reduce and optimize the Group's refinancing costs. Liquidity is mainly held in overnight and time deposit accounts. The Group's Treasury department is responsible for the management and administration of the cash pool used for internal financing. By centralizing this finance function, Schuler ensures a uniform approach on the capital markets with the aim of strengthening its negotiating position with banks and other market participants. For special projects, the Group's Treasury department supports local finance agreements. In addition, there is a liquidity reserve in the form of cash credit lines in order to secure continual liquidity and the financial flexibility of the Schuler Group. In order to further secure liquidity, Schuler prematurely replaced its existing syndicated loan agreement in November 2011 with a new syndicated loan agreement which expires on September 30, 2016. Further information on this topic can be found under note (21).

The following table shows the remaining maturities of non-discounted cash flows from originated financial liabilities and from derivative financial instruments and their effect on the Group's liquidity situation and compares them with their carrying amounts. Negative values correspond to finance received. Gains and losses from hedging transactions are expected to have an effect in the same reporting periods as the respective cash flows.

**IN € THOUSANDS**

| | Carrying amount 09/30/2012 | Cash flows within 1 year | Cash flows in 1 to 5 years | Cash flows after more than 5 years | Total cash flows |
|---|---|---|---|---|---|
| **Originated financial liabilities** | | | | | |
| Liabilities due to banks | 88,961 | 32,943 | 52,794 | 8,560 | 94,297 |
| Other financial debts | – | – | – | – | – |
| Trade payables | 86,938 | 86,923 | 15 | 0 | 86,938 |
| Other financial liabilities | 60,155 | 57,803 | 2,274 | 78 | 60,155 |
| | | | | | |
| **Derivative financial liabilities** | | | | | |
| Currency derivatives without hedging relationship | 8 | 8 | 0 | 0 | 8 |
| Currency derivatives with cash flow hedging relationship | 1,878 | 1,537 | 341 | 0 | 1,878 |
| Interest derivatives with cash flow hedging relationship | 221 | 0 | 221 | 0 | 221 |

**IN € THOUSANDS**

| | Carrying amount 09/30/2011 | Cash flows within 1 year | Cash flows in 1 to 5 years | Cash flows after more than 5 years | Total cash flows |
|---|---|---|---|---|---|
| **Originated financial liabilities** | | | | | |
| Liabilities due to banks | 98,853 | 35,393 | 55,503 | 19,294 | 110,190 |
| Other financial debts | 13 | 13 | 0 | 0 | 13 |
| Trade payables | 84,757 | 84,757 | 0 | 0 | 84,757 |
| Other financial liabilities | 63,574 | 63,365 | 209 | 0 | 63,574 |
| | | | | | |
| **Derivative financial liabilities** | | | | | |
| Currency derivatives without hedging relationship | 14 | 14 | 0 | 0 | 14 |
| Currency derivatives with cash flow hedging relationship | 3,782 | 3,689 | 93 | 0 | 3,782 |
| Interest derivatives with cash flow hedging relationship | 332 | 0 | 332 | 0 | 332 |

The tables above show all financial instruments as at the closing date for which payments were contractually agreed. Financial liabilities which can be paid back at any time are considered at their earliest possible maturity time. Planned figures for new liabilities in future are not considered. In the case of gross disbursements from derivative financial instruments, both derivatives with negative and those with positive fair values are considered providing they constitute a future payment obligation. On the last two balance sheet dates, Schuler had no such derivative financial assets with future payment obligations. Foreign currency amounts are translated at the closing rate at the end of the reporting period. Interest payments from financial instruments with variable interest rates are calculated on the basis of the fixed interest rate prior to the end of the reporting period.

In the case of loan liabilities, there were no contractual breaches concerning redemption, interest payments or redemption terms as at the closing date. There were also no other contract infringements which entitled the lender to demand accelerated repayment and which were not settled before the annual financial statements were approved for publication or the terms of the loans were not renegotiated prior to this time.

### / SENSITIVITY ANALYSES

Simulation calculations are performed using different market scenarios in order to estimate the effects of different market conditions. They enable a suitable and easily comprehensible assessment for each market risk regarding the effects on Group profit or loss and equity of a hypothetical change in the relevant risk variables (e.g. exchange rates, interest rates) as at the closing date. The hypothetical change in risk variables is based on the amount of financial instruments as at the closing date and assumes that this is representative for the year as a whole. The limits selected for the sensitivity analyses reflect what Schuler believes to be the reasonably possible change in the relevant risk variables, which may occur over a period of one year on the assumption of suitable standards.

In the case of **currency risks**, a sensitivity analysis is conducted for those foreign currencies which represent a significant risk for the Group. Schuler has identified this risk in particular for the US Dollar, the Brazilian Real and the Chinese Yuan (Renminbi). Currency risks as defined by IFRS 7 are created by financial instruments which are denominated in a different currency than the functional currency and are of a monetary nature. Differences resulting from the translation of annual financial statements of foreign subsidiaries into the Group currency are not considered. Currency sensitivity analyses are based on the following premises:

/ The main originated monetary financial instruments (cash and cash equivalents, receivables, liabilities) are denominated either directly in the functional currency of Group companies or are hedged against exchange rate risks as underlying transactions by using derivative financial instruments (e.g. forward exchange and foreign exchange option transactions) and opposing originated financial instruments. They are thus transferred synthetically into the functional currency. There is generally no effect on Group profit or loss or equity.

/ Interest income and expenses from financial instruments are also either recognized directly in the functional currency or transferred into the functional currency by the use of derivatives. As a consequence, there is also no effect on Group profit or loss or equity.

/ Schuler is exposed to currency risks from derivatives which are tied to a cash flow hedging relationship aimed at hedging against currency fluctuations in cash flows pursuant to IAS 39. Exchange rate fluctuations in the underlying foreign currencies influence the unrealized gains from cash flow hedges recognized in other comprehensive income via the changed fair value of the hedging transactions. This only applies, however, insofar as the fair value changes of the hedging instruments are not compensated for by opposing value developments of the same amount in the underlying transactions. This is regularly the case during the lead time of customer orders in foreign currencies, which are hedged 100% on order completion: until order acceptance, the fair value change of the derivative does not face any opposing change (= order recognition as unfinished product) or only a percentage-of-completion change in the underlying transaction (= order recognition as future receivable from long-term construction contract), so that for an effective hedging relationship the net value from the exchange rate valuation of the underlying and hedging transactions at the end of the reporting period is disclosed in other comprehensive income.

/ In addition, exchange rate changes have an effect on the income statement and on equity, insofar as the opposing translation differences from the underlying transaction and the hedging instrument do not balance each other due to ineffectiveness. This leads to changed market values of the hedging transactions as well as changed fair values of the transactions; the effects on the size of any ineffectiveness influence Group profit or loss and equity. Exchange rate risks as defined by IFRS 7 can also occur with those foreign currency derivatives which are used to hedge planned positions and are not involved in a hedging relationship pursuant to IAS 39.

/ Exchange rate changes of financial instruments which qualify as fair value hedges do not lead to an exchange rate risk, as the value changes caused by currency fluctuations between the underlying and hedging transactions generally balance each other out in the income statement of the period under review.

Based on the exchange rates of the relevant currencies valid at the end of the reporting period, sensitivities were based on a hypothetical change in exchange rate relationships of 10% each:

If at the closing date, the Euro had been revalued (devalued) by 10% against the risk-bearing currencies US Dollar, Brazilian Real and Chinese Yuan (Renminbi), consolidated earnings at the end of the range would have decreased (increased) by € 0.8 million (€ 0.8 million) (prior year: € –0.5 million or € 0.5 million). In addition, the change in fair values would have led to an adjustment of the cash flow hedging reserve in equity of € –0.7 million (€ 0.7 million) (prior year: € –1.6 million or € 1.6 million).

If at the closing date the US Dollar had been revalued (devalued) by 10% against the Brazilian Real and the Chinese Yuan (Renminbi), and at the same time the EUR/USD relationship had remained stable, consolidated earnings at the end of the range would have decreased (increased) by € 0.3 million (€ 0.3 million) (prior year: € 0.0 million). The change in fair values would have led to an adjustment of the cash flow hedging reserve in equity of € –0.3 million (€ 0.3 million) (prior year: € –0.1 million or € 0.1 million).

**Interest risks** can result above all from financial assets and liabilities bearing or owing interest with terms of over one year. Sensitivity analyses are used to estimate the effect of a change in market interest rates on interest payments, interest income and expenses, and equity capital. In order to assess the risk of interest rate changes, assets and liabilities are compared according to their maturities (natural hedge), together with interest derivatives. Schuler's significant interest positions are denominated in Euro and Brazilian Real. The calculated effects of a hypothetical change in the interest level are based on the following assumptions:

/ Financial liabilities with fixed interest rates are not exposed to interest risks as defined by IFRS 7, as these financial instruments are always carried at amortized cost and not fair value. In the case of financial instruments with variable interest rates, there is a cash flow risk if their interest payments are not hedged against interest risks as underlying transactions as part of cash flow hedges.

/ Interest rate changes of financial instruments which qualify as fair value hedge do not lead to interest risks, as the interest-related value changes between the underlying and hedging transactions always balance each other out in the income statement of the period under review.

/ Interest risks as defined by IFRS 7 can result from interest derivatives which are involved in an effective cash flow hedging relationship to hedge against interest-related variability in cash flows pursuant to IAS 39. Interest rate adjustments for such hedging transactions are recognized in other comprehensive income via their market value changes and considered in the equity-based sensitivity calculation. The profit or loss based sensitivity calculation includes both the ineffective portion of cash flow hedging and the interest risk from originated financial instruments with variable interest rates, providing its interest payments are not designated as underlying transactions as part of a cash flow hedge against interest risks.

/ Market interest rate changes of interest derivatives which are not involved in a hedging relationship pursuant to IAS 39 also impact the interest result and are considered in the profit or loss based sensitivity calculation.

Due to the low interest rate level in the Euro currency zone, the analysis of interest sensitivity in the Euro zone was based on a parallel shift in the interest structure curve of +100/–30 base points in order to avoid negative interest. In the previous year, a parallel shift in the yield curve of +100/–100 base points was assumed for the Euro currency zone. This results in the following effects on Group profit or loss and equity:

If as at September 30, 2012, the market interest level in the Euro currency zone had been 100 bp higher (30 bp lower), Group profit or loss at the end of the range would have increased (decreased) by € 1.1 million (€ 0.3 million) (prior year: € 1.3 million or € –1.3 million). The change in fair value would have led to an adjustment of the hedge reserve in equity of € 0 million (prior year: € 0.1 million or € –0.1 million).

If as at September 30, 2012, the market interest level in the Brazilian Real currency zone had been 100 bp higher (lower), Group profit or loss at the end of the range would have changed by € 0.2 million (€ –0.2 million) (prior year: € 0.2 million or € –0.2 million). There would have been no change in fair values and thus no decrease or increase in the hedge reserve in equity.

**Other price risks** in connection with financial instruments may result from further risk variables – especially stock exchange prices or commodity indices. As at the closing date, Schuler does not hold any significant available-for-sale assets (e.g. securities) which are dependent on such valuation parameters and which might lead to significant other price risks. Derivative financial instruments are not used for the purchase of commodities.

## (30) CONTINGENT LIABILITIES AND RECEIVABLES

IN € THOUSANDS

| | 09/30/2012 | 09/30/2011 |
|---|---|---|
| Other contingent liabilities due to suppliers | 0 | 102 |

Contingent liabilities and receivables comprise possible obligations or assets based on past events whose existence depends on future events which cannot be determined completely by the accounting entity. Moreover, contingent liabilities include existing obligations based on past events and for which either an outflow of funds is unlikely or whose size cannot be determined with sufficient reliability. Due to the aforementioned uncertainties, contingent liabilities and receivables are not regularly recognized in the statement of financial position. The disclosed volume of obligations in respect of contingent liabilities corresponds to the scope of liability existing at the end of the reporting period.

## (31) OTHER FINANCIAL OBLIGATIONS

IN € THOUSANDS

| | | | Payable | 09/30/2012 | 09/30/2011 |
|---|---|---|---|---|---|
| | up to 1 year | from 1 to 5 years | over 5 years | Total | Total |
| Rent and lease payments (operating leases) | 12,893 | 40,973 | 57,618 | 111,484 | 119,276 |
| Purchase commitments (tangible assets) | 25,181 | 0 | 0 | 25,181 | 1,646 |
| Other obligations | 1,156 | 180 | 0 | 1,336 | 2,288 |
| | **39,230** | **41,153** | **57,618** | **138,001** | **123,210** |

The majority of the other financial obligations concerns operating lease liabilities resulting from the sale of real estate assets in previous years in Göppingen and São Paulo as part of sale-and-rent-back transactions.

## (32) LITIGATION

In fiscal year 2011/12, the Schuler Group was not involved in any current legal or arbitration proceedings whose outcome may have a material effect on the economic position of the Group. Appropriate provisions have been formed by the respective Group company for any potential costs arising from other legal or arbitration proceedings.

## (33) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Norbert Broger was appointed to the Board of Management of Schuler AG as of January 1, 2013. He will be responsible as of February 1, 2013 for the Finance division, including the position of Labor Director. Norbert Broger succeeds Marcus A. Ketter, who will leave the company on January 31, 2013 to take up a new task as CFO of Klöckner & Co. in Duisburg, Germany.

On September 24, 2012, the Board of Management of Schuler AG applied for a revocation of admission to the Prime Standard segment. Deutsche Börse accepted the application on September 28, 2012. As of January 2, 2013, the Schuler share will be traded in the General Standard segment of the Regulated Market. The main motivation for the change to the General Standard was the decision of Deutsche Börse to exclude the Schuler share from the SDax index and the fact that institutional investors would probably no longer be focusing on Schuler shares once the takeover offer of Andritz Beteiligungsgesellschaft IV GmbH had been completed.

The purchase agreement between Andritz Beteiligungsgesellschaft IV GmbH and the former major shareholder Schuler-Beteiligungen GmbH, as well as the unsolicited takeover bid to the remaining shareholders of Schuler AG, are subject to anti-trust approval and the expiry of certain waiting periods according to the respective anti-trust regulations of Brazil, the People's Republic of China, the European Union, Turkey and the United States of America. During the reporting period, approval was already received from the anti-trust authorities of the USA and Turkey. After the end of the reporting period, the approval from the European Union was received on October 15, 2012.

## (34) RELATED PARTY DISCLOSURES

Related parties as defined by IAS 24 are companies or persons that the reporting entity has the ability to control or over which it can exercise significant influence, or parties that have the ability to control or exercise significant influence over the reporting entity.

In addition to the subsidiaries included in the consolidated financial statements, Schuler AG has direct or indirect relations with non-consolidated subsidiaries and participations in the course of its normal business operations. There are also business relationships with other companies which qualify as related parties. All business relations with such companies are transacted on an arms-length basis. Major related, affiliated companies which are controlled by the Schuler Group or over which it can exercise significant influence are included in the list of consolidated companies under note (38).

The following table presents the volume of transactions between the Schuler Group and these related companies during the period under review:

**IN € THOUSANDS**

| | 2011/12 | | | | 2010/11 | | | |
|---|---|---|---|---|---|---|---|---|
| on Group basis | Supplies and services rendered | Interest income | Supplies and services received | Interest expenses | Supplies and services rendered | Interest income | Supplies and services received | Interest expenses |
| Subsidiaries | 7,498 | 47 | 4,534 | 36 | 5,059 | 90 | 1,530 | 34 |
| Investments | 326 | 0 | 13 | 0 | 635 | 0 | 43 | 0 |
| Other: | | | | | | | | |
| RSV Finanzdienstleistungen Geschäftsführungs GmbH | – | – | – | – | – | – | 88 | – |

The additional purchase price payment obligation (debtor warrant) of T€ 20,000 carried in the previous year from the purchase of Müller Weingarten AG was settled in the reporting period.

Open balances at the end of the reporting period are shown below:

**IN € THOUSANDS**

| on Group basis | 09/30/2012 Receivables from | 09/30/2012 Payables to | 09/30/2011 Receivables from | 09/30/2011 Payables to |
|---|---|---|---|---|
| Subsidiaries of Schuler AG | 994 | 1,624 | 951 | 1,907 |
| Investments | 9 | 0 | 56 | 0 |

In fiscal year 2011/12, adjustments to receivables from subsidiaries of T€ 17 were made (prior year: T€ 64). Receivables from and payables to related parties have a maturity of less than one year.

Beyond regular activities, there were no business relations between members of the Management Board, the Supervisory Board or the managers of Group companies nor members of their families on the one side and Group companies on the other during the period under review. Some members of the Supervisory Board of Schuler AG are also members of supervisory boards of other companies with which Schuler AG or its subsidiaries have relations in the course of normal business operations. All business with such companies is carried out on an arms-length basis. Further details on executive bodies are provided under note (37).

## / DISCLOSED PARTICIPATIONS

1. In accordance with § 21 (1) WpHG, Schuler-Beteiligungen GmbH, Göppingen, Germany, informed us on June 17, 2011, that its share of voting rights in Schuler Aktiengesellschaft, Göppingen, Germany, fell below the threshold of 50% of voting rights on June 16, 2011, and amounted on this day to 39.08% (corresponding to 11,431,095 voting rights).

2. In accordance with §§ 21 (1), 22 (1) sentence 1 no. 1 WpHG, Vermögensverwaltung Schuler-Voith GbR, Munich, Germany, informed us on June 17, 2011, that its share of voting rights in Schuler Aktiengesellschaft, Göppingen, Germany, fell below the threshold of 50% of voting rights on June 16, 2011, and amounted on this day to 39.08% (corresponding to 11,431,095 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all 11,431,095 voting rights are attributable to Vermögensverwaltung Schuler-Voith GbR via Schuler-Beteiligungen GmbH, Göppingen, Germany, which directly holds the 11,431,095 shares and voting rights.

3. In accordance with §§ 21 (1), 22 (1) sentence 1 no. 1 WpHG, Dr. Robert Schuler-Voith, Germany, informed us on June 17, 2011, that his share of voting rights in Schuler Aktiengesellschaft, Göppingen, Germany, fell below the threshold of 50% of voting rights on June 16, 2011, and amounted on this day to 39.08% (corresponding to 11,431,095 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all 11,431,095 voting rights are attributable to Dr. Schuler-Voith via Vermögensverwaltung Schuler-Voith GbR, Munich, Germany, and Schuler-Beteiligungen GmbH, Göppingen, Germany, which directly holds the 11,431,095 shares and voting rights.

4. In accordance with § 21 (1) WpHG, Dr. Wolfgang Leitner, Austria, informed us on June 29, 2012 that his share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3%, 5%, 10% and 15% of voting rights on June 1, 2012 and amounted on this day to 15.42% (corresponding to 4,577,317 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 15.42% of voting rights (corresponding to 4,577,317 voting rights) are attributable to Dr. Wolfgang Leitner, Austria, via Andritz Beteiligungsgesellschaft IV GmbH, Berlin; Andritz AG, Graz, Austria; Certus Beteiligungs-GmbH, Graz, Austria and Custos Privatstiftung, Graz, Austria.

5. In accordance with § 21 (1) WpHG, Dr. Wolfgang Leitner, Austria, informed us on June 29, 2012 that his share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 20% of voting rights and amounted on this day to 24.99% (corresponding to 7,422,707 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 24.99% of voting rights (corresponding to 7,422,707 voting rights) are attributable to Dr. Wolfgang Leitner, Austria, via Andritz Beteiligungsgesellschaft IV GmbH, Berlin; Andritz AG, Graz, Austria; Certus Beteiligungs-GmbH, Graz, Austria and Custos Privatstiftung, Graz, Austria.

6. In accordance with § 21 (1) WpHG, Süddeutsche Erste Verwaltungs GmbH, Bad Friedrichshall, Germany, informed us on June 29, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, fell below the threshold of 10%, 5% and 3% of voting rights on June 5, 2012 and amounted on this day to 2.9492% (corresponding to 875,656 voting rights).

7. In accordance with § 21 (1) WpHG, Süddeutsche Erste Verwaltungs GmbH, Bad Friedrichshall, Germany, informed us on June 29, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, fell below the threshold of 10%, 5% and 3% of voting rights on June 5, 2012 and amounted on this day to 2.9492% (corresponding to 875,656 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 2.9492% of voting rights (corresponding to 875,656 voting rights) are attributable to the company via Süddeutsche Erste Verwaltungs GmbH, Bad Friedrichshall, Germany.

8. In accordance with § 21 (1) WpHG, Mr. Paul E. Singer, USA, informed us on June 21, 2012 that his share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 10% of voting rights on June 18, 2012 and amounted on this day to 10.10% (corresponding to 2,997,925 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Mr. Paul E. Singer via the following companies, amongst others, which are controlled by Mr. Paul E. Singer and whose share of the voting rights in Schuler AG each exceed 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands, Hambledon, Inc., Cayman Islands, Elliott Capital Advisors, L.P., USA, Braxton Associates, Inc., USA, Elliott Asset Management LLC, USA, Warrington LLC, USA, Elliott Associates, L.P., USA, and Elliott Special GP, LLC, USA. In accordance with § 22 (1) sentence 1 no. 6 WpHG, 6.52% of voting rights (corresponding to 1,936,725 voting rights) are also attributable to Mr. Paul E. Singer, whereby 6.52% of voting rights (corresponding to 1,934,725 voting rights) are attributable to Mr. Paul E. Singer via Maidenhead LLC, USA.

9. In accordance with § 21 (1) WpHG, Elliott Asset Management LLC, New York, USA, informed us on June 21, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 10% of voting rights on June 18, 2012 and amounted on this day to 10.10% (corresponding to 2,997,925 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Asset Management LLC via the following companies, amongst others, which are controlled by Elliott Asset Management LLC and whose share of the voting rights in Schuler AG each exceeds 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands, Hambledon, Inc., Cayman Islands, Elliott Capital Advisors, L.P., USA, Warrington LLC, USA, Elliott Associates, L.P., USA, and Elliott Special GP, LLC, USA.

10. In accordance with § 21 (1) WpHG, Braxton Associates Inc., New York, USA, informed us on June 21, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 10% of voting rights on June 18, 2012 and amounted on this day to 10.10% (corresponding to 2,997,925 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Braxton Associates Inc. via the following companies, amongst others, which are controlled by Braxton Associates Inc. and whose share of the voting rights in Schuler AG each exceeds 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands, Hambledon, Inc., Cayman Islands, Elliott Capital Advisors, L.P., USA, Warrington LLC, USA, Elliott Associates, L.P., USA, and Elliott Special GP, LLC, USA.

11. In accordance with § 21 (1) WpHG, Elliott Capital Advisors, L.P., New York, USA, informed us on June 21, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 10% of voting rights on June 18, 2012 and amounted on this day to 10.10% (corresponding to 2,997,925 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Capital Advisors, L.P. via the following

companies, amongst others, which are controlled by Elliott Capital Advisors, L.P. and whose share of the voting rights in Schuler AG each exceeds 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands, Hambledon, Inc., Cayman Islands, Warrington LLC, USA, Elliott Associates, L.P., USA, and Elliott Special GP, LLC, USA.

12. In accordance with § 21 (1) WpHG, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, informed us on June 19, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany fell below the threshold of 3% of voting rights on June 1, 2012 beyond all its special assets (Sondervermögen) and amounted on this day to 0.004% (corresponding to 1,250 voting rights).

13. In accordance with § 21 (1) WpHG, Elliott Associates, L.P., New York, USA, informed us on June 15, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 12, 2012 and amounted on this day to 3.28% (corresponding to 973,490 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Associates, L.P. via the following companies which are controlled by Elliott Associates, L.P. and whose share of the voting rights in Schuler AG exceeds 3% or more: Warrington LLC, USA.

14. In accordance with § 21 (1) WpHG, Warrington LLC, New York, USA, informed us on June 15, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 12, 2012 and amounted on this day to 3.28% (corresponding to 973,490 voting rights).

15. In accordance with § 21 (1) WpHG, Elliott Special GP, LLC, New York, USA, informed us on June 15, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 12, 2012 and amounted on this day to 3.28% (corresponding to 973,490 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Special GP, LLC, via the following companies which are controlled by Elliott Special GP, LLC, and whose share of the voting rights in Schuler AG exceeds 3% or more: Warrington LLC, USA and Elliott Associates L.P., USA.

16. In accordance with § 21 (1) WpHG, Elliott International Capital Advisors, Inc., New York, USA, informed us on June 13, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 8, 2012 and amounted on this day to 5.04% (corresponding to 1,495,635 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all afore-mentioned voting rights are attributable to Elliott International Capital Advisors, Inc., whereby 5.03% of voting rights (corresponding to 1,493,635 voting rights) are attributable to Elliott International Capital Advisors, Inc. via Maidenhead LLC, USA.

17. In accordance with § 21 (1) WpHG, Hambledon, Inc., George Town, Cayman Islands, informed us on June 13, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 8, 2012 and amounted on this day to 5.04% (corresponding to 1,495,635 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Hambledon, Inc. via the following companies, amongst others, which are controlled by Hambledon Inc. and whose share of the voting rights in Schuler AG exceeds 3% or more: Maidenhead LLC, USA and Elliott International, L.P., Cayman Islands.

18. In accordance with § 21 (1) WpHG, Elliott International, L.P., George Town, Cayman Islands, informed us on June 13, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 8, 2012 and amounted on this day to 5.04% (corresponding to 1,495,635 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all afore-mentioned voting rights are attributable to Elliott International, L.P. via the following company, amongst others, which is controlled by Elliott International, L.P. and whose share of the voting rights in Schuler AG exceeds 3% or more: Maidenhead LLC, USA.

19. In accordance with § 21 (1) WpHG, Elliott International Limited, George Town, Cayman Islands, informed us on June 13, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 8, 2012 and amounted on this day to 5.04% (corresponding to 1,495,635 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all afore-mentioned voting rights are attributable to Elliott International Limited via the following company, amongst others, which is controlled by Elliott International Limited and whose share of the voting rights in Schuler AG exceeds 3% or more: Maidenhead LLC, USA.

20. In accordance with § 21 (1) WpHG, Maidenhead LLC, New York, USA, informed us on June 13, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 8, 2012 and amounted on this day to 5.04% (corresponding to 1,495,635 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 0.01% of the aforementioned voting rights (corresponding to 2,000 voting rights) are attributable to Maidenhead LLC.

21. In accordance with § 21 (1) WpHG, Maidenhead LLC, New York, USA, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 6, 2012 and amounted on this day to 3.62% (corresponding to 1,075,230 voting rights).

22. In accordance with § 21 (1) WpHG, Elliott International Limited, George Town, Cayman Islands, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 6, 2012 and amounted on this day to 3.62% (corresponding to 1,075,230 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all afore-mentioned voting rights are attributable to Elliott International Limited via the following company, amongst others, which is controlled by Elliott International Limited and whose share of the voting rights in Schuler AG exceeds 3% or more: Maidenhead LLC, USA.

23. In accordance with § 21 (1) WpHG, Elliott International, L.P., George Town, Cayman Islands, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 6, 2012 and amounted on this day to 3.62% (corresponding to 1,075,230 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all afore-mentioned voting rights are attributable to Elliott International, L.P. via the following company, amongst others, which is controlled by Elliott International, L.P. and whose share of the voting rights in Schuler AG exceeds 3% or more: Maidenhead LLC, USA.

24. In accordance with § 21 (1) WpHG, Hambledon, Inc., George Town, Cayman Islands, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 6, 2012 and amounted on this day to 3.62% (corresponding to 1,075,230 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Hambledon, Inc. via the following companies which are controlled by Hambledon Inc. and whose share of the voting rights in Schuler AG exceeds 3% or more: Maidenhead LLC, USA and Elliott International, L.P., Cayman Islands.

25. In accordance with § 21 (1) WpHG, Elliott International Capital Advisors, Inc., New York, USA, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 6, 2012 and amounted on this day to 3.62% (corresponding to 1,075,230 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all afore-mentioned voting rights are attributable to Elliott International Capital Advisors, Inc. via Maidenhead LLC, USA.

26. In accordance with § 21 (1) WpHG, Elliott Capital Advisors, L.P., New York, USA, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 6, 2012 and amounted on this day to 5.57% (corresponding to 1,654,200 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Capital Advisors, L.P. via the following companies, amongst others, which are controlled by Elliott Capital Advisors, L.P. and whose share of the voting rights in Schuler AG each exceeds 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands and Hambledon, Inc., Cayman Islands.

27. In accordance with § 21 (1) WpHG, Braxton Associates Inc., New York, USA, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 6, 2012 and amounted on this day to 5.57% (corresponding to 1,654,200 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Braxton Associates Inc. via the following companies, amongst others, which are controlled by Braxton Associates Inc. and whose share of the voting rights in Schuler AG each exceeds 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands, Hambledon, Inc., Cayman Islands and Elliott Capital Advisors, L.P., USA.

28. In accordance with § 21 (1) WpHG, Elliott Asset Management LLC, New York, USA, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 6, 2012 and amounted on this day to 5.57% (corresponding to 1,654,200 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Asset Management LLC via the following companies, amongst others, which are controlled by Elliott Asset Management LLC and whose share of the voting rights in Schuler AG each exceeds 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands, Hambledon, Inc., Cayman Islands and Elliott Capital Advisors, L.P., USA.

29. In accordance with § 21 (1) WpHG, Mr. Paul E. Singer, USA, informed us on June 12, 2012 that his share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 5% of voting rights on June 6, 2012 and amounted on this day to 5.57% (corresponding to 1,654,200 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Mr. Paul E. Singer via the following companies, amongst others, which are controlled by Mr. Paul E. Singer and whose share of the voting rights in Schuler AG each exceeds 3% or more: Maidenhead LLC, USA, Elliott International, L.P., Cayman Islands, Hambledon, Inc., Cayman Islands, Elliott Capital Advisors, L.P., USA, Braxton Associates, Inc., USA and Elliott Asset Management LLC, USA. In accordance with § 22 (1) sentence 1 no. 6 WpHG, 3.62% of voting rights (corresponding to 1,075,230 voting rights) are also attributable to Mr. Paul E. Singer via Maidenhead LLC, USA.

30. In accordance with § 21 (1) WpHG, Mr. Paul E. Singer, USA, informed us on June 11, 2012 that his share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 5, 2012 and amounted on this day to 3.35% (corresponding to 994,100 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Mr. Paul E. Singer via the following companies, amongst others, which are controlled by Mr. Paul E. Singer and whose share of the voting rights in Schuler AG each exceeds 3% or more: Elliott Capital Advisors, L.P., USA, Braxton Associates, Inc., USA and Elliott Asset Management LLC, USA. In accordance with § 22 (1) sentence 1 no. 6 WpHG, 2.59% of voting rights (corresponding to 770,380 voting rights) are also attributable to Mr. Paul E. Singer.

31. In accordance with § 21 (1) WpHG, Elliott Asset Management LLC, New York, USA, informed us on June 11, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 5, 2012 and amounted on this day to 3.35% (corresponding to 994,100 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Asset Management LLC via the following companies, amongst others, which are controlled by Elliott Asset Management LLC and whose share of the voting rights in Schuler AG each exceeds 3% or more: Elliott Capital Advisors, L.P., USA.

32. In accordance with § 21 (1) WpHG, Braxton Associates Inc., New York, USA, informed us on June 11, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 5, 2012 and amounted on this day to 3.35% (corresponding to 994,100 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Braxton Associates Inc. via the following companies, amongst others, which are controlled by Braxton Associates Inc. and whose share of the voting rights in Schuler AG each exceeds 3% or more: Elliott Capital Advisors, L.P., USA.

33. In accordance with § 21 (1) WpHG, Elliott Capital Advisors, L.P., New York, USA, informed us on June 11, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 5, 2012 and amounted on this day to 3.35% (corresponding to 994,100 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, all aforementioned voting rights are attributable to Elliott Capital Advisors, L.P..

34. In accordance with § 21 (1) WpHG, Maidenhead LLC, New York, USA, informed us on June 12, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3% of voting rights on June 6, 2012 and amounted on this day to 3.62% (corresponding to 1,075,230 voting rights).

35. In accordance with § 21 (1) WpHG, Andritz Beteiligungsgesellschaft IV GmbH, Berlin, Germany, informed us on June 6, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 20% of voting rights on June 5, 2012 and amounted on this day to 24.99% (corresponding to 7,422,707 voting rights).

36. In accordance with § 21 (1) WpHG, Andritz AG, Graz, Austria, informed us on June 6, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 20% of voting rights on June 5, 2012 and amounted on this day to 24.99% (corresponding to 7,422,707 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 24.99% of voting rights (corresponding to 7,422,707 voting rights) are attributable to the company via Andritz Beteiligungsgesellschaft IV GmbH, Berlin, Germany.

37. In accordance with § 21 (1) WpHG, Certus Beteiligungs-GmbH, Graz, Austria, informed us on June 6, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 20% of voting rights on June 5, 2012 and amounted on this day to 24.99% (corresponding to 7,422,707 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 24.99% of voting rights (corresponding to 7,422,707 voting rights) are attributable to the company via Andritz Beteiligungsgesellschaft IV GmbH, Berlin, Germany and Andritz AG, Graz, Austria.

38. In accordance with § 21 (1) WpHG, Custos Privatstiftung, Graz, Austria, informed us on June 6, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 20% of voting rights on June 5, 2012 and amounted on this day to 24.99% (corresponding to 7,422,707 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 24.99% of voting rights (corresponding to 7,422,707 voting rights) are attributable to the company via Andritz Beteiligungsgesellschaft IV GmbH, Berlin, Germany; Andritz AG, Graz, Austria, and Certus Beteiligungs-GmbH, Graz, Austria.

39. In accordance with § 21 (1) WpHG, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, informed us on June 5, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany fell below the threshold of 3% of voting rights on June 1, 2012 beyond all its special assets (Sondervermögen) and amounted on this day to 0% (corresponding to 0 voting rights).

40. In accordance with § 21 (1) WpHG, Kreissparkasse Biberach, Biberach, Germany, informed us on June 4, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany fell below the threshold of 5% and 3% of voting rights on June 1, 2012 and amounted on this day to 0% (corresponding to 0 voting rights).

41. In accordance with § 21 (1) WpHG, Landkreis Biberach, Biberach, Germany, informed us on June 4, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany fell below the threshold of 5% and 3% of voting rights on June 1, 2012 and amounted on this day to 0% (corresponding to 0 voting rights).

42. In accordance with § 21 (1) WpHG, Custos Privatstiftung, Graz, Austria, informed us on June 1, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3%, 5%, 10% and 15% of voting rights on June 1, 2012 and amounted on this day to 15.42% (corresponding to 4,577,317 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 15.42% (corresponding to 4,577,317 voting rights) are attributable to the company via Andritz Beteiligungsgesellschaft IV GmbH, Berlin; Andritz AG, Graz, Austria, and Certus BeteiligungsGmbH, Graz, Austria.

43. In accordance with § 21 (1) WpHG, Certus Beteiligungs-GmbH, Graz, Austria, informed us on June 1, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3%, 5%, 10% and 15% of voting rights on June 1, 2012 and amounted on this day to 15.42% (corresponding to 4,577,317 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 15.42% (corresponding to 4,577,317 voting rights) are attributable to the company via Andritz Beteiligungsgesellschaft IV GmbH, Berlin, and Andritz AG, Graz, Austria.

44. In accordance with § 21 (1) WpHG, Andritz AG, Graz, Austria, informed us on June 1, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3%, 5%, 10% and 15% of voting rights on June 1, 2012 and amounted on this day to 15.42% (corresponding to 4,577,317 voting rights). In accordance with § 22 (1) sentence 1 no. 1 WpHG, 15.42% (corresponding to 4,577,317 voting rights) are attributable to the company via Andritz Beteiligungsgesellschaft IV GmbH, Berlin, Germany.

45. In accordance with § 21 (1) WpHG, Andritz Beteiligungsgesellschaft IV GmbH, Berlin, Germany, informed us on June 1, 2012 that its share of voting rights in Schuler AG, Göppingen, Germany, exceeded the threshold of 3%, 5%, 10% and 15% of voting rights on June 1, 2012 and amounted on this day to 15.42% (corresponding to 4,577,317 voting rights).

46. In accordance with § 21 (1) WpHG, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, informed us on February 16, 2012 that its share of voting rights pursuant to § 21 (1) WpHG in Schuler AG, Bahnhofstr. 41, 73033 Göppingen, Germany, fell below the threshold of 5% of voting rights on February 13, 2012 beyond all special assets (Sondervermögen) of LBBW Asset Management Investmentgesellschaft mbH and on the aforementioned date reached an amount of 1,481,710 shares, in total 4.99% of the total amount of voting rights (29,690,834). In accordance with § 22 (1) sentence 1 no. 6 WpHG, 4.99% (1,481,710 shares) are attributable to LBBW Asset Management Investmentgesellschaft mbH via the following shareholder, whose share of the voting rights in Schuler AG exceeds 3% or more: Kreissparkasse Biberach.

## (35) DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE ACC. TO § 161 AKTG

On September 19, 2012, the Board of Management and Supervisory Board issued its current declaration of conformity acc. to § 161 AktG and made it permanently available to shareholders via the company's website (↦ WWW.SCHULERGROUP.COM in the section Investor Relations/Corporate Governance).

## (36) AUDITORS' FEES

The audit fees of the Group's auditors for the reporting period are broken down as follows:

IN € THOUSANDS

| | 2011/12 | 2010/11 |
|---|---|---|
| Audits of financial statements | 700 | 706 |
| Other auditing services | 0 | 250 |
| Tax advisory services | 444 | 180 |
| Other services | 326 | 75 |
| | **1,470** | **1,211** |

## (37) EXECUTIVE BODIES

### / BOARD OF MANAGEMENT

| | |
|---|---|
| Stefan Klebert | Chief Executive Officer |
| Joachim Beyer | Chief Technology Officer |
| Dr. Markus Ernst | Chief Market Officer |
| Marcus A. Ketter | Chief Financial Officer |

Remuneration granted to members of the Board of Management amounted to T€ 4,623 (prior year: T€ 3,171) in fiscal year 2011/12, of which T€ 3,007 (prior year: T€ 1,563) was in the form of variable, performance-related payments. The current service cost included in pension obligations amounted to T€ 138 (prior year: T€ 320).

Total remuneration of former members of the Board of Management or management and their surviving dependants amounted to T€ 1,978 (prior year: T€ 1,735) in the reporting period. The provisions formed by the Group for such current and future pensions amount to T€ 16,507 (prior year: T€ 12,878).

## / SUPERVISORY BOARD

| | |
|---|---|
| Dr. Robert Schuler-Voith | Chairman of the Supervisory Board<br>Member of the Board of Management, Schuler-Beteiligungen GmbH, Starnberg |
| Thomas Bohlender [1] | Deputy Chairman of the Supervisory Board<br>Power supply electrician, Schuler SMG GmbH & Co. KG, Waghäusel<br>Chairperson of the Labor Council, Schuler SMG GmbH & Co. KG, Waghäusel |
| Prof. Dr. h.c. Roland Berger | Honorary Chairman of Roland Berger Strategy Consultants GmbH, Munich |
| Elke Böpple [1] | Software engineer, Schuler Pressen GmbH, Göppingen<br>Chairperson of the Labor Council, Schuler Pressen GmbH, Weingarten |
| Renate Gmoser [1] | Chief Representative of the Metal Workers' Union (IG Metall), Göppingen-Geislingen branch |
| Lothar Gräbener | Sales Director, Schuler SMG GmbH & Co. KG, Waghäusel |
| Prof. Dr. Hartmut Hoffmann | Managing Director of Entwicklungsgesellschaft Umformtechnik und Gießereiwesen mbH, Erding |
| Heiko Maßfeller [1] | Chief Representative of the Metal Workers' Union (IG Metall), Mannheim/Heidelberg branch |
| Dr. Hans Michael Schmidt-Dencker | Lawyer, Stuttgart<br>Member of the Executive Board of REM AG, Stuttgart |
| Hans-Jürgen Thaus<br>(seit 18.04.2012) | Former Deputy CEO of Krones AG, Neutraubling |
| Ingrid Wolfframm [1] | Purchaser, Schuler Pressen GmbH, Göppingen<br>Chairperson of the Group Labor Council, Schuler AG, Göppingen<br>Labor Council member, Schuler Pressen GmbH, Göppingen |
| Helmut Zahn | Member of the Board of Management, Schuler-Beteiligungen GmbH, Starnberg |
| Prof. Dr. Dr. h.c. Walther Zügel<br>(bis 18.04.2012) | Former Chairman of the Board of Management, Landesgirokasse, Stuttgart |

1) worker representatives

## / SUPERVISORY BOARD COMMITTEES

| |
|---|
| Permanent Committee acc. to § 27 (3), Codetermination Law |
| Dr. Robert Schuler-Voith (Chairman)<br>Thomas Bohlender<br>Renate Gmoser<br>Helmut Zahn (since April 18, 2012)<br>Prof. Dr. Dr. h.c. Walther Zügel (until April 18, 2012) |
| Personnel Committee |
| Dr. Robert Schuler-Voith (Chairman)<br>Elke Böpple<br>Renate Gmoser<br>Helmut Zahn (since April 18, 2012)<br>Prof. Dr. Dr. h.c. Walther Zügel (until April 18, 2012) |
| Audit Committee |
| Helmut Zahn (Chairman)<br>Thomas Bohlender<br>Hans-Jürgen Thaus (since April 18, 2012)<br>Ingrid Wolfframm<br>Prof. Dr. Dr. h.c. Walther Zügel (until April 18, 2012) |
| Nomination Committee |
| Dr. Robert Schuler-Voith (Chairman)<br>Prof. Dr. h.c. Roland Berger (since April 18, 2012)<br>Helmut Zahn<br>Prof. Dr. Dr. h.c. Walther Zügel (until April 18, 2012) |

Total remuneration of the Supervisory Board in fiscal year 2011/12 amounted to T€ 499 (prior year: T€ 307).

## / ADDITIONAL SEATS ON SUPERVISORY BOARDS HELD BY MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

**SEATS HELD BY MEMBERS OF THE BOARD OF MANAGEMENT**

| | |
|---|---|
| Stefan Klebert | BCN Technical Services Inc., Hastings, MI, USA (Chairman) (until February 24, 2012)<br>Lista Holding AG, Erlen, Switzerland<br>Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, PR China (Chairman) (until January 31, 2012)<br>Schuler Pressen GmbH, Göppingen (Chairman)<br>Prensas Schuler S.A., São Paulo, Brazil (Chairman) (until February 27, 2012)<br>Schuler Incorporated, Columbus, OH, USA (Chairman) (until February 24, 2012)<br>Shanghai Schuler Presses Co. Ltd., Shanghai, PR China (Chairman) (until February 1, 2012) |
| Joachim Beyer | Schuler Incorporated, Columbus, OH, USA |
| Dr. Markus Ernst | Beutler Nova AG, Gettnau, Switzerland (Chairman)<br>Schuler Incorporated, Columbus, OH, USA<br>Schuler India Pvt. Ltd., Mumbai, India (Chairman)<br>Shanghai Schuler Presses Co. Ltd., Shanghai, PR |
| Marcus Ketter | BCN Technical Services Inc., Hastings, MI, USA<br>Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, PR China<br>Schuler Incorporated, Columbus, OH, USA<br>Shanghai Schuler Presses Co. Ltd., Shanghai, PR China (Chairman) (since February 1, 2012) |

**ADDITIONAL SEATS HELD BY MEMBERS OF THE SUPERVISORY BOARD**

| | |
|---|---|
| Dr. Robert Schuler-Voith | Leifheit AG, Nassau |
| Prof. Dr. h.c. Roland Berger | 3 W Power Holdings S.A. Luxembourg (Chairman) (until January 12, 2012)<br>FIAT S.p.A., Turin, Italy (until April 4, 2012)<br>Fresenius SE & Co. KGaA, Bad Homburg<br>Fresenius Management SE, Bad Homburg<br>Prime Office REIT-AG, Munich (Chairman)<br>Wilhelm von Finck AG, Grasbrunn (Deputy Chairman)<br>WMP EuroCom AG, Berlin (Chairman) |
| Dr. Hans Michael Schmidt-Dencker | LOBA GmbH & Co. KG, Ditzingen (Chairman)<br>Schoeller Holdings Ltd., Limassol, Cyprus (since November 15, 2011) |
| Helmut Zahn | Leifheit AG, Nassau (Chairman)<br>Flossbach & von Storch AG, Cologne (Deputy Chairman)<br>Maschinenbau Oppenweiler Binder GmbH & Co. KG, Oppenweiler Schuler Pressen GmbH, Göppingen (Deputy Chairman) (until January 17, 2012) |
| Hans-Jürgen Thaus | Chairman of the Supervisory Board of MR/Maschinenfabrik Reinhausen GmbH, Regensburg |

## ADDITIONAL DISCLOSURES ACC. TO HGB

## (38) LIST OF SHAREHOLDINGS OF SCHULER AG AS OF SEPTEMBER 30, 2012

IN € THOUSANDS

| Company and location | Equity interest in % | Equity | Result |
|---|---|---|---|
| **Fully consolidated affiliated companies** | | | |
| Schuler Pressen GmbH, Göppingen[1)2)] | 100 | 42,983 | 0 |
| Gräbener Pressensysteme GmbH & Co. KG, Netphen[3)] | 100 | 4,300 | 1,959 |
| Schuler SMG GmbH & Co. KG, Waghäusel[3)] | 100 | 5,191 | – 1,348 |
| Schuler Hydrap GmbH & Co. KG, Esslingen[3)] | 100 | 3,433 | 606 |
| Schuler Automation GmbH & Co. KG, Heßdorf[3)] | 100 | 14,185 | 3,458 |
| Schuler Cartec GmbH & Co. KG, Göppingen[3)] | 100 | 8,700 | 2,488 |
| Schuler Cartec Engineering GmbH & Co. KG, Weingarten[3)] | 100 | 439 | 69 |
| Schuler Modelltechnik GmbH, Weingarten | 100 | 5 | – 2 |
| Schuler Cartec Verwaltungs GmbH, Weingarten | 100 | – 16 | – 22 |
| Müller Weingarten Werkzeuge GmbH, Weingarten | 100 | 3,373 | 495 |
| Umformcenter Erfurt GmbH, Erfurt | 100 | – 543 | 750 |
| Schuler Guß GmbH & Co. KG, Göppingen[3)] | 100 | 237 | – 493 |
| Vögtle Service GmbH, Eislingen[1)2)] | 100 | 1,839 | 0 |
| Eclips Vermietungsgesellschaft mbH & Co. Objekt Göppingen Kommanditgesellschaft, Düsseldorf | 94 | – 2,018 | 74 |
| Rena Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG, Pullach i. Isartal[3)4)] | 100 | – 280 | 81 |
| SUPERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten, Schönefeld[3)] | 100 | – 202 | – 40 |
| NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten, Grünwald[3)6)] | 100 | – 101 | 26 |
| Beutler Nova AG, Gettnau, Switzerland | 99.7 | 4,070 | 668 |
| Schuler France S.A., Strasbourg, France | 100 | 2,625 | 740 |
| Schuler Presses UK Limited, Walsall, UK | 100 | 2,521 | 5 |
| Schuler Incorporated, Columbus/Ohio, USA | 100 | 27,146 | 2,173 |
| BCN Technical Services Inc., Hastings/Michigan, USA | 100 | 5,352 | 33 |
| Müller Weingarten de México, S.A. de C.V., Puebla, Mexico[4)] | 100 | 2,281 | 881 |
| Prensas Schuler S.A., São Paulo, Brazil | 100 | 11,289 | 3,646 |
| Shanghai Schuler Presses Co. Ltd., Shanghai, PR China[4)] | 79.38 | 22,285 | 2,284 |
| Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, PR China[4)] | 100 | 4,630 | 1,009 |
| ATIS GmbH, Deggenhausertal[4)] | 100 | 1,078 | – 391 |
| Schuler Systems & Services Geschäftsführungs GmbH i. L., Göppingen | 100 | 46 | 0 |
| Schuler Pressen Geschäftsführungs GmbH i. L., Göppingen | 100 | 60 | – 1 |
| Gräbener Pressensysteme-Verwaltungs GmbH, Netphen | 100 | 75 | 41 |
| Schuler SMG Geschäftsführungs GmbH, Göppingen | 100 | 54 | 5 |
| Schuler Hydrap Geschäftsführungs GmbH, Esslingen | 100 | 41 | 4 |
| Schuler Automation Geschäftsführungs GmbH, Heßdorf | 100 | 52 | 5 |
| Schuler Cartec Geschäftsführungs GmbH, Weingarten | 100 | 75 | 10 |
| Schuler Lasertechnik Geschäftsführungs GmbH, Göppingen | 100 | 49 | 0 |
| Schuler Guß Geschäftsführungs GmbH, Göppingen | 100 | 73 | 6 |
| Schmiedetechnik & Service GmbH, Weingarten[6)] | 100 | 424 | 1 |

**IN € THOUSANDS**

| Firma und Sitz | Anteil am Kapital in % | Eigenkapital | Ergebnis |
|---|---|---|---|
| Schuler Ibérica S.A.U., Sant Cugat del Vallès, Spain | 100 | 226 | 23 |
| Schuler Italia S.r.l., Turin, Italy | 90 | 175 | 6 |
| Schuler Slovakia Services s.r.o., Dubnica nad Váhom, Slovakian Republic | 100 | 139 | 84 |
| Graebener Press Systems Inc., Warwick/Rhode Island, USA | 100 | 989 | 169 |
| BCN do Brasil Serviços e Comércio Ltda., São Paulo, Brazil | 100 | 111 | 15 |
| Schuler Sales & Service Co. Ltd., Shanghai, PR China 4) | 100 | 2,076 | −83 |
| Tianjin SMG Presses Co. Ltd., Tianjin, PR China | 100 | −2,471 | −67 |
| Schuler Thailand Co. Ltd., Bangkok, Thailand | 100 | 190 | 138 |
| Schuler India Private Limited, Mumbai, India 5) | 100 | 685 | 183 |
| Schuler Poland Service Sp. Z o.o. 7) | 100 | 63 | 0 |
| | | | |
| **Other investments** | | | |
| Tianjin GMTSC Machine Tool Service Co. Ltd., Tianjin, PR China 4) | 50 | 1,572 | 319 |

1) Companies making use of the relief afforded by § 264 Abs. 3 HGB
2) Profit transfer agreement with Schuler AG
3) Companies making use of the relief afforded by § 264 b HGB
4) Annual financial statements as at December 31, 2011
5) Annual financial statements as at March 31, 2012
6) Annual financial statements as at September 30, 2011
7) Opening balance sheet as at February 28, 2012

Göppingen, December 7, 2012

Schuler AG
The Board of Management

Stefan Klebert    Joachim Beyer    Dr. Markus Ernst    Marcus A. Ketter

# AUDITOR'S OPINION

We have audited the consolidated financial statements – comprising the income statement, statement of comprehensive income, statement of financial positions, statement of changes in equity, cash flow statement and notes to the consolidated financial statements – and the Group management report for the fiscal year October 1, 2011, to September 30, 2012, as prepared by Schuler Aktiengesellschaft, Göppingen, Germany. The preparation and content of the consolidated financial statements and Group management report according to IFRS, as applied in the EU, the supplementary commercial law regulations of § 315a (1) German Commercial Code (HGB), and the supplementary provisions of the company's articles are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on these consolidated financial statements and Group management report based on our audits.

We conducted our audits pursuant to § 317 HGB in accordance with generally accepted auditing standards established by the German Institute of Certified Public Accountants (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations which significantly affect the presentation of the net assets, financial position and results of operations as conveyed by the financial statements, in compliance with the applicable accounting standards, and by the Group management report are recognized with reasonable assurance. In planning the audit, we also take into consideration knowledge of the business activity, economic and legal environment as well as expectations of possible errors. An audit of the consolidated financial statements includes examining the efficacy of the internal controlling system as well as evidence, on a test basis, supporting the amounts and disclosures in the consolidated financial statements and consolidated management report. The audit also includes reviewing the scope of companies included in consolidation, the definition of the consolidation group, assessing the accounting, valuation and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and consolidated management report. We believe that our audits provide a reasonable basis for our opinion.

Our audits did not give rise to objections.

In our opinion, the consolidated financial statements comply with IFRS, as applied in the EU, the supplementary commercial law regulations of § 315a (1) German Commercial Code (HGB), and the supplementary provisions of the company's articles and give a true and fair view of the Group's net assets, financial position, results of operations and cash flows for the fiscal year. On the whole, the Group management report corresponds to the consolidated financial statements and provides a suitable understanding of the Group's position and suitably presents the opportunities and risks to future development.

Stuttgart, December 10, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| von Hohnhorst | Philipp |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

# FINANCIAL GLOSSARY

### / BOOK VALUE PER SHARE
The book value per share reflects the amount of equity attributable to shareholders per share and is calculated as follows:

$$\frac{\text{Equity attributable to shareholders of Schuler AG}}{\text{Average weighted number of shares}}$$

### / CASH FLOW
Indicator of a company's financial strength. Cash flow shows the amount of cash generated by a company. Cash flow is calculated by adjusting net profit to account for those itemsthat have no impact on cash, such as depreciation or changes in provisions.

### / CASH FLOW PER SHARE
The cash flow per share ratio is an indicator of a company's financial strength and its ability to make future investments, pay off debts or distribute dividends. It is calculated as follows:

$$\frac{\text{Cash flow from operating activities}}{\text{Average weighted number of shares}}$$

### / EBIT / EARNINGS BEFORE INTEREST AND TAXES
EBIT is the company's operating result before interest and taxes. EBIT is often used in international comparisons of companies as it reflects the operating result without any consideration of tax or interest effects.

### / EBIT MARGIN
The EBIT margin shows the ratio between the absolute EBIT result and sales revenues of the period.

### / EBITDA / EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION
EBITDA is the operating result before consideration of interest, taxes, depreciation and amortization of intangible assets and property, plant and equipment. It represents the pure operating result without any distortion from tax, depreciation or interest effects and is one of Schuler's most important key performance indicators.

### / EBITDA MARGIN
The EBITDA margin is the ratio between EBITDA and sales and expresses the operating profitability of a company.

### / EBT / EARNINGS BEFORE TAXES
EBT expresses the result before income taxes.

### / EBT MARGIN
The EBT margin is the ratio of EBT to sales.

### / EARNINGS PER SHARE
Earnings per share is a ratio used to assess the profitability of a public company and is calculated by dividing net profit by the number of outstanding shares.

### / FREE CASH FLOW
Free cash flow is a company's freely available cash flow and refers to the funds that the company can use to pay dividends or reduce debt. It is calculated by adding cash flow from operating activities and cash flow from investing activities.

### / NET FINANCIAL STATUS
Net financial status is the balance of financial liabilities in the balance sheet and cash and cash equivalents. If liquid funds exceed financial liabilities – shown by a positive net financial status figure – the company is de facto free of debt.

### / PRICE-EARNINGS RATIO (P/E RATIO)
The price-earnings ratio is used to assess shares and states with which multiple of last year's earnings a share is currently valued on the stock exchange. Or to put it another way: the P/E ratio states how many years it would take the company to generate earnings equivalent to the value of its shares.

$$\frac{\text{Share price}}{\text{Earnings per share}}$$

### / RETURN ON EQUITY

The return on equity shows the return provided on equity employed and is thus of particular importance to shareholders.

$$\frac{\text{Earnings after tax}}{\text{Ø Equity (2-point average)}} \times 100\ (\%)$$

### / RETURN ON INVESTMENT

Return on investment shows how efficiently a company is using its total available funds and is calculated as follows:

$$\frac{\text{Earnings after taxes + interest result}}{\text{Ø Total capital (2-point average)}} \times 100\ (\%)$$

### / ROCE / RETURN ON CAPITAL EMPLOYED

ROCE provides information about the return on capital employed. Schuler calculates ROCE by comparing EBIT with capital employed:

$$\frac{\text{EBIT}}{\text{Ø Capital employed (2-point average)}} \times 100\ (\%)$$

Capital employed is calculated as follows:

  Non-current assets
+ Inventories
+ Payments in advance
+ Trade receivables
+ Future receivables from long-term construction contracts
– Trade payables
– Payments received carried as liabilities

**= Capital employed**

## FINANCIAL CALENDAR

**02/12/2013**

**INTERIM STATEMENT**
FOR THE FIRST QUARTER OF 2012/13

**04/18/2013**

**ANNUAL GENERAL MEETING**
GÖPPINGEN, GERMANY

The Annual General Meeting will be held in the Municipal Hall Göppingen.

**05/14/2013**

**HALF-YEARLY FINANCIAL REPORT**
2012/13

**08/13/2013**

**INTERIM STATEMENT**
FOR THE FIRST NINE MONTHS OF 2012/13

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