

Forming the Future

**SCHULER** 

Half-yearly financial report 2009/10



Technological and global market leader in metalforming

*Title photos:*

*Schuler presses with ServoDirect technology ensure high output performance (photo right)*

*With its entry into the production of wind turbines, Schuler is establishing a new source of revenue (photo left)*

# Schuler Aktiengesellschaft Göppingen

Securities Identification Numbers 721 060 and A0V9A2  
ISIN DE0007210601 and DE000A0V9A22

## Half-yearly financial report October 1, 2009 - March 31, 2010

### Schuler Group key figures (IFRS)

		2009/10 1 <sup>st</sup> half year	2008/09 1 <sup>st</sup> half year	2008/09 Fiscal year
Sales	€ million	291.7	442.4	823.1
New orders	€ million	293.9	296.5	590.5
Order backlog (end of period)	€ million	509.3	593.8	507.1
EBITDA	€ million	6.1	26.7	-2.9
EBIT	€ million	-4.2	12.7	-43.9
EBT	€ million	-19.9	-1.2	-71.8
Consolidated result	€ million	-15.3	-1.1	-64.9
Capital expenditure <sup>1)</sup>	€ million	3.7	6.0	12.2
Employees <sup>2)</sup> (end of period)		5,059	5,466	5,332

<sup>1)</sup> Investment in tangible and intangible assets

<sup>2)</sup> Including apprentices

## **Consolidated interim report**

### **Economic environment**

Most of the world's economies recorded noticeable growth in the fall quarter of 2009. Only Europe's economy returned to stagnation following initial signs of recovery. As a result of the unusually severe and long winter, the winter quarter of 2010 was only weakly positive and slowed the emerging recovery. All in all, however, the global economy is recovering better than expected at present – but the process remains susceptible to relapse. In order to ensure strong sustainable growth, governments must provide further incentives for the economy in 2010, while at the same time consolidating their state budgets.

For the remaining months of 2010, analysts expect a steady recovery of the global economy – albeit with regional variation in pace. In the first half of the calendar year 2010, a general slowdown is expected in the speed of growth due mainly to the end of stimulus programs and job market fears which are hampering consumer spending. During the course of the year, the recovery will manifest itself in a growing number of countries, leading the International Monetary Fund (IMF) to believe that only few countries will experience a further decline in gross domestic product (GDP) in 2010. The Asian markets are most likely to provide any major impetus to growth.

The IMF therefore forecasts global growth of 4.2% for 2010 – compared to a decline of 0.8% last year. China's GDP will probably grow by around 10,0 % – more than three times the expected rate in the USA (3.1%). At 1.2%, German economic growth is expected to be slightly above the EU average of 1,0 %. Stable growth of 4.3% is forecast for the global economy in 2011.

### **Development of the global automotive sector**

Global demand for cars was much more robust than expected in 2009. Thanks to state incentives to help new car sales (such as tax breaks and scrappage schemes), there was no dramatic decline and car sales over the year as a whole fell by just 3%. In addition to sales growth of 23% in Germany, the Chinese market also helped stabilize the market while falling demand in Russia (-49%) and the new EU states (-27%) had a dampening effect.

In contrast to the relatively stable demand, vehicle production fell strongly in 2009: the total number of vehicles produced worldwide fell by 13.2% from 69.1 million to 60.0 million. The USA suffered the heaviest decline (-34.3%). In Germany, output fell by 13.8% and China was the only country to raise output (+48.3%).

The slow recovery of the car markets continued in the first quarter of 2010. The fall in demand even slowed in those countries with the greatest losses (Russia: -25%; new EU states: -18%). In Western Europe, sales increased by 11% (3.6 million vehicles) in the first three months of 2010. Due to the end of economic stimulus programs in many countries, however, it can be assumed that such strong growth will not be repeated. There are already signs of this in Germany: in the first quarter of 2010, there were 23% fewer new car registrations than in 2009. The emerging economies continue to drive demand in the automotive sector: with 2.8 million new vehicle sales, China displayed the highest growth rate (+77%); it is expected, however, that the market will begin to reach saturation point in the coming months. Further leading markets include India, with almost 30% growth in new vehicle sales, Japan with growth of 24% and Brazil with a 17% increase in sales.

Growing market stability provides a more reliable basis for further forecasts: although the German Association of the Automotive Industry (Verband deutscher Automobilindustrie - VDA) believes that 2010 will remain difficult for car manufacturers, it sees the potential for 1 to 3% global sales growth. A significant decline in new vehicle sales is expected in Germany during 2010, compared to 2009. However, thanks to stable exports and the depletion of inventories around the world, the fall in output is likely to be no more than moderate. The further development of the automotive sector not only depends on the economic situation but also on factors such as restricted access conditions for certain markets, more restrictive bank lending for suppliers - who account for a major share of the automotive value chain - and a high level of public sector debt.

The engineering sector as a whole - to which Schuler also belongs - is particularly dependent on the development of the car industry. The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau - VDMA) therefore forecasts stagnating sales in 2010 - but only if orders continue to rise. New orders did indeed increase by 14% in the first three months of 2010. It remains to be seen, however, how firm this upward trend remains. In its past fiscal year, car manufacturers and their suppliers accounted for two thirds of Schuler's sales.

## Business development

At € 293.9 million, new orders received by the Schuler Group in the first half of its fiscal year 2009/10 remained virtually unchanged from the same period last year (€ 296.5 million).

### *Schuler Group: new orders*

	October 2009 – March 2010	October 2008 – March 2009
€ million	293.9	296.5

New orders of the Forming Systems division received from third parties and the Group's other segment reached € 253.1 million (prior year € 261.5 million), while orders received by the Automation and Production Systems division totaled € 60.3 million (prior year € 50.9 million).

As of March 31, 2010, the Schuler Group's order backlog was below the prior-year level (€ 593.8 million) at € 509.3 million.

Consolidated sales fell from € 442.4 million last year to € 291.7 million in the first six months of the current fiscal year.

### *Schuler Group: sales*

	October 2009 – March 2010	October 2008 – March 2009
€ million	291.7	442.4

In the Forming Systems business segment, sales amounted to € 255.6 million (prior year € 386.7 million), while the Automation and Production Systems business segment posted sales of € 52.4 million, compared with € 80.7 million in the same period last year (all figures including inter-segment sales). The regional contributions to total sales were as follows: Germany accounted for 37.3% of sales, North and South America for 18.3%, Europe without Germany for 16.9%, Asia and other regions for 27.5%.

## Earnings

As a result of the high order backlog in the first half of the previous reporting period, the Schuler Group was able to post a total performance of € 449.0 million. This figure was reduced to € 304.3 million in the current reporting period due to the full effect of the economic and financial crisis. The cost-saving measures initiated in the previous year were continued and intensified in the period under review. In addition to a more than proportional decline in material expenses, personnel expenses, depreciation and other expenses were also reduced to € 42.2 million in total. Despite this progress in the cost situation, however, the strong decline in sales and total performance had a negative impact on earnings due to cost lags. As a consequence, earnings before interest and taxes (EBIT) fell from € 12.7 million to € -4.2 million. After deducting financial costs, which increased by € 1.8 million, earnings before taxes (EBT) amounted to € -19.9 million, compared to € -1.2 million in the previous year. After considering income taxes, the Group's consolidated result amounted to € -15.3 million (prior year € -1.1 million).

### **Schuler Group: EBIT**

	October 2009 – March 2010	October 2008 – March 2009
€ million	-4.2	12.7

### **Schuler Group: consolidated result**

	October 2009 – March 2010	October 2008 – March 2009
€ million	-15.3	-1.1

## Financial position

Compared to the same period last year, cash flow from operating activities improved from € -38.1 million to € 16.9 million. This encouraging development is mainly due to the reduction of trade receivables and greatly reduced tied-up capital in receivables from long-term construction contracts. At the end of the first half-year 2009/10, no factoring measures were undertaken (prior year € 3.7 million).

There was also positive cash flow from investing activities of € 19.8 million (prior year € -3.4 million). This figure includes significant proceeds from the sale of commercial real estate by our Brazilian subsidiary in late September 2009. Taken together, free cash flow in the current reporting period amounted to € 36.8 million, following € -41.5 million in the previous year.

Compared to the last balance sheet date (September 30, 2009), net debt was reduced by € 33.9 million to € 139.8 million as of March 31, 2010.

## Asset position

Due mainly to the reduction in net working capital, the balance sheet total fell from € 748.5 million at the beginning of the current fiscal year to € 684.8 million – despite an increase of € 21.8 million in cash and cash equivalents. Following the prematurely extended syndicated loan agreement in December 2009 with an increased long-term cash tranche and the repayment of short-term bank liabilities, there was a marked improvement in the maturity profile of financial liabilities: whereas long-term liabilities accounted for just 36.2% of total debt as of September 30, 2009, this ratio increased to 48.6% by the end of the first half-year. The proportion of non-current assets covered by non-current capital was raised from 123.6% to 137.1% in the same period.

As a result of the loss situation, equity capital fell to € 105.0 million (September 30, 2009: € 116.5 million). Due to the reduced balance sheet total, the equity ratio fell less strongly from 15.6% to 15.3%.

## Capital expenditures

As part of the current cost-saving program, capital expenditures were re-assessed and brought in line with the reduced volume of business. Total investment in property, plant and equipment and intangible assets in the period under review amounted to € 3.7 million, compared to € 6.0 million in the first six months of fiscal year 2008/09.

Due to much higher depreciation of € 10.3 million (prior year € 14.0 million) and other changes (asset disposals and currency translation differences), there was a net reduction in non-current assets of € 4.9 million to € 227.3 million.

## Personnel

As of March 31, 2010 the Schuler Group employed a total of 5,059 people (including apprentices), compared with 5,332 as of September 30, 2009. Of this total, 4,046 people were employed in Germany and 1,013 abroad. The Forming Systems business segment accounted for 4,043 employees world-wide, while the Automation and Production Systems business segment accounted for 979 employees and Schuler AG for 37 employees. As of March 31, 2010 the Schuler Group employed a total of 302 apprentices, of which 285 were in Germany.

### *Schuler Group: employees*

March 31, 2010	September 30, 2009
5,059	5,332

## Organizational structure

### **Streamlining of organization, including pooling of Hydraulic Presses division in Waghäusel, Germany**

A number of measures designed to raise efficiency have been introduced as part of the restructuring program. In October 2009, for example, the entire new machine business for hydraulic presses was pooled in Waghäusel, Germany. The Esslingen facility now focuses on service activities. The service areas of the two companies at this location, Müller Weingarten and Schuler Hydrap, have been merged. Hydroforming technology, which was formerly based at our Wilnsdorf facility, was moved to Waghäusel at the beginning of the current fiscal year.

## Highlights from our business divisions

### Schuler technology used to produce ZF high-performance gearbox

ZF's newly developed eight-speed automatic gearbox has been available in the BMW 760i since fall 2009. It significantly reduces fuel consumption and can be flexibly adapted to varying drive concepts – especially hybrid drives. Key components are produced at ZF's facility in Schweinfurt, where parts for this new high-performance gearbox have been produced on a new Schuler Group line since October 2009. The completely automated line consists of a hydraulic cutting press supplied by Schuler with a cutting force of 315 metric tons and a mechanical knuckle-joint press from Gräbener Pressensysteme with a press force of 1,200 metric tons. It also includes a coil line from Schuler Automation and an integrated 3D transfer system. With a cycle rate of 30 strokes per minute, top output levels can now be reached. The line produces enclosure, connecting and cover plates, as well as clutch parts.

### Two orders from Ford in Brazil

Schuler received two major orders from Ford in Brazil in early 2010 for its facilities in Camaçari and São Bernardo. The orders are for a four- and five-station press line. The presses will be built by Prensas Schuler in Brazil, the new Crossbar Feeder generation will come from Göppingen, while blankloaders and part outfeed units will be supplied by Schuler Automation in Gemmingen. The first line will start production in Camaçari in spring 2011.

### Complete railway wheel in one step: follow-up order from Spain

A 10,000-ton Schuler press for pre-forming railway wheels has been in operation at Spanish railway manufacturer CAF since spring 2009. It is used to forge a pre-form from a cylindrical block which is then rolled out on a wheel rolling machine. Until recently, the subsequent production step – the punching and flanging of the pre-form – was done on an older machine. In a follow-up order, Schuler has now replaced this 2,500-ton press with a new 5,000-ton-strong press. The line completes several stages of railway wheel production in one step. It dishes the rolled wheel, calibrates it to size and punches the hub. Dishing means forming the inner wheel disk from a symmetrical to an asymmetrical shape. On the old press, this process and the required punching still had to be done in two stages. With the new press, both are completed in a fully automatic process. The machine boasts an integrated punching cylinder for the punching process. Its piercer punches through the wheels with a force of 1,000 metric tons. The press is used to manufacture a wide range of wheel variants – for trolley cars, local transport trains, freight and high-speed trains. The diameter of the wheels forged on the dishing press range from approx. 600 millimeters to 1,400 millimeters. The higher press force of the new line and optimized die concept ensure enhanced part quality.

### **3,000 cans per minute: one-stop solutions for the beverage can industry**

Schuler now offers beverage can manufacturers complete cupping press systems from a single source – including decoilers, feed units, lubrication units and cupping diesets. With the expansion of its range, Schuler can meet the wish of many customers seeking a turnkey solution from a single supplier.

Cupping press systems boast a press force of 140 metric tons and can be operated at speeds of up to 300 strokes per minute. In everyday practice, users generally operate at speeds of 250 strokes and thus reach outputs of around 3,000 cans per minute.

### **Schuler mechatronics trainees win German Championship**

In March 2010, two apprentices from Schuler's Erfurt facility won first prize at the German "Mobile Robotics" championships. They beat five other apprentice teams from all over Germany. The teams were given the task "Programming, Installation and Operation Launch of a Robot". The robot had to complete various operations, including sorting shelves and playing hockey. The two apprentices will now take part in the European championships "EuroSkills" to be held in Portugal in December 2010 as members of the German Professional Skills Team. The best 500 national winners from 31 nations will be battling it out in 50 different professional disciplines. The Schuler Group attaches great importance to the training of young people. There are currently 285 apprentices learning a profession at Schuler's German facilities - this corresponds to a trainee to employee ratio of 7.0%.

## Current developments

### Renewable energy sources: Schuler enters wind turbine market

The aim is to develop and produce complete wind turbines for inland operation. This is part of the Group's long-term diversification strategy, in order to tap additional business beyond the scope of the car industry and its suppliers. Schuler's expertise in the construction of large-scale machinery meets the needs of the wind turbine sector in many aspects. There are signs that the prevailing market technology is shifting toward low-maintenance, gearless wind turbines. This would enable Schuler to utilize its know-how in the development of complex, electro-mechanical systems and high-torque drive systems.

The company is capable of supplying turbines with pioneering technology which offer greater efficiency and availability specifications than most turbines currently available. Schuler's wind turbines have a rated power of 2.7 megawatts and are optimized for use in medium wind-speed zones. Schuler will be equipping its wind turbines with a direct drive system, which transmits the rotation of the rotor blades directly to the generator. As a result, there will be no gearbox – and thus significantly less need for maintenance and repair work. Schuler also uses cutting-edge technology for the turbine's electrical system. Thanks to its permanent magnet synchronous generator, the turbine generates a significantly higher energy yield – especially under partial load, the most common operating condition. In addition, such synchronous generators incur much lower maintenance and service costs.

Finally, Schuler's new wind turbine uses a power conversion technology which complies in full with the binding requirements of new grid feeding guidelines, which come into force in mid 2010 – and even exceeds them in certain areas. By combining pioneering technical elements, Schuler's power plant concept can raise annual energy yields. Together with lower operating costs, this offers operators much higher returns than are possible with currently available systems.

### **Adjustment to financial structure**

In an agreement signed on December 7, 2009, the syndicated loan of € 450 million agreed in March 2008 was prematurely extended with an unchanged total amount. The agreement will run initially until the end of September 2012. It comprises cash tranches of € 200 million with partial involvement of the KfW bank and the state of Baden-Württemberg, as well as a credit line tranche of € 250 million. The agreement was concluded between Schuler AG and its main subsidiaries and the existing consortium of banks and credit insurance partners led by Baden-Württembergische Bank, Deutsche Bank and Commerzbank. Moreover, in December 2009 a subordinated loan of € 15 million was agreed with Thüringer Aufbaubank. The loan has a term until December 31, 2012 and can twice be prolonged by one year. The current syndicated loan agreement and the subordinated loan provide Schuler with a reliable financial structure for the years ahead.

### **Supplementary collective bargaining agreement signed**

As a consequence of the global economic and financial crisis, the Board of Management of Schuler AG adopted a restructuring program in May 2009. The temporary savings in personnel expenses included in this program were finally negotiated with the German metalworkers' union (IG-Metall) in early November 2009, resulting in the formulation of a supplementary collective bargaining agreement. Schuler will continue to use short-time work throughout the Group. Those employees not involved in the short-time work program, will have a 10% reduction in working hours and pay. Holiday pay for 2010 will be postponed – except for the payment of a base amount. The supplementary collective bargaining agreement is valid for fiscal year 2009/10 (October 1, 2009 to September 30, 2010) with an option to extend it for the following fiscal year.

## Opportunity and risk report

### Risks

We were exposed to the usual level of risk for our industry in the first half of fiscal 2009/10, such as price pressure and risks involved in order processing. A detailed description of these and other risks is provided in our annual report 2008/09 (p. 54ff.), together with a description of our risk management system.

Of particular importance during the period under review is the weak demand due to the ongoing economic and financial crisis. The automotive industry, which generated two thirds of our sales before this global crisis, has been hit particularly hard by the economic and financial crisis and is still reluctant to order new presses. The restructuring measures introduced at an early stage (see annual report 2008/09, p. 20/21) are providing considerable cost savings for Schuler. Due to restructuring, however, the current fiscal year 2009/10 is a period of transition and will remain difficult for companies who feel the effects of a downturn later in the economic cycle. We expect a further negative result at the end of the current fiscal year.

The Group's financial requirements are mainly secured by a syndicated loan agreement of € 450 million which was renegotiated in December 2009. It contains agreed key figures/ratios (covenants) which must be met. According to our planning, these covenants will be met during the term of the syndicated loan agreement. Schuler therefore has a sound financial structure.

The risk of payment default and insolvencies among our customers has increased as a consequence of the current economic crisis. Schuler was therefore swift to further intensify its management of accounts receivable with an adjustment to the company's commercial payment terms. In order to reduce the risk of default as far as possible, the creditworthiness of customers is now checked in the run-up to a potential order, and thus before the offer phase. Moreover, the company is increasingly utilizing all instruments to limit risks. Wherever possible, for example, payment terms are agreed which reflect Schuler's degree of performance (prepayments, progressive payments, bank guarantee). In the case of orders in progress, credit periods are continually and closely monitored.

## Opportunities

Market information from our sales units and strategy processes in our business segments have led us to identify the following opportunities and growth areas for the Schuler Group:

- Servo presses and lines: These flexible machines can help raise output by up to 40%. The combination of high press force, freely programmable forming processes and increased output with reduced energy consumption is unique throughout the world. Especially in difficult economic times, our customers need to enhance the economic efficiency of their manufacturing processes. We therefore believe that this machine type is tailored to current market needs and offers considerable sales potential.
- Service: Since the acquisition of Müller Weingarten, the number of our presses already on the market has grown considerably – especially in so-called emerging markets. This offers additional sales potential. The acquisition also expanded the portfolio of brands in our Service business. These well-known brands often help “open doors” with respect to customer contacts.
- Non-automotive presses: In order to reduce our dependence on the automotive industry, we have been developing markets outside this sector for some years now. Against the backdrop of the current economic crisis, these efforts are to be intensified further. We see attractive sales potential especially in the packaging industry and the manufacturing of electric motors. With our high-speed lines and presses we can offer attractive products suitable for these markets. Repeat effects can also be achieved in this product segment.
- Wind energy: Against the backdrop of the continuing rise in global energy needs and the simultaneous depletion of raw material reserves, the importance of alternative energy sources will continue to grow in the coming years. Based on our know-how in press drive technology, we are therefore currently developing onshore wind energy plants (2.7 MW) with direct drives. A prototype will be built by the end of 2010.

## Related party disclosures

These disclosures are to be found in section (10) of the notes to the consolidated interim financial statements.

## Subsequent events

In order to streamline the Group's structure, Theta-Centaurus-Vermögensverwaltungs-GmbH and Müller Weingarten Technologie Verwaltungs-GmbH were merged in April 2010 with Müller Weingarten AG with retroactive effect as of October 1, 2009. The assets and liabilities of Müller Weingarten Technologie GmbH & Co. KG were simultaneously transferred to Müller Weingarten AG as the legal successor following the merger of its general partner. The resulting change to the consolidated group from these transactions has no effect on the present interim financial statements.

## Outlook

The global economic and financial crisis has hit Schuler and left a deep mark in our order books. The previous fiscal year was a very difficult year, both for us and many other companies. However, we rose to the challenge and took swift action with a comprehensive catalogue of measures.

The development of new orders in the first half of fiscal year 2009/10 indicates that Schuler has now turned the corner. The prospects for the coming months are more encouraging, even though the aftermath of the economic crisis will continue to dominate the current fiscal year. Schuler can see an increase in projects in certain areas, which must now be turned into firm orders. Based on the current forecasts of a delayed recovery of the engineering sector, we now expect a slow improvement of business. There is always a certain time delay before large-scale machine manufacturers, in particular, feel the benefit of an upturn. Schuler will continue to pool its considerable expertise and innovative strength in order to react quickly to changing markets. Due to restructuring, however, the current fiscal year 2009/10 is a period of transition and will remain difficult for companies such as Schuler who feel the effects of a downturn later in the economic cycle. We expect a further negative result at the end of the current fiscal year. However, we forecast a sustained improvement in sales in the next fiscal year 2010/11 and a return to positive earnings.

Göppingen, May 28, 2010

Schuler Aktiengesellschaft  
The Board of Management



**Consolidated interim financial statements  
October 1, 2009, to March 31, 2010**

**Schuler Aktiengesellschaft, Göppingen**

**Consolidated profit and loss account**  
**October 1, 2009, to March 31, 2010**  
**Schuler AG, Göppingen**  
**(unaudited)**

in €k	2009/10		2008/09	
	1 <sup>st</sup> half year		1 <sup>st</sup> half year	
1. Sales		291,727		442,445
2. Changes in inventories and other own work capitalized		12,538		6,604
<b>3. Total performance</b>		<b>304,266</b>		<b>449,048</b>
4. Other income		11,221		28,895
5. Cost of materials		121,257		224,593
6. Personnel expenses		133,244		162,175
7. Depreciation and amortization of tangible and intangible assets		10,280		13,976
8. Other expenses		54,895	308,456	64,465 436,314
<b>9. Operating result</b>		<b>-4,190</b>		<b>12,734</b>
10. Interest income		1,595		2,243
11. Interest expense		17,305		16,175
<b>12. Financial result</b>		<b>-15,709</b>		<b>-13,932</b>
<b>13. Earnings before taxes</b>		<b>-19,899</b>		<b>-1,198</b>
14. Income taxes		-4,639		-128
<b>15. Consolidated result</b>		<b>-15,260</b>		<b>-1,070</b>
- of which attributable to shareholders of Schuler AG		-15,785		-1,216
- of which attributable to minority interests		525		146
<b>Earnings per share in € (undiluted and diluted)</b>				
Earnings per common share		-0.75		-0.06

**Consolidated statement of comprehensive income**  
**October 1, 2009, to March 31, 2010**  
**Schuler AG, Göppingen**  
**(unaudited)**

in €k	2009/10 1 <sup>st</sup> half year	2008/09 1 <sup>st</sup> half year
<b>Consolidated net profit/loss</b>	<b>-15,260</b>	<b>-1,070</b>
Changes in currency translation differences relating to foreign Group companies	4,292	1,011
Unrealized profits and losses from cash flow hedging	-963	-3,070
Unrealized profits and losses from available-for-sale financial assets	-18	-22
Deferred taxes relating to components of other comprehensive income	331	955
<b>Other comprehensive income, net of tax</b>	<b>3,642</b>	<b>-1,126</b>
<b>Total comprehensive income</b>	<b>-11,618</b>	<b>-2,196</b>
- of which attributable to shareholders of Schuler AG	-12,395	-2,519
- of which attributable to minority interests	776	323

**Consolidated balance sheet as at March 31, 2010**  
**Schuler AG, Göppingen**  
**(unaudited)**

in €k	March 31, 2010	Sept. 30, 2009
<b>ASSETS</b>		
<b>A. Non-current assets</b>		
1. Intangible assets	70,874	72,794
2. Property, plant and equipment	154,662	157,652
3. Interests in affiliates and participations	1,741	1,741
4. Income tax receivables	2,967	3,153
5. Other receivables and financial assets	12,614	10,660
6. Deferred tax claims	39,376	33,081
	<b>282,233</b>	<b>279,082</b>
<b>B. Current assets</b>		
1. Inventories	114,510	106,044
2. Trade receivables	61,822	88,046
3. Future receivables from long-term construction contracts	101,279	156,557
4. Income tax receivables	3,787	3,669
5. Other receivables and financial assets	47,911	63,573
6. Cash and cash equivalents	73,246	51,489
	<b>402,554</b>	<b>469,378</b>
	<b>684,787</b>	<b>748,460</b>
<b>LIABILITIES</b>		
<b>A. Equity</b>		
1. Issued capital	54,600	54,600
2. Capital reserves	92,275	92,223
3. Retained earnings	-51,016	-35,231
4. Accumulated other profit or loss	5,772	2,382
Equity attributable to shareholders of Schuler AG	<b>101,631</b>	<b>113,974</b>
5. Minority interests	3,343	2,567
	<b>104,974</b>	<b>116,541</b>
<b>B. Non-current liabilities</b>		
1. Financial liabilities	174,578	118,378
2. Other liabilities	3,747	4,015
3. Pension provisions	71,568	72,459
4. Other provisions	24,759	25,648
5. Deferred tax liabilities	7,230	7,993
	<b>281,882</b>	<b>228,494</b>
<b>C. Current liabilities</b>		
1. Financial liabilities	38,503	106,863
2. Trade payables	47,829	51,301
3. Income tax liabilities	58	265
4. Other liabilities	111,815	136,414
5. Income tax provisions	474	406
6. Other provisions	99,253	108,177
	<b>297,932</b>	<b>403,425</b>
	<b>684,787</b>	<b>748,460</b>

**Consolidated statement of changes in equity**  
**March 31, 2010**  
**Schuler AG, Göppingen**  
**(unaudited)**

Shareholders of Schuler AG			
in €k	Share capital	Capital reserves	Retained earnings
<b>as at October 1, 2008</b>	<b>54,600</b>	<b>92,169</b>	<b>30,360</b>
Consolidated result	-	-	-1,216
Other result	-	-	-
Comprehensive income	-	-	-1,216
Share-based payment	-	7	-
<b>as at March 31, 2009</b>	<b>54,600</b>	<b>92,176</b>	<b>29,143</b>
<b>as at October 1, 2009</b>	<b>54,600</b>	<b>92,223</b>	<b>-35,231</b>
Consolidated result	-	-	-15,785
Other result	-	-	-
Comprehensive income	-	-	-15,785
Share-based payment	-	52	-
<b>as at March 31, 2010</b>	<b>54,600</b>	<b>92,275</b>	<b>-51,016</b>

				Minority interests	Total
Cumulative other income					
Currency translation differences	Unrealized profits and losses from cash flow hedging	Unrealized profits and losses from available-for-sale financial assets	Equity capital	Equity capital	Consolidated equity capital
3,238	-2,840	13	<b>177,541</b>	<b>1,957</b>	<b>179,498</b>
-	-	-	-1,216	146	-1,070
834	-2,122	-15	-1,302	177	-1,126
834	-2,122	-15	-2,519	323	-2,196
-	-	-	7	-	7
4,073	-4,962	-2	<b>175,029</b>	<b>2,280</b>	<b>177,309</b>
2,808	-430	5	<b>113,974</b>	<b>2,567</b>	<b>116,541</b>
-	-	-	-15,785	525	-15,260
4,041	-638	-13	3,390	251	3,642
4,041	-638	-13	-12,395	776	-11,618
-	-	-	52	-	52
6,849	-1,068	-8	<b>101,631</b>	<b>3,343</b>	<b>104,974</b>

**Consolidated cash flow statement**  
**October 1, 2009, to March 31, 2010**  
**Schuler AG, Göppingen**  
**(unaudited)**

in €k	2009/10 1 <sup>st</sup> half year	2008/09 1 <sup>st</sup> half year
Consolidated net profit/loss	-15,260	-1,070
+/- Depreciation, amortization and impairments/impairment reversals of non-current assets	10,280	13,976
+/- Increase/decrease in provisions (less indemnity claims)	-915	-1,493
<b>Gross cash flow</b>	<b>-5,895</b>	<b>11,413</b>
+ Share-based payments	52	7
-/+ Profit/loss from disposal of non-current assets	-2,024	-769
-/+ Increase/decrease in inventories	-6,896	-12,793
-/+ Increase/decrease in receivables and other assets not relating to investing or financing activities	78,620	31,469
-/+ Decrease/increase in provisions (excluding pension provisions)	-10,561	-21,889
-/+ Decrease/increase in liabilities not relating to investing or financing activities	-36,345	-45,582
<b>Cash flow from operating activities</b>	<b>16,950</b>	<b>-38,144</b>
Proceeds from disposals of tangible and intangible assets	23,569	930
- Investments in tangible and intangible assets	-3,743	-6,021
+ Proceeds from the disposal of financial assets	0	1,734
- Investments in financial assets	0	-9
<b>Cash flow from investing activities</b>	<b>19,826</b>	<b>-3,365</b>
+/- Proceeds from/redemption of non-current financial liabilities (net)	-16,032	12,207
- Repayment of financial leases	-376	-323
<b>Cash flow from financing activities</b>	<b>-16,408</b>	<b>11,884</b>
Change in cash and cash equivalents	20,368	-29,625
+/- Change in cash and cash equivalents due to exchange rate fluctuations	1,389	-3,384
<b>Net change in cash and cash equivalents</b>	<b>21,757</b>	<b>-33,009</b>
+ Cash and cash equivalents at beginning of period	51,489	87,517
<b>Cash and cash equivalents at end of period</b>	<b>73,246</b>	<b>54,508</b>

Cash flow from operating activities includes:

Interest received	1,225	2,068
Interest paid	19,652	13,345
Income taxes paid	997	1,990

**Segment reporting by business segment**  
**October 1, 2009, to March 31, 2010**  
**Schuler AG, Göppingen**  
**(unaudited)**

in €k	Forming Systems		Automation and Production Systems		Total segments		Schuler AG (Corporate) Consolidation		Schuler Group	
	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY
Sales to third parties	253,289	380,370	38,438	62,075	<b>291,727</b>	<b>442,445</b>	-	-	<b>291,727</b>	<b>442,445</b>
Intercompany sales	2,292	6,323	13,911	18,644	<b>16,203</b>	<b>24,967</b>	-16,203	-24,967	-	-
Segment sales	255,581	386,693	52,350	80,719	<b>307,931</b>	<b>467,412</b>	-16,203	-24,967	<b>291,727</b>	<b>442,445</b>
Segment result (EBIT)	-527	12,690	-656	3,179	<b>-1,183</b>	<b>15,869</b>	-3,007	-3,135	<b>-4,190</b>	<b>12,734</b>
Employees <sup>1)</sup>	3,804	4,069	952	1,108	<b>4,756</b>	<b>5,177</b>	30	28	<b>4,786</b>	<b>5,205</b>

<sup>1)</sup> Period average (excluding apprentices)

in €k	Forming Systems		Automation and Production Systems		Total segment assets		Reconciliation		Total Schuler Group assets	
	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY	2009/10 1 <sup>st</sup> HY	2008/09 1 <sup>st</sup> HY
Assets	500,997	591,382	73,545	98,723	574,542	690,105	110,245	58,355	684,787	748,460

Segment assets do not include financial assets, income tax claims, or cash and cash equivalents.

Earnings before taxes (EBT) is reconciled with the performance indicator used in segment reporting as follows:

in €k	2009/10 1 <sup>st</sup> half year	2008/09 1 <sup>st</sup> half year
Total segment results (EBIT)	-1,183	15,869
Schuler AG (Corporate)	-3,150	-3,858
Interest result	-15,709	-13,932
Consolidation	144	723
Earnings before taxes (EBT)	-19,899	-1,198



**Notes to the consolidated financial statements  
for the period October 1, 2009 to March 31, 2010**

**Schuler Aktiengesellschaft, Göppingen**

## **(1) General information**

Schuler Aktiengesellschaft is the management holding company of the Schuler Group; its registered offices are located in Bahnhofstrasse 41, 73033 Göppingen, Germany. 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 energy and forging industries, the electrical and household equipment industries and national mints.

The Schuler Group is divided into the two business segments “Forming Systems” and “Automation and Production Systems”. Forming Systems primarily incorporates mechanical and hydraulic press systems. Automation and Production Systems comprises automation systems and car body technology, as well as laser technology. Both business segments have their own service activities, which are directly assigned to individual manufacturing companies or conducted by sales and service companies.

These consolidated interim financial statements as at March 31, 2010 were prepared in accordance with §§ 37w and 37y No. 2 of the German Securities Trading Act (WpHG) and International Accounting Standard (IAS) 34 “*Interim financial reporting*” under additional consideration of the applicable commercial law regulations pursuant to § 315a (1) German Commercial Code (HGB). As a consequence, they do not contain all the information and notes required by international accounting standards for year-end financial statements. For a detailed description of the accounting, valuation and consolidation methods applied in the course of group accounting, and the IFRS options exercised, please refer to the notes to the consolidated annual financial statements for the fiscal year 2008/09.

The consolidated interim financial statements and management reports are not subjected to an audit review nor financial statement auditing as described in § 317 of the German Commercial Code (HGB).

When preparing the interim financial statements according to IFRS rules, the Board of Management must produce estimates and make assumptions about the effect of uncertain future events which affect the assets and liabilities disclosed in the balance sheet, as well as income and expense disclosures. The actual amounts may vary from these estimates.

Unless explicitly indicated otherwise, all amounts are stated in thousands of euros (T€). Minor differences in the disclosure of individual amounts within the consolidated interim financial statements may occur due to the presentation in T€.

## (2) Accounting and valuation methods

These consolidated interim financial statements as at March 31, 2010 take into account all IFRS, International Accounting Standards (IAS) valid at the accounting date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standard Interpretations Committees (SIC), as applicable in the EU. The standard accounting and valuation principles for all Group companies, and the calculation and consolidation methods applied, are essentially the same as those methods applied in the previous year. Changes for the present interim financial statements resulted mainly from the new or amended standards shown below, whose application was mandatory for Schuler as of October 1, 2009:

- IAS 1 “*Presentation of Financial Statements*”: The amendments mainly concern the presentation of changes to equity capital and changed terms for financial statement items. Transactions with equity holders are to be disclosed separately in the statement of changes in equity. All transactions which are not with equity holders with an effect on equity are to be disclosed in a statement of comprehensive income or alternatively in two linked statements (profit and loss account and statement of comprehensive income). Schuler AG has opted for the two-tier presentation method.
- IAS 23 “*Borrowing Costs*”: The option right for the pro rata capitalization of borrowing costs as part of acquisition or conversion costs for qualified assets was cancelled and replaced by an obligation to capitalize. Schuler has adapted its accounting methods accordingly. However, in Schuler’s most important area of qualified assets – future receivables from long-term construction contracts – it is not the conversion costs which are capitalized, but the sales revenues which have already been realized on a pro rata basis. As a result, no significant impact is expected from the application of this amended accounting regulation. In accordance with the transitional regulations, the Group has adopted the new capitalization obligation as a prospective change for qualified assets whose acquisition, construction or conversion began as of October 1, 2009. There was thus no effect on borrowing costs incurred up to this date, which were expensed immediately.
- IFRS 8 “*Operating Segments*”: This new accounting standard replaces IAS 14 “*Segment Reporting*”. It defines operating segments as divisions of a company which run their own business operations, for which discrete financial information is available and which are reviewed regularly by the entity’s chief operating decision makers in order to assess performance and make decisions about resources to be allocated. Financial information is to be reported on the basis of an internal management approach. Adopting the new standard has had no impact on the Group’s assets, liabilities, financial position and earnings. According to management’s assessment, the operating segments correspond to the Group’s business segments identified under the old standard.

There were no special events which had a significant impact on the Group's assets, liabilities, equity, earnings or cash flow during the period under review.

### (3) Consolidated group

In addition to Schuler AG, the consolidated annual financial statements comprise all major domestic and foreign subsidiaries which Schuler AG directly or indirectly controls (control relationship). As of October 1, 2009, Theta-Centaurus-Vermögensverwaltungs-GmbH, Weingarten, and Müller Weingarten Technologie Verwaltungs-GmbH, Weingarten, were merged with their parent company Müller Weingarten AG, Weingarten. Following the merger of its general partner, the assets and liabilities of Müller Weingarten Technologie GmbH & Co. KG, Weingarten, were transferred to the limited partner Müller Weingarten AG. The resulting changes to the consolidated group from these transactions have no effect on the consolidated financial statements as at March 31, 2010.

The Schuler Group now comprises the following number of companies:

	March 31, 2010	Sept. 30, 2009
Schuler AG and fully consolidated subsidiaries		
Domestic	22	24
Foreign	10	10
Subsidiaries carried at amortized cost		
Domestic	13	14
Foreign	9	9
	<b>54</b>	<b>57</b>

#### (4) Income statement

The business activity of the Schuler Group is subject to certain seasonal influences. In the case of monthly sales volume, for example, above-average values are regularly achieved in the summer months toward the end of the fiscal year, as many customers use the holiday season to accept delivery and install Schuler machines and equipment. The same applies to maintenance work and the respective service revenues received by Schuler. As a result, sales in the second half of the fiscal year generally exceed those disclosed for the first half of the year.

The effects of economic conditions on business in the reporting period are presented in the Group's interim management report. Earnings that are realized on an irregular or occasional basis are stated only at the point of realization or when they become known. If expenses are incurred on an irregular basis, they are only accrued or deferred if this would also take place at year-end.

Income taxes are always calculated on the basis of the estimated average tax burden of Group companies in the fiscal year.

#### (5) Equity

The following table shows the changes in the cumulative other result with separate disclosure of the respective tax components:

in €k	1 <sup>st</sup> half year 2009/10			1 <sup>st</sup> half year 2008/09		
	Before taxes	Tax-effects	After taxes	Before taxes	Tax-effects	After taxes
Changes in currency translation differences relating to foreign Group companies	4,292	-	4,292	1,011	-	1,011
Unrealized profits and losses from cash flow hedging	-963	325	-638	-3,070	948	-2,122
Unrealized profits and losses from available-for-sale financial assets	-18	5	-13	-22	7	-15
<b>Other result</b>	<b>3,311</b>	<b>331</b>	<b>3,642</b>	<b>-2,081</b>	<b>955</b>	<b>-1,126</b>

## (6) Earnings per share

Neither Schuler AG itself, nor a company controlled by it, held shares in Schuler AG during the period under review. After granting the three tranches of the Stock Option Program 2008, diluted potential shares were created in the period under review as a result of outstanding options. In accordance with international accounting standards, however, they were not considered when calculating diluted earnings per share as the prescribed performance targets for exercising the subscription rights have not yet been fulfilled. Diluted earnings per share thus still correspond to undiluted earnings per share.

in €k	1* half year 2009/10	1* half year 2008/09
Consolidated result	-15,260	-1,070
Profit attributable to minority interests	-525	-146
Profit attributable to shareholders of Schuler AG	-15,785	-1,216
Weighted number of shares outstanding:		
Common shares (number)	21,000,000	21,000,000
<b>Earnings per common share (€)</b>	<b>-0.75</b>	<b>-0.06</b>

## (7) Provisions for personnel measures/restructuring

Compared with September 30, 2009, provisions for personnel measures and other restructuring measures fell from T€ 26,392 to T€ 19,173 due to utilization.

## (8) Segment reporting

The business segments established according to their distinct products and services also correspond to the internal organizational and reporting structure used to manage the Group; the segments are described in section (27) of the notes to Schuler's consolidated annual financial statements as at September 30, 2009. No segments were summarized in order to create the business segments requiring reporting. The disclosed segment information is based on the same accounting and measurement guidelines as applied for the external financial statements according to IFRS. Intercompany transactions are always transacted at standard business prices and thus correspond to those with external third parties. Provided there are no contractual relationships (e.g. from cash management or sub-letting), expenses/income attributable to the Group's headquarters are not allocated to the segments. The Board of Management has chosen earnings before taxes and interest income/expense (EBIT) as the key performance indicator for assessing the Group's business segments and allocating resources.

### **(9) Contingent liabilities**

As of March 31, 2010, the Group's contingent liabilities (debtor warrant, discounted bills) fell from T€ 20,407 to T€ 20,000, compared with the last balance sheet date.

### **(10) Related party disclosures**

Related parties as defined by IAS 24 include significant shareholders, members of the Board of Management and Supervisory Board, their close family members and companies controlled by them, as well as non-consolidated subsidiaries. In the period under review, related parties were involved in no significant transactions with companies of the Schuler Group beyond the scope of those described in the notes to the consolidated annual financial statements for fiscal year 2008/09, nor in any business transactions of an unusual nature or structure.

The Board of Management confirms that the transactions conducted with related parties were always carried out on an arms-length basis.

### **(11) Subsequent events**

All material events which took place after the balance sheet date are presented in the subsequent events section of the Group management report. There were no further significant events which occurred after the balance sheet date of this interim report.

Göppingen, May 28, 2010

Schuler AG

The Board of Management

## **Responsibility statement**

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim 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 in fiscal year 2009/10.

Göppingen, May 28, 2010

Schuler AG

The Management Board





**Schuler AG**

Corporate Communications/Investor Relations

Bahnhofstrasse 41

73033 Göppingen

Germany

Phone +49 7161 66-859

[ir@schulergroup.com](mailto:ir@schulergroup.com)

[www.schulergroup.com](http://www.schulergroup.com)