SCHULER

Annual Report 2007/08

Technological and global market leader in metalforming technology

Cover: Cookers and cooktops are manufactured on the 800 t platform press

CONTENTS

SCHULER GROUP AT A GLANCE

		2003/04 HGB	2004/05 IFRS	2005/06 IFRS	2006/07 [1] IFRS	2007/08 [2] IFRS
Sales	(€ million)	558.1	561.6	563.4	725.0	966.1
– of which outside Germany	(%)	52.9	70.9	71.4	63.7	60.4
New orders	(€ million)	562.9	547.7	515.7	835.8	1,006.2
Order backlog	(as of 09/30, € million)	571.2	377.6	330.0	699.6	739.7
EBITDA	(€ million)	27.9	31.2	19.3	74.4	64.7
EBIT	(€ million)	10.4	13.2	-1.1	45.9	36.7
Group profit or loss	(€ million)	3.5	0.4	-9.5	13.9	8.6
Personnel incl. apprentices	(as of 09/30)	3,793	3,697	3,606	5,710	5,634
Personnel expenses	(€ million)	207.5	197.8	211.4	264.3	323.6
Balance sheet total	(as of 09/30, € million)	416.2	562.8	516.1	852.4	866.7
Shareholders' equity	(as of 09/30, € million)	75.6	115.2	97.1	148.3	179.5
Equity ratio	(%)	18.2	20.5	18.8	17.4	20.7
Gross cash flow	(€ million)	22.0	19.1	12.5	43.0	36.9
Capital expenditures excl. financial investments	(€ million)	12.1	9.6	10.1	16.4	23.0
Depreciation excl. financial investments	(€ million)	17.5	17.8	20.3	28.1	27.3

[1] *incl. Müller Weingarten Group April 1 – September 30*
[2] *incl. Müller Weingarten Group*

Forming the future

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. Our most important clients include car manufacturers and their suppliers, as well as companies in the energy, electrical and household equipment industry. Schuler is also the market leader in coin minting technology.

Ladies and gentlemen,

The past fiscal year 2007/08 is the first full business year since our successful acquisition of Müller Weingarten AG. The year was dominated by four key developments:

Consolidation process completed

Following the formal completion of the Müller Weingarten AG acquisition, our most important task was to bring together the two companies under a clear unified structure in order to quickly harness the planned synergy effects, maintain optimum customer support and achieve our growth targets. In a first step, we enlarged the Board of Management and reallocated some of the responsibilities. Dr. Markus Ernst was appointed by the Supervisory Board as a new member of the Board of Management as of October 1, 2007.

In a second step, we optimized our organizational structure and streamlined the company's legal structures. We started with a clear division of the Group into the two business segments »Forming Systems« and »Automation and Production Systems«. We also redefined the respective organizational units. The operating business of Schuler's and Müller Weingarten's subsidiaries in France, Great Britain and the USA was merged, as were the respective die fabrication activities. We also used the opportunity to divest those divisions which no longer belong to our core business. For example, we sold our die casting machine business and real estate in Plüderhausen, Germany, belonging to Schuler Hydrap, which subsequently relocated to Esslingen, Germany. By establishing a group-wide capacity management system, we also made further gains in manufacturing efficiency.

Board of Management of Schuler AG (from left): Dr. Markus Ernst, Jürgen Tonn (CEO), Dr. Wolfgang Baur, Joachim Beyer

Equity base strengthened

The capital increase from approved capital of up to € 9.1 million, which the Board of Management and Supervisory Board of Schuler AG agreed on March 17, 2008, was successfully placed in full. All 3.5 million new shares offered during the capital increase were purchased at an issue price of € 10 per share. After entering the completed capital increase in the Commercial Register, the new capital stock of Schuler AG now amounts to € 54.6 million.

Capital market position greatly improved

The conversion of all 10.5 million preferred shares into new common shares with voting rights, as adopted by the Annual General Meeting of Schuler AG on April 10, 2008, was completed. The shares were converted 1:1 without a premium. The conversion was entered in the Commercial Register as planned on June 19, 2008. On the same day, the old and new common shares were admitted for trading on the Regulated Markets of the Frankfurt and Stuttgart stock exchanges. As planned, the shares were listed for the first time on June 20, 2008.

This premium-free conversion of preferred stock into common stock had long been called for by shareholders.

Market position improved

These measures all enabled Schuler to make a significant leap forward. We are the global market leader in metalforming technology and enjoy a leading technological position thanks to the additional innovative strength we have gained. This has enabled us to sharpen our competitive edge and build on our market position. The figures for fiscal 2007/08 clearly illustrate this: with new orders of € 1,006.2 million and consolidated sales of € 966.1 million we succeeded in achieving further year-on-year growth.

Change in economic climate poses major challenges

Despite the good news generated by the past fiscal year and the dawn of a new era for Schuler AG, dark clouds have been gathering on the economic horizon. The financial crisis sparked an almost unknown level of turbulence on the world's stock exchanges. Unfortunately, the Schuler share was also caught up in this market turmoil. In the meantime, the financial crisis has also spread to the real economy. The latest developments are being interpreted by many as a deep recession. From experience, the car industry and its suppliers are often the first to be affected by such downswings.

The further development of Schuler's business in the current fiscal year 2008/09 will depend heavily on the general economic development. At present, no sufficiently reliable forecasts can be made, as events will be determined largely by how the financial crisis develops and how the planned economic recovery programs are implemented. We shall monitor the development of our international markets very closely in order to react as quickly as possible to changing economic conditions.

The past fiscal year once again called for a high degree of commitment, flexibility and hard work from staff at our German and foreign subsidiaries. We would like to express our sincere gratitude for their dedication. We also thank our customers, business partners and shareholders for their continued trust in our company.

We are highly aware of our responsibility to keep the Schuler Group successfully on course – even in difficult times.

The Board of Management

Jürgen Tonn Dr. Wolfgang Baur Joachim Beyer Dr. Markus Ernst

Our servo drive technology has significantly raised the output of blanking and forming presses. With the aid of Schuler's Crossbar Feeder, parts can be transported and positioned more flexibly in press lines. This has enabled us to enhance the productivity of press shops considerably. We will make further inroads in the automotive supplier and non-automotive markets with our modern technologies. By developing processes such as impact extrusion, for example, we can offer manufacturing solutions for customers in the packaging industry.

Innovative technology

Car manufacturers have established global production networks and are investing in growth regions. The success of these companies depends on whether they can achieve the same high quality standards around the world. Many suppliers who were previously only active in their local or regional markets are now facing the challenge of internationalization. They must accompany their customers into new markets. Schuler is the right partner for such a step. Our presence in Asia, Eastern Europe and the Americas has provided us with specific know-how in these growth markets, which we can use to support our customers during their international expansion. The international alignment of our Group under the motto »on site around the world« is a key competitive advantage.

Local partner


SCHULER

Forming Systems

- Servo technology successfully established on the market
- Solid forming lines proving highly popular
- Schuler Group tapping segments outside automotive field

The Forming Systems business segment comprises the entire range of mechanical and hydraulic press systems. We supply car manufacturers mainly with large-scale lines for the efficient and flexible production of car body parts. We have extended our product range for the growing market of automotive suppliers. Further Forming Systems products include solid forming systems, high-speed presses and radiator presses.

Cookers and cooktops are manufactured on the 800 t platform press (see page 15)

Success with servo technology – largest order in the company's history

In December 2007, the Schuler Group received the biggest order of its entire history. With a total of three new servo press lines, the BMW Group plans to change the stamping plant structures of its facilities in Leipzig, Regensburg and Munich, Germany, by 2011. Schuler will be drawing on the full resources of the merged company – Schuler and Müller Weingarten – to process the order.

Schuler will install a six-station servo press line in Leipzig by summer 2009. Parts will be transported by the latest generation of Schuler's single-arm transfer system: the »Crossbar Feeder«.

In addition to the three press lines, the BMW Group has awarded Schuler two further orders. In Regensburg, Schuler will install a blanking line with servo drive; and for its Dingolfing facility, the BMW Group has ordered a press for progressive dies with a conventional drive and a press force of 3,000 t. The total volume of the orders is a three-figure million euro amount.

Schuler unveiled its new generation of blanking and forming presses with servo drive in early 2007. The first customer to invest in the new technology was Saxonia-Franke in Germany. Amongst other things, the company specializes in the development and production of complex fastening and safety elements for the automotive, electrical and construction industries. With up to 40% increases in output compared with conventional eccentric presses, Saxonia-Franke was able to raise productivity considerably. Convinced by the new technology, Saxonia-Franke ordered a second machine from Schuler in March 2008.

Schuler's servo drive press technology is available with press forces from 250 t to 3,200 t. Since its launch in early 2007, Schuler has already sold over 50 servo presses.

First high-speed press line for India

Schuler is to deliver its first complete high-speed press line to India. The customer is car manufacturer Mahindra Automotive, based in Chakan, some 250 km from Mumbai. The line will be used mainly for the production of body parts for small trucks and delivery vans. The press line consists of four linked presses with a total force of 5,400 t and is equipped with Crossbar feeder technology as well as a high-speed blank loader and part unloader.

Successful overseas installation of a hydraulic tandem press line

LSP Automotive Systems, an American automotive supplier based in Union, South Carolina, has equipped its facility with a new hydraulic tandem press line supplied by Schuler. The company produces car body sheet metal stampings for a BMW facility located in the neighboring town of Greer.

The press line can be operated as a four-, five-, or six-press unit. The fifth and sixth press are positioned with double spacing. If the first four presses are being used for production, for example, the fifth and sixth press can be operated as tryout presses, or as a two-press unit in automatic mode or individually as transfer presses in automatic mode.

Germany's largest screw press successfully put into production

We delivered Germany's largest screw press to date to the company Schöneweiss in Hagen, Germany, during the period under review. Schöneweiss forges, for example, chassis, steering and engine parts for the commercial vehicle sector.

The screw press was integrated into an existing line at Schöneweiss and replaces a forging hammer supplied by a competitor. The benefit: the line can now be run in three-shift operation, whereas the previous hammer could only be used in two-shift operation.

Front axle beams for commercial vehicles are manufactured on Germany's largest screw press

The new forging complex will be used to manufacture front axle beams for commercial vehicles, with part weights of up to 150 kilograms. The restructured and optimized machine concept will be capable of achieving cycle times of under 50 seconds per part, corresponding to an output of around 1,400 front axle beams per day. By producing the front axle beams in just two operations, the service life of the dies can be increased significantly.

Production launched on line for massive ring blanks

Flanschenwerk Bebitz, Germany's largest manufacturer of flanges, has successfully launched production on a new line for the manufacturing of ring blanks. The hydraulic press supplied by Schuler with a press force of 3,500 t will be used to produce blanks for the manufacturing of seamless flanges on ring rolling lines. The parts have a weight of up to 1 t and are produced at a temperature of around 1,200 °C. Centering and transport of the parts through the three stages of the press is handled by a heavy-load transfer system, also made by Schuler.

World's largest counterblow hammer

Especially when it comes to large forged parts, the counterblow hammer represents an economic and technically extremely attractive alternative to forging presses.

The Schuler Group has produced the world's largest counterblow hammer. The customer will use the line mainly for the production of crankshafts and flanges, for example for commercial vehicles.

Pneumatically driven counterblow hammers, such as the world's largest counterblow hammer, provide a maximum forming energy of up to 1,400 kJ. This corresponds approximately to the performance of a forming press with a press force of 54,000 t and enables the economic production of large forging pieces requiring high forming forces.

At 1,200 °C, ring blanks are manufactured on the Schuler press

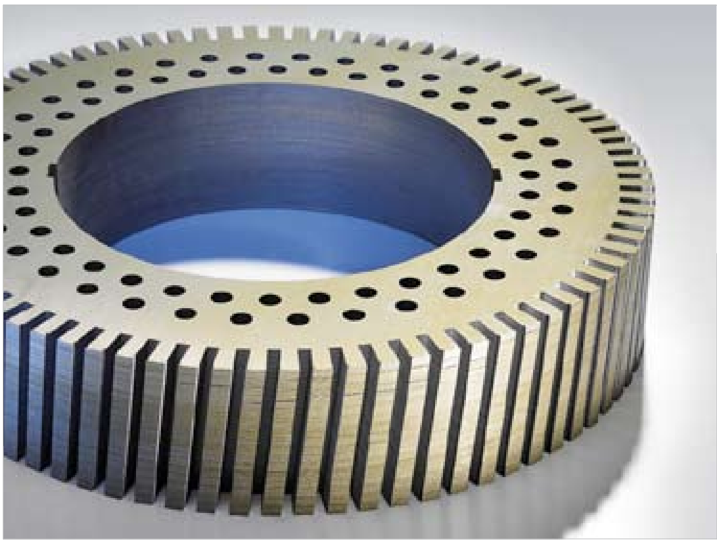
Growth market hybrid drives – high-speed presses ensure high efficiency

For the production of laminations used in the construction of motors and generators, we offer notching machines and automatic notching machines, as well as the high-speed presses of our SAL range. Schuler's Segment Master System is a process which significantly reduces material consumption and compiles complete motor packs within the punch-bundling die.

Airbus stretch drawing line for production of new A380 parts modernized

The Schuler Group received its second service order from the aerospace group Airbus Deutschland GmbH during the past year. The order involves the modernization (retrofitting) of a stretch drawing line at the company's facility in Nordenham, near Bremen, Germany, where panel structures for all major airbus programs are manufactured – including the new A380.

Following the successful modernization of a stretch drawing line in 2005, Airbus Deutschland GmbH wanted to enlist the services of the Schuler Group again for the project. The retrofitting process was completed in a record time of just five weeks. The line was assembled and put into production in mid August 2008. Modernizing the line has resulted in significant gains in process reliability. Schuler succeeded in fighting off a bid from the line's original manufacturer.



Rotor packet for electric motors

New presses optimize international manufacturing network of BSH Bosch und Siemens Hausgeräte

The fifth Schuler Group press has been installed by BSH Bosch und Siemens Hausgeräte, the world's third largest manufacturer of household appliances and the market leader in Germany and Europe. At its network of facilities in Traunreut and Bretten, Germany, Montanana, Spain, and Cerkezköy, Turkey, BSH produces domestic appliances, such as cookers and cooktops.

Each order involved an 800 t transfer press (with eccentric drive), a coil line and a three-axis transfer system. The so-called platform press concept enables BSH to use dies developed and tested at one site also at its other facilities. This means that production can be moved flexibly from one line to the other in the case of any shifts in the facilities' capacity utilization.

High quality and productivity in the manufacturing of radiators

Turkey has established itself as a major producer of heating radiators. Its growth has been driven by the nationwide development of a natural gas infrastructure and strong demand for heating systems in Eastern European states. This increased demand has led to a corresponding rise in manufacturer investments in modern production equipment. The Schuler Group has positioned itself on the promising Turkish market with a range of high-performance radiator presses boasting press forces of 355 t, 630 t, 710 t and 1,500 t. The presses are all based on a knuckle-joint drive system, providing precisely formed radiator blanks while ensuring high die service life and low maintenance costs – thus raising productivity.

Major order from state mint in India

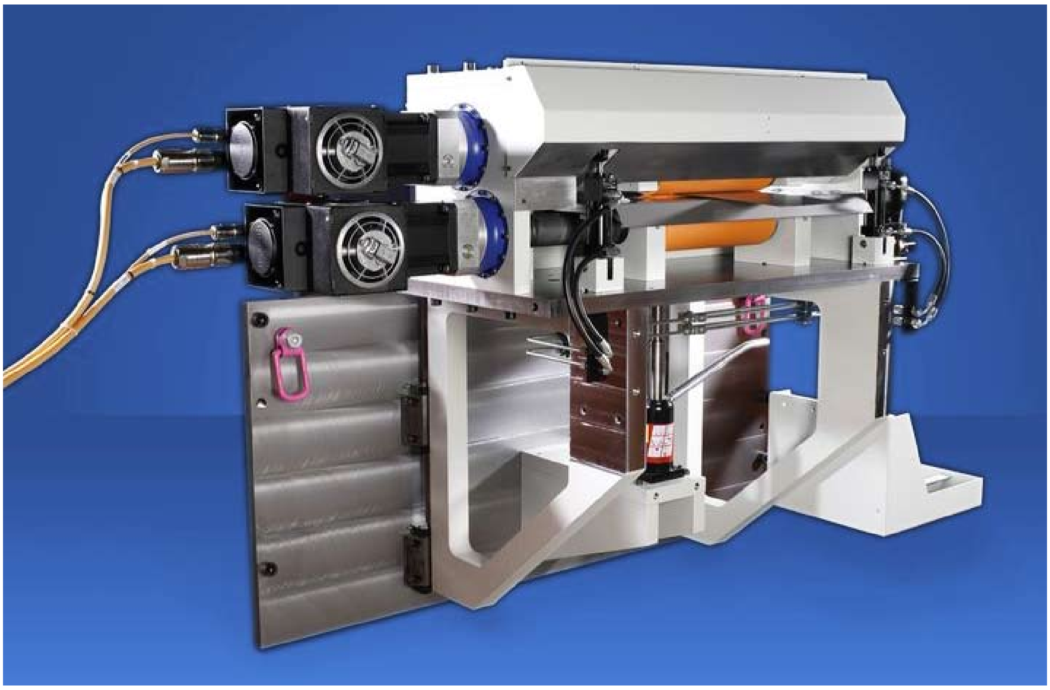
We received an order from the state mint of Mumbai, India, for 18 coin presses and three high-speed presses for the production of coin blanks. The presses are to be supplied to facilities in Hyderabad, Kolkata, Mumbai and Noida. The lines will be produced in Göppingen, Germany, while the coil lines for the three high-speed presses will come from Hessdorf, Germany. The order volume is around € 20 million.

Ovens for electro cookers

Automation and Production Systems

- New automation solutions unveiled
- Compact hydroforming lines boast low investment and running costs but fast availability
- Major order for laser technology

The Automation and Production Systems business segment offers one-stop shopping in the field of automation and press dies: from engineering to construction to tryout. Hydroforming and laser technology represent further areas of expertise. Hydroforming entails shaping hollow bodies with the aid of gas or fluid pressure.



The new roll feed system reduces automation time

Modular electronic three-axis transfer boosts output by 10%

For the production of structural or chassis parts, Schuler offers mechanical and hydraulic three-axis transfer presses capable of processing large metal parts. Material transport in the press is handled by an electronic three-axis transfer system developed by Schuler. The benefits include: a wide spectrum of applications, easier material feeding, simple retrofitting and short changeover times.

The very rigid yet low-mass and low-inertia design of the new three-axis transfer allows extremely high stroking rates and short changeover times, especially for the production of small parts.

New roll feed system enables more dynamic and flexible manufacturing

Schuler's new roll feed system represents an innovative automation solution tailored to current market needs. The new system will lead to a further reduction in automation time especially for highly dynamic presses, such as Schuler's servo press range. Servo direct drives and low-clearance, maintenance-free planetary gears ensure a more dynamic and accurate system. In addition, the coating of the rollers was optimized to ensure that high accelerations can be effectively transferred to the material.

The roll feed's avoidance of special parts and its modular design mean that large quantities of individual components can be pre-built. As a consequence, the new product and its control system can be supplied very quickly – just three months after ordering.

More productivity for the processing of cubic parts: New product line for the automation of machining centers

One step on the way to cost-efficient and flexible solutions is to automate the logistics involved with machining centers. Schuler unveiled its new APS (Automated Production System) product line, which enables companies to automate both material and tool logistics for machine tools used to process cubic parts.

The APS is based on Schuler's tried and trusted logistics components for handling unprocessed and finished parts on pallets. The APS integrates different pallet sizes and types into a cost-effective total system. Schuler can variably adapt the arrangement of storage units, set-up facilities and machines to the customer's specific requirements. Open interfaces to the machine's control system and company software ensure that the right unprocessed parts, tools and programs are brought together.

Schuler Cartec receives Ford Q1 Award

Schuler Cartec was awarded a certificate for outstanding quality from car manufacturer Ford in late 2007. Ford's European quality and procurement division only presents the so-called Ford Q1 Award to suppliers who can meet the highest standards in quality, productivity and service over a longer period. A further prerequisite is an extensive certification procedure, during which areas such as quality and environmental management systems and customer support are examined and evaluated.

In conjunction with the other Schuler Group companies, Schuler Cartec handles the entire process chain in the automotive industry – from development to the manufacturing of high-volume dies for sheet metal parts. In addition, the company has its own press shop to offer limited-scale part production and the delivery of finished subassemblies.

New compact hydroforming lines boast low investment and operating costs but fast availability

Schuler has developed a compact hydroforming line which can be ready for production without much preparation or long waiting times. The so-called Compact Hydroformer allows serial production of a wide range of components in mid to high runs. Its compact design saves space and does away with the need for a special foundation. Assembly and production launch times have also been shortened.

Compact hydroforming lines are ready for production three months earlier than conventional solutions

Schuler Hydroforming recently delivered the first Compact Hydroformers. One of the customers is a supplier of exhaust parts. The Compact Hydroformer can be easily adapted to a variety of space requirements and integrated into existing manufacturing processes at floor level. In the case of conventional machines, however, there are preliminary costs for the foundation and supply lines. Thanks to its modular construction, the line can reduce both investment and operating costs by up to 30%. A further benefit is the fast availability of the lines: from placing the order to the start of production, the machine can be ready about three months sooner than a conventional solution.

Volkswagen orders Schuler laser cutting lines

At Volkswagen's facility in Kassel, Germany, around 120 t of hot stamped steel are processed daily to make car bodies for the models Passat, Tiguan, Eos, C-Coupé and Scirocco, as well as for the Audi A4 and A5. For the cost-efficient cutting of these high-strength parts, Schuler Automation received an order from VW to supply ten laser cutting lines for its new Laserpark II – one of the largest laser parks in the world.

The mechanical processing of hot stamped blanks is a major challenge: when hardened steel impacts high-strength parts, the result is extremely high die wear. By contrast, laser cutting allows completely wear-free processing – irrespective of the material's strength.

3D processing ensures precise and efficient manufacturing of even complex formed parts

Share development

In fiscal 2007/08, the international stock markets were dominated by the consequences of the real estate and financial crises. Following hefty losses in early 2008 – especially among second-tier stocks – the German stock market became somewhat firmer in the middle of the year. By mid September, however, the financial crisis had escalated and led to extreme price fluctuations around the globe. Despite state rescue operations, the world's stock exchanges remain extremely volatile. The crisis has since reached the real economy, where a rapid deterioration of the economic situation can be observed.

Share price follows market trend

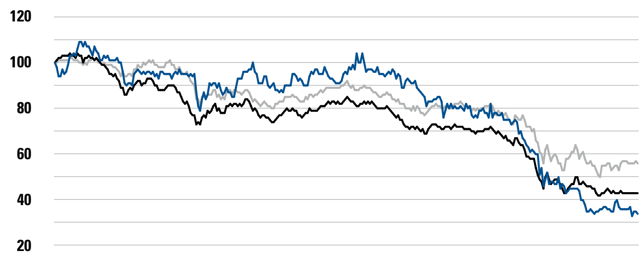
The Schuler share started the past fiscal year at € 10.80 (opening price) on October 1, 2007. It had already reached its year-high price of € 12.00 on October 23, 2007, before sliding steadily over the year and ending at a year-low of € 6.88 on September 30, 2008. The share price thus fell by 36.3% during the period under review. The German small-cap index, the SDAX, fell by as much as 40.9% over the same period, while the blue-chip DAX index lost 25.7% and the index CDAX 27.1% (all figures based on XETRA electronic trading).

The number of Schuler shares traded at all stock exchanges was just half the prior-year figure, amounting to an average of 7,332 per day during the period under review. In the previous fiscal year, trading volumes had more than doubled due to the takeover of Müller Weingarten AG.

Capital increase successfully completed

The capital increase of up to € 9.1 million from authorized capital adopted by the Board of Management and Supervisory Board of Schuler AG on March 17, 2008, was successfully placed in full. All 3.5 million new shares offered for subscription in the capital increase were purchased at a subscription price of € 10.00 per share. As a result, Schuler AG received gross proceeds of € 35 million. The capital increase was entered in the Commercial Register on April 7, 2008.

Schuler stock performance



Share data

ISIN	DE 000A0V9A22 new common no-par-value stock (derived from the preferred no-par-value stock DE 0007210635 and DE 000A0SMUN6) DE 0007210601 »old« common no-par-value stock
Stock exchange code	SCU/SCUN
Number/type of shares	21,000,000 (10,500,000 each of »old« and new common no-par-value stock)
Market segment	General Standard
Index	CDAX
Capital stock	€ 54,600,000
Shareholder structure	50.1% Schuler-Beteiligungen GmbH 17.7% Süddeutsche Beteiligung GmbH (as of June 2008) 8.1% Kreissparkasse Biberach (as of April 2008)
Stock exchanges	Listed on the Regulated Markets of the Frankfurt and Stuttgart stock exchanges since March 23, 1999
Designated Sponsor	Landesbank Baden-Württemberg
Fiscal year ending	September 30

Schuler share at a glance until 2006/07 per preferred share, since 2007/08 per common share		**2005/06**	**2006/07**	**2007/08**
Earnings	(€)	-0.49	0.85	0.43
Dividend	(€)	0	0	0 [1]
Dividend yield, gross	(%)	0	0	0
Year-high	(€)	7.15	10.98	12.00
Year-low	(€)	5.80	5.44	6.88
Year-end price	(September 30, €)	5.93	10.80	6.88
Carrying amount	(€)	5.47	8.39	8.45

[1] *Proposal to the Annual General Meeting*

Conversion of preferred stock into common stock completed

The conversion of all 10.5 million preferred shares into new common shares with voting rights, as adopted by the Annual General Meeting of Schuler AG on April 10, 2008, was completed. The shares were converted 1:1 without a premium. The conversion was entered in the Commercial Register as planned on June 19, 2008. On the same day, the old and new shares were admitted for trading on the Regulated Markets of the Frankfurt and the Stuttgart stock exchanges.

The conversion had long been called for by shareholders as it makes the Schuler share more attractive to investors – although this has not been reflected by the share price so far. The conversion was also aimed at widening the circle of shareholders, as many institutional and international investors in particular only invest in shares with voting rights.

IR activities expanded further

The capital market's growing interest in Schuler AG following its acquisition of Müller Weingarten AG continued in the past fiscal year. We held one analyst conference and one roadshow, participated in capital market forums and conferences and held numerous one-on-one meetings with potential investors.

Shareholders and investors can access all important data on the company in the Investor Relations section of our website (www.schulergroup.com). The so-called »Annual Document«, in accordance with § 10 of the German Securities Prospectus Act (WpPG), presents all publications made during a specific fiscal year.

A number of shareholders brought actions contesting the resolutions of the Annual General Meeting 2008 (see announcement in the Electronic Federal Gazette of May 23, 2008). The dispute was ended on June 13, 2008, with a settlement in court (see announcement in the Electronic Federal Gazette of June 20, 2008) which also involved a renouncement by Schuler-Beteiligungen GmbH of its entitlement to a share of future dividends distributed by Schuler AG based on the old common shares it owns. This is also the reason why the old common shares are still listed under their own stock identification number (ISIN).

As of September 30, 2008, Schuler AG posted an unappropriated surplus of € 48,413.62. Due to the small size of this amount, the Board of Management and Supervisory Board will recommend to the Annual General Meeting that the unappropriated surplus of Schuler AG be carried forward and that therefore no dividend should be distributed.

Corporate Governance

First introduced in 2002, the German Corporate Governance Code (GCGC) aims to make the rules applied in Germany for the management and monitoring of companies more transparent for national and international investors, as well as to regulate cooperation between the Supervisory Board and the Board of Management and protect shareholder interests.

At its plenary session on June 6, 2008, the government commission GCGC adopted certain amendments to the Code. In future, for example, the responsibilities and duties of the Supervisory Board with regard to remuneration questions are to be strengthened. The Supervisory Board or Audit Committee should also be involved with the preparation of interim financial reports and discuss them with the Board of Management prior to publication.

According to § 161 of the German Stock Corporation Law (AktG), the Supervisory Board and Board of Management of listed companies are obliged to publish a declaration of conformity once a year, in which they declare which of the Code's recommendations are being observed and which have not been applied. Schuler AG's declaration of conformity is published in this annual report as well as on the Investor Relations pages of our website at www.schulergroup.com, where the declarations of previous years are also available.

Management and corporate structure

Based in Göppingen, Germany, Schuler AG is the management holding company of the Schuler Group. The Group comprises 35 fully consolidated companies and is divided into two business segments, »Forming Systems« and »Automation and Production Systems«, 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. The Board of Management of the Group's largest subsidiary, Müller Weingarten AG, is identical to the Board of Management of Schuler AG. Schuler AG's treasury division supports the Group's subsidiaries, partly by providing funds and foreign exchange management as well as through other group-wide services.

Board of Management

In the fiscal year 2007/08, the Board of Management of Schuler AG consisted of four members. The responsibilities of the various members of the Board of Management are regulated by a document detailing the division of tasks. Jürgen Tonn, the Chief Executive Officer (CEO), is responsible for strategic corporate development, corporate communication and the »Automation and Production Systems« business segment. Dr. Wolfgang Baur is responsible for finance, controlling, human resources, information technology, internal audit and investor relations. He is also the Labor Director. Joachim Beyer and Dr. Markus Ernst are jointly responsible for the business segment »Forming Systems«. In addition, Dr. Markus Ernst is responsible for Group procurement. The Board of Management carefully coordinates its activities and meets at regular intervals. In fiscal 2007/08, the remuneration of Board of Management members consisted of both fixed and variable elements. In 2008, the Annual General Meeting adopted a stock option program for the Board of Management, which is presented in the remuneration report.

Supervisory Board

The Supervisory Board of Schuler AG is composed in accordance with the German Codetermination Act (MitbestG) and consists of twelve 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 (see Report of the Supervisory Board). 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, 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, of the necessary independence of the external auditors, commissioning them to audit the company's annual financial statements, deciding which areas they should focus on and agreeing their remuneration. Furthermore, 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.

The members of the Supervisory Board receive a fixed compensation, which was last determined by the Annual General Meeting of Schuler AG on April 1, 2004. Annual basic remuneration amounts to € 20,500 per Supervisory Board member, but may rise according to their respective function and the frequency of 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 received in the fiscal year 2007/08 are published online at www.dgap.de or www.schulergroup.com (Investor Relations/Corporate Governance). All transactions were conducted by Schuler-Beteiligungen GmbH.

Annual General Meeting

Until June 19, 2008, our shares were divided into common no-par value shares with voting rights and preferred no-par value shares without voting rights. The conversion of preferred stock into new common stock with voting rights – as adopted by the Annual General Meeting 2008 – was completed on June 19, 2008, so that there is now only one type of Schuler share. Each common no-par value share entitles the owner to one vote. It 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. Such proof is made by a written certificate of shareholding issued in German or English by the depositary institution. This proof must be related to the twenty-first 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). The Annual General Meeting elects an independent auditor who is responsible for auditing the annual financial statements of Schuler AG and the consolidated group.

Internal Controlling System (ICS) and risk management

The Board of Management of Schuler AG has set up an 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. Further details are provided in the »Opportunity and Risk Report« section of the Group management report.

Communication

We believe it is important to provide swift information to our employees, shareholders and the capital market, as well as the special-interest and business press, regarding important company events by means of press conferences, financial reports, press releases and other publication formats. We publish all dates for financial reports and important events in a financial calendar on our website www.schulergroup.com.

Remuneration 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. The remuneration of the Board of Management comprises a fixed and a variable component. The variable remuneration component is based on the consolidated net income of the respective fiscal year. There are also post-employment benefits. Remuneration of members of the Board of Management amounted to T€ 2,021 in fiscal year 2007/08 (prior year: T€ 1,542), of which T€ 700 (prior year: T€ 606) were in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 227 (prior year: T€ 229). The Annual General Meeting 2007 resolved not to disclose individual and named remuneration details for members of the Board of Management for a period of five years.

Other benefits primarily consist of 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 does not provide for a deductible. Members of the Board of Management must pay taxes on these additional benefits. No payments were promised or granted in fiscal year 2007/08 to members of the Board of Management by a third party in respect of their activities on the Board of Management.

The Annual General Meeting of Schuler AG on April 10, 2008, adopted the introduction of a stock option program 2008 for members of the Board of Management of Schuler AG. As a consequence, the Supervisory Board of Schuler AG determined the details regarding the granting of such options and the further exercise conditions in its resolution of September 23, 2008. The conditions are presented in detail in the agenda to the Annual General Meeting 2008 posted on our corporate website, as well as in the notes to the consolidated financial statements under note (19). In the period under review, no stock options were offered to members of the Board of Management.

Total remuneration of former members of the Board of Management and their surviving dependants amounted to T€ 1,315 (prior year: T€ 929) in the year under review. The provisions formed for such current and future pensions amount to T€ 11,640 (prior year: T€ 12,180).

Remuneration of the Supervisory Board

§ 10 of the company's articles regulates the remuneration paid to members of the Supervisory Board. There is no variable component. Chairmanship and deputy chairmanship of the Supervisory Board and membership and chairmanship of its committees qualify for higher remuneration. In addition, the members of the Supervisory Board are paid meeting attendance fees and their expenses are reimbursed. The D&O insurance policy also covers members of the Supervisory Board (without deductible).

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

Declaration of Conformity 2008 with the German Corporate Governance Code in accordance with § 161 German Stock Corporation Act (AktG)

The Board of Management and Supervisory Board of Schuler AG declare that the recommendations of the »Government Commission on the German Corporate Governance Code« published by the Federal Ministry of Justice in the official section of the Electronic Federal Gazette on June 6, 2008, have been complied with. The following exceptions are made:

1. D&O insurance and deductible

If the company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed (Code section 3.8).

In the case of the current D&O insurance for the Board of Management and Supervisory Board, no deductibles have been agreed. We believe 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 Board of Management and Supervisory Board of Schuler AG have been entrusted.

2. Structure of Management Board compensation system

At the proposal of the committee dealing with Management Board contracts, the full Supervisory Board shall discuss and regularly review the structure of the Management Board compensation system (Code section 4.2.2).

The Supervisory Board of Schuler AG has transferred to the Personnel Committee the right to decide and act independently in questions concerning the remuneration of the Board of Management. This system has proved effective. The Personnel Committee discusses and regularly monitors the structure of the remuneration system.

The amount of compensation is based on the duties of the Board of Management member, as well as his performance and the business development of the Schuler Group, with suitable regard to comparative figures. The compensation system consists of fixed and variable components.

3. Age limit for members of the Supervisory Board

An age limit for the members of the Supervisory Board shall be taken into account (Code section 5.4.1).

An age limit for membership of the Supervisory Board 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. Compensation of members of the Supervisory Board

Members of the Supervisory Board shall receive fixed as well as performance-related compensation. The compensation of individual members of the Supervisory Board shall be reported in the notes of the consolidated financial statements, subdivided according to components (Code section 5.4.7).

The members of the Supervisory Board receive a fixed compensation, determined by the Annual General Meeting of Schuler AG. The Chair receives twice as much as an ordinary member of the Supervisory Board, the Vice Chair receives 1.5-times as much as an ordinary member of the Supervisory Board. Members do not receive performance-related compensation. We 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 excluded.

5. Shareholdings held by Management Board and Supervisory Board

The shareholdings, including options and derivatives, held by individual Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately according to Management Board and Supervisory Board (Code section 6.6).

In order to protect the interests and the privacy of executive body members, their individual shareholdings are not disclosed in the case that these exceed 1% of the shares issued by the company. 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. Deadlines for the publication of consolidated financial statements and interim reports

The consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period (Code section 7.1.2).

The consolidated financial statements will continue to be publicly accessible within 120 days of the end of the financial year. Due to the project-based nature of the Schuler Group's business, a suitable time corridor is required especially for the reliable and accurate determination of project-related accruals. Earlier disclosure would cause a disproportionate deterioration in the quality of the financial statements.

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«.

Göppingen, September 23, 2008

Schuler AG

For the Board of Management

Jürgen Tonn

For the Supervisory Board

Dr. Robert Schuler-Voith

Report of the Supervisory Board

The fiscal year 2007/08 was largely dominated by the integration of Müller Weingarten AG into the Schuler Group and by various capital measures (see Schuler share section).

In the period under review, the Supervisory Board fulfilled all its statutory duties: it advised and monitored the Board of Management. The Board of Management provided the Supervisory Board with regular, prompt and detailed information on the company's economic and financial situation, its corporate planning, all business transactions requiring approval and the risk management system. The Supervisory Board was involved directly in all key decisions from an early stage. It adopted all resolutions after careful examination and on the basis of the written proposals presented. In one exceptional case, the urgency of the project required a decision by circular resolution.

A total of seven meetings were held in the past fiscal year. In addition to its scheduled meetings, the Supervisory Board (and in particular its Chairman) remained in close contact with the Board of Management in order to gain prompt information about developments and significant events. The Personnel Committee met twice during the past fiscal year. The Permanent Committee pursuant to § 27 (3) of the German Codetermination Law was not convened during the year under review. The Audit Committee met twice to deal with questions of accounting, risk management and the auditing of the annual financial statements. The Supervisory Board also discussed the DPR audit (Financial Reporting Enforcement Panel), which was not indication-driven and lasted from February to October 2008. The audit has since been concluded without objections. The Nomination Committee met once.

At all meetings, discussions included the development of business to date, the company's financial position, questions regarding the sales and earnings of subsidiaries, and planned future developments. In addition, at its meeting on November 9, 2007, the Supervisory Board discussed the risk management system, the realignment of the service departments, research and development activities and the German Corporate Governance Code (GCGC). Deviations from the recommendations of the GCGC were discussed and the declaration of conformity 2007 adopted.

At the balance sheet meeting of January 29, 2008, the Supervisory Board adopted the annual financial statements for 2006/07, approved the appropriation of earnings and discussed the examination of its efficiency.

On February 25, 2008, the Board of Management and Supervisory Board adopted the agenda for the Annual General Meeting and decided to recommend to the Annual General Meeting of April 10, 2008, the conversion of all seven million preferred shares into common shares in the course of a capital increase from new approved capital. The previously issued common shares were also to be admitted for trading on the stock exchange.

On March 17, 2008, the Board of Management and Supervisory Board decided by circular resolution to issue up to 3.5 million new preferred shares from already approved capital for a subscription price of € 10.00 per share, thus providing the company with cash proceeds of around € 35 million. With the approval of the Annual General Meeting of April 10, 2008, these new preferred shares were to be converted, together with all other preferred stock, into common shares.

At the meeting prior to the Annual General Meeting on April 10, 2008, the forthcoming meeting and the Supervisory Board election were discussed. At the constituent meeting following the Annual General Meeting of April 10, 2008, the Chairman of the Supervisory Board and his deputy were elected, as well as the chairmen and members of the Supervisory Board's committees (see notes for further details).

At its meeting on July 3, 2008, the Supervisory Board discussed corporate strategy, the document detailing the Board of Management's division of tasks, the sale of land in Weingarten and Strasbourg, the management development program, and research and development activities.

At the meeting on September 23, 2008, corporate planning was presented, the strategic alignment of the procurement division discussed and the conditions for the stock option program adopted. Moreover, the Supervisory Board discussed changes in the Corporate Governance Code and issued its Declaration of Conformity 2008.

At the balance sheet meeting on January 28, 2009, the results of the efficiency examination of the Supervisory Board were discussed. The examination had been conducted for fiscal year 2007/08 as part of a self-evaluation process. Further topics included the agenda for the Annual General Meeting and, above all and as described below, the annual financial statements.

The annual financial statements prepared by the Board of Management as of September 30, 2008, 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 HHS Hellinger Hahnemann Schulte-Groß GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, and received unqualified certification. All members of the Supervisory Board were provided in 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 earnings situation – by the Audit Committee at its meeting on January 22, 2009. It gave a detailed report at the Supervisory Board's meeting on January 28, 2009. At the meetings of the Audit Committee and the full Supervisory Board, the chief auditors were on hand to report on the result of the audit and to answer questions. The audit result was accepted without objections by the Supervisory Board.

The Supervisory Board has examined the annual financial statements of Schuler AG and the Schuler Group, the management reports for Schuler AG and the consolidated group, as well as the proposed appropriation of profit, and raises no objections. The annual financial statements of Schuler AG and the Schuler Group were approved by the Supervisory Board; the annual financial statements are thus adopted in accordance with § 172 of the German Stock Corporation Law (AktG). The Supervisory Board also endorses the Board of Management's proposal concerning the use of the unappropriated surplus.

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 performances resulting from the legal transactions listed in the report were not inappropriately high.«

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 declaration at the end of the affiliated companies report.

The election of the new Supervisory Board members of the workers' representatives on March 12, 2008, and of the shareholders at the Annual General Meeting on April 10, 2008, resulted in the following changes:

Mr. Frank Wobst, former Chairman and CEO of Huntington Bancshares Incorporated, Columbus/Ohio, USA, and Mr. Roland Matheis, Deputy Chairman of the Supervisory Board and Chairman of the Labor Council of Schuler Pressen GmbH & Co. KG, Göppingen, Germany, both retired from the Supervisory Board. The Supervisory Board would like to thank both of them for their commitment to the company and their close cooperation. The newly elected members of the Supervisory Board are Mrs. Elke Böpple, a software engineer and member of the Labor Council of Müller Weingarten AG, Weingarten, Germany, and Dr. Hans Michael Schmidt-Dencker, Managing Director of Süddeutsche Beteiligung GmbH, Stuttgart, Germany. The constituent meeting of the newly elected Supervisory Board of Schuler AG was held following the Annual General Meeting of April 10, 2008.

The Supervisory Board would like to thank all employees, the members of the Board of Management, and the workers' representatives for their commitment and efforts during the past fiscal year.

Göppingen, January 28, 2009

Dr. Robert Schuler-Voith
Chairman of the Supervisory Board

Group management report

Organizational and legal structure

The Schuler Group is the global market leader in press technology. On average, we receive around 30% of our orders from car manufacturers and a further 30% from their suppliers, who use our equipment for the production of body parts, for example. Other metalworking sectors, such as the electrical industry, the household equipment industry and national mints account for an average 40% of our order volume. Our global market leadership results to a large extent from our systems expertise, i.e. the ability to supply complete press shops. Our product range therefore comprises all aspects of metalforming technology: mechanical and hydraulic presses and press lines, transfer and tryout presses, automation equipment, die making, high-speed presses as well as systems for solid forming and hydroforming. In addition to our pure machine and press line business, we also offer a full range of services for our products. Service (including second-hand machine trading) currently account for around 25% of our sales.

Corporate structure

Our activities are divided into two business segments. The Forming Systems segment consists exclusively of our press business. The Automation and Production Systems segment comprises automation technology and laser technology, as well as hydroforming and die construction.

Corporate structure

SCHULER AG

Forming Systems	Automation and Production Systems
Mechanical and hydraulic metalforming systems	Automation systems Car body technology Hydroforming Laser technology

The Supervisory Board of Schuler AG appointed Dr. Markus Ernst to the Board of Management of Schuler AG as of October 1, 2007. Together with Joachim Beyer, he is responsible for the Forming Systems business segment. Jürgen Tonn continues to be responsible for the Automation and Production Systems business segment. There are therefore now four members of the Schuler AG's Board of Management. Jürgen Tonn (CEO) and Dr. Wolfgang Baur (CFO) retain their current functions.

In connection with the integration of Müller Weingarten into the Schuler Group, the Board of Management took further steps to optimize the Group's organizational structure, effective from December 1, 2007. The die casting division of Müller Weingarten, based in Esslingen, Germany, which not belonged to the Group's core business, was sold to Oskar Frech GmbH + Co. KG, Schorndorf, Germany. The business was transferred in accordance with § 613a of the German Civil Code.

Schuler also sold the factory in Plüderhausen to Oskar Frech GmbH + Co. KG, Schorndorf.

Schuler Hydrap GmbH & Co. KG was relocated from Plüderhausen to Esslingen. No redundancies resulted from these measures.

Merger of the operating business of Schuler Cartec GmbH & Co. KG and Müller Weingarten Werkzeuge GmbH

As of January 1, 2008, the operating businesses of the two Group companies Schuler Cartec GmbH & Co. KG and Müller Weingarten Werkzeuge GmbH were merged into Schuler Cartec GmbH & Co. KG.

Merger of the operating business of Schuler Spiertz and Müller Weingarten France

As of January 1, 2008, the operating businesses of the two French Group companies Schuler Spiertz S. A. and Müller Weingarten France SARL were merged and renamed Schuler France S. A.

Merger of the operating business of Schuler Presses UK and Müller Weingarten U.K.

As of January 1, 2008, the operating businesses of the two British Group companies Schuler Presses UK Limited and Müller Weingarten U.K. Ltd. were merged into Schuler Presses UK Limited.

Merger of the operating business of Schuler Incorporated and Müller Weingarten Corporation

In fiscal year 2007/08, the operating business of the US company Müller Weingarten Corporation was transferred to the US company Schuler Incorporated by means of an asset deal. Subsequently, Müller Weingarten Corporation was dissolved.

Transfer of assets in Theta-Centaurus-Vermögensverwaltungs-GmbH to Müller Weingarten AG

As of September 30, 2008, the assets of Theta-Centaurus-Vermögensverwaltungs-GmbH were transferred to Müller Weingarten AG.

Legal structure

The consolidated Schuler Group comprises 35 companies (prior year: 35). Schuler AG, headquartered in Göppingen, acts as the holding company. Within the Group, Schuler AG carries out centralized functions, for example in the fields of corporate strategy, finance, controlling, insurance and communication.

Economic environment

Global economic development

Despite the financial crisis and rising raw material costs, the global economy was still in good shape at the beginning of 2008. In the following months, however, the prospects deteriorated rapidly. In the meantime, all early-warning indicators now point to a global downswing.

In the industrialized nations, there was initial growth in gross domestic product (GDP). This was due, above all, to strong output increases in Japan and the Euro zone. However, there has since been a steady decline in the economic expansion of the world's industrialized nations and there are now even fears of a recession.

In the United States, the economy once again displayed only marginal growth. As a result of the real estate crisis and the problems it triggered in the finance sector, the USA failed to drive the global economy in 2008.

There was strong economic expansion in the emerging nations, although the Asian nations in particular are likely to experience a noticeable fall in growth rates.

Following the concerted intervention of several national governments, the situation on the financial markets of the USA and Europe calmed down somewhat initially, but remains extremely tense. The trust between banks is still damaged. There is currently no end to the financial crisis in sight. Many banks have tightened their lending guidelines for corporations and consumers, both in the USA and the Euro zone. At the same time, global inflation is rising. Recessionary fears led to a swift downward correction to raw material prices – crude oil in particular. This led to intervention from OPEC, but without any significant success.

In consideration of these economic conditions, it is expected that global output will grow much more slowly in 2008 than in previous years. This will lead to a corresponding fall in overall capacity utilization in Japan and the Euro zone.

All in all, 2008 marks a very significant turning point for the global economy.

GDP development	**2007** %	**2008** %
World	5.0	3.7
USA	2.0	1.4
Euro zone	2.6	1.2
Germany	2.5	1.7
Japan	2.1	0.5
China	11.9	9.7

Source: IMF forecast (November 2008)

Automotive sector development

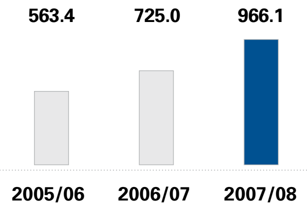
There is currently little hope of respite for the flagging automotive markets of Western Europe, North America and Japan. Experts predict that the global financial crisis will continue to hamper economic growth and have a significant impact, above all, on established car markets over the coming months. Reductions in capacity and factory closures are expected in Western Europe. Even if the booming car markets of China, Russia and India continue to grow, it is expected that there will be a significant slowdown.

In view of the difficult situation on the US automotive market, all manufacturers have reduced their sales or profit forecasts and are already calling for government intervention. Major North American car manufacturers have long been in decline and are cutting both output and jobs.

Experts forecast that sales in the world's largest automotive market – the USA – will fall to 14.5 million this year and thus reach their lowest level since 1993. In Western Europe, sales of around 14 million cars are expected – that would be the lowest level for 11 years. In total, global car sales are expected to grow slightly by 0.6% to around 59 million – thanks to booming demand in Asia and Eastern Europe. The largest contribution to growth (almost one third) is expected in Russia: with sales of around 3.2 million in 2008 it will overtake Germany for the first time, where sales are expected to reach 3.1 million vehicles.

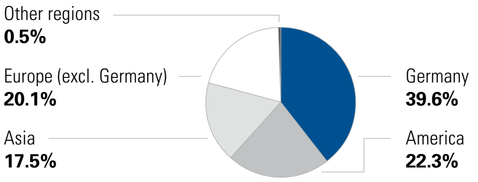
Consolidated sales

in € million



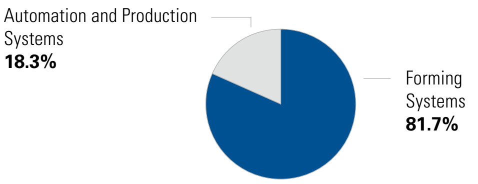
Sales by region 2007/08

in %



Sales by business segments 2007/08

in %



Viewed globally, the car markets of Western Europe, North America and Japan are losing their significance faster than expected. In 2008, the overall share of these three markets will fall below 60% for the first time ever. This will have consequences for production capacities and jobs. Moreover, Western Europe will have to prepare for a further wave of relocations to the east in the coming years.

Business development

Schuler took over its competitor Müller Weingarten with effect from April 1, 2007. Due to the resulting initial consolidation of Müller Weingarten in the previous year (for the short fiscal year April 1, 2007, to September 30, 2007), a comparison with the figures of this year has only limited informative value.

Sales

Consolidated sales of the Schuler Group in the past fiscal year amounted to € 966.1 million (prior year: € 725.0 million). Sales in America reached € 215.4 million (prior year: € 205.4 million) and in Asia € 169.4 million (prior year: € 94.6 million). In Germany, we generated sales of € 382.6 million (prior year: € 262.9 million) and in the rest of Europe € 194.0 million (prior year: € 158.1 million). The total proportion of consolidated sales generated outside Germany amounted to 60.4% (prior year: 63.7%).

In fiscal year 2007/08, the Forming Systems segment achieved sales of € 834.6 million (prior year: € 589.4 million) with third parties and the Group's other segment. This corresponds to 81.7% of the Group's total sales (including inter-segment sales). The corresponding sales of the Automation and Production Systems segment amounted to € 187.1 million (prior year: € 179.8 million), representing 18.3%.

Order situation

In fiscal 2007/08, consolidated new orders amounted to € 1,006.2 million (prior year: € 835.8 million). New orders from America reached € 220.4 million, compared with € 274.6 million in the previous year. Orders received from Asian customers totaled € 188.4 million (prior year: € 104.2 million). In Germany, the value of new orders received reached € 389.4 million (prior year: € 307.9 million). Orders from other European nations amounted to € 205.2 million (prior year: € 146.2 million). The proportion of new orders received from outside Germany amounted to 61.3%, following 63.2% in the previous year.

New orders received by the Forming Systems segment during the period under review amounted to € 882.7 million (prior year: € 699.3 million), while the Automation and Production Systems segment received new orders worth € 192.4 million (prior year: € 183.8 million).

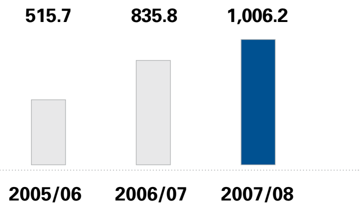
As of the balance sheet date (September 30, 2008), the Group's order backlog amounted to € 739.7 million (prior year: € 699.6 million).

Earnings position

The important performance indicators for our business are earnings before interest and tax (EBIT) and earnings before tax (EBT). Our main profitability ratios are the pre-tax profit margin (EBT/sales) and the return on capital employed (ROCE). ROCE compares EBIT with average capital employed in a particular period. Our medium-term targets are a pre-tax profit margin of 5.0% and ROCE of 12.0%.

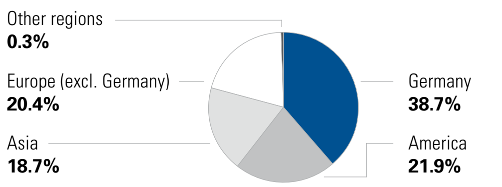
New orders

in € million



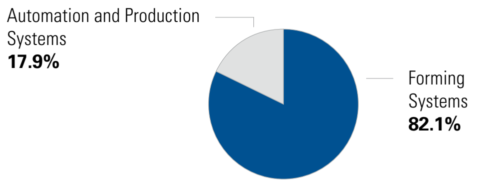
New orders by region 2007/08

in %



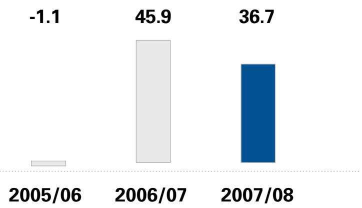
New orders by business segments 2007/08

in %



EBIT

in € million



In its fiscal year 2007/08, the Schuler Group reached an EBIT figure of € 36.7 million (prior year: € 45.9 million); ROCE amounted to 7.5% (prior year: 11.4%). The previous year was heavily influenced by one-off income from the sale of commercial real estate in Göppingen amounting to € 31.0 million. Adjusted for this item, EBIT grew significantly compared with the previous year.

EBT amounted to € 10.9 million (prior year: € 27.9 million). The pre-tax profit margin reached 1.1%, compared with unadjusted 3.8% in the previous year. The Group's net income for the past fiscal year 2007/08 thus amounts to € 8.6 million (prior year: € 13.9 million).

A number of factors had a significant impact on earnings in fiscal year 2007/08. The Schuler Group posted net currency gains totaling € 10.8 million (prior year: € 1.0 million) in the period under review. This unusually high figure results above all from the sale of foreign currency hedges following the partial cancellation of a hedged foreign currency order for contract production invoiced in local currency by our subsidiary in Brazil, and a change in the transaction currency for a further customer order. The partial cancelation of the contract production order received in fiscal year 2006/07 reduced consolidated new orders by € 44.7 million in the second quarter of the reporting period. Follow-up costs from the cancelation, unfavorable exchange rates during the year and insufficient cost recovery on orders resulted in a considerable loss for our Brazilian subsidiary.

In November 2007, Schuler also sold the die casting business of Müller Weingarten AG based in Esslingen, Germany, which not formed part of our core business, and the commercial real estate of Schuler Hydrap GmbH & Co. KG in Plüderhausen, Germany, to Oskar Frech GmbH + Co. KG. The asset deal resulted in a gain from the disposal of assets of € 6.0 million. This gross gain is disclosed within other operating income but is offset by significant special expenses of a similar amount (e.g. for the settlement of interests, relocation) which are economically attributable to the transaction. The commercial real estate of our French subsidiary in Strasbourg, France, was also sold in September 2008. This resulted in an accounting profit of € 2.9 million. Approximately 70% of usable space was subsequently rented for a period of five years.

Net interest expenses grew by € 7.9 million in fiscal year 2007/08 to € 25.8 million. This increase was mainly due to the prorated arrangement fee for the syndicated loan, higher credit line fees, an increase in interest charges for non-current provisions and the first full-year recognition of interest expenses in the consolidated profit and loss account pertaining to Müller Weingarten companies (prior year: 6 months).

Financial position

Within the Group, Schuler AG plays the central role with regard to financing and securing liquidity. It is responsible for most debt financing and provides the Group's subsidiaries with funds as and when they are required. As part of the Group's central cash pooling activities, the treasury department of Schuler AG takes any superfluous funds from the Group's subsidiaries and provides them with liquidity. This guarantees a beneficial financial balance within the Group and reduces debt financing costs, especially for short-term funds.

The capital increase of up to € 9,100,000.00 from authorized capital adopted by the Board of Management and Supervisory Board of Schuler AG on March 17, 2008, was successfully placed in full. All 3.5 million new shares offered for subscription in the capital increase were purchased at a subscription price of € 10.00 per share. The subscription price of € 35 million was paid up in full. The increase was entered in the Commercial Register on April 7, 2008. Subsequently, the issued capital increased significantly to € 54.6 million.

In order to meet borrowing needs and secure liquidity, a syndicated loan agreement of € 450 million was negotiated in March 2008 with a term until March 2011. The loan includes a credit line of € 300 million, a revolving facility of € 100 million and a term loan facility of € 50 million, which served to prematurely redeem the promissory note loan (»Schuldscheindarlehen«) due in 2009 and 2010. The syndicated loan agreement was concluded between Schuler AG and its main subsidiaries and a consortium of banks and credit insurance partners led by Baden-Württembergische Bank, Deutsche Bank and Dresdner Bank.

The terms of the syndicated loan agreement depend on the Schuler Group's relationship of net borrowing to EBITDA and are reviewed and adjusted where necessary each quarter. Shares in subsidiaries and property, plant and equipment are among the assets used as collateral for the syndicated loan agreement. The one-off costs for the arrangement and provision of the syndicated loan are annualized and disclosed in the interest result. As a result, a greater burden has been placed on the financial result, irrespective of how much the credit lines are used.

The syndicated loan agreement can be terminated prematurely by the lender if there is an infringement of certain covenants (gearing, interest cover, debt ratio). According to our calculations, the covenants have all been met so far.

The agreement includes a standard change-of-control provision. Details are provided on page 57.

All other loans are mainly in EUR and BRL. 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 7.0 years and that of the variable-interest loans 6.3 months.

In total, the Schuler Group has credit and guarantee facilities with various credit institutes and credit insurance partners amounting to € 551.5 million, of which € 189.7 million were unused as of the balance sheet date.

Furthermore, we use selected off-balance-sheet financial instruments, such as operating leases. As of September 30, 2008, payment obligations from operating leases amounted to € 126.4 million (prior year: € 121.0 million). Further details are provided in note (31).

Cash flow from operating activities was negative at € -17.1 million (prior year: € 6.9 million). The main reason for this development was a sharp increase in trade receivables as well as receivables from construction contracts totaling € 57.4 million, which resulted from increased business volume and the decision not to sell receivables at year-end. Cash flow from investing activities amounted to € -8.1 million (prior year: € 8.4 million) and is dominated by the sale of assets (die casting division, commercial real estate in Plüderhausen and Strasbourg), which resulted in proceeds of € 19.5 million. The positive prior-year figure resulted from the sale of commercial real estate of Schuler AG in Göppingen amounting to € 46.5 million net. Cash flow from financing activities amounted to € 10.8 million (prior year: € 27.8 million). This figure includes the capital increase of € 34.0 million net in the period under review. In total, cash flows and valuation changes from exchange rate fluctuations resulted in a decrease in cash and cash equivalents of € 16.2 million to € 87.5 million. After deducting cash and cash equivalents, financial debt amounted to € 130.3 million net (prior year: € 142.5 million) at year-end 2007/08.

Assets position

Compared with the balance sheet date of the previous year, the balance sheet total increased by 1.7% to € 866.7 million as of September 30, 2008, and thus grew less slowly than the expansion of business. On the asset side, non-current assets fell from € 327.4 million to € 320.3 million, despite an increase in deferred tax claims. This was mainly due to the development of property, plant and equipment, which fell again due to depreciation and amortization in excess of capital expenditures. Current assets, on the other hand, rose by € 21.3 million to € 546.3 million. This was mainly due to a significant increase in trade receivables and future receivables from long-term construction contracts. It should be noted, however, that no receivables were sold by means of old-line factoring as of the balance sheet date (September 30, 2007: € 27.0 million).

On the liabilities side, equity capital improved significantly from € 148.3 million to € 179.5 million as a result of the capital increase in fiscal year 2007/08 and the positive Group profit or loss. As a consequence, the equity ratio rose from 17.4% to 20.7%. Non-current liabilities fell from € 276.1 million to € 255.9 million, mainly as a result of falling provisions for orders and personnel as well as financial liabilities. On the other hand, there was an insignificant increase in current liabilities, which grew by just € 3.2 million to € 431.3 million, despite the increase in trade payables and other liabilities due to increased business volume.

Capital expenditures and depreciation

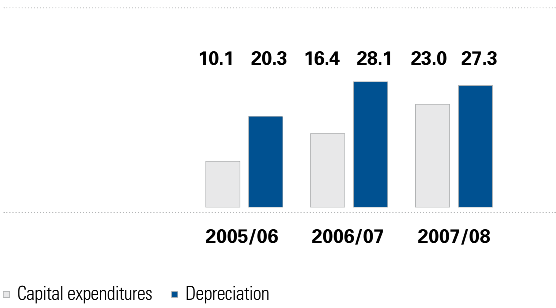
In the period under review, investments in property, plant and equipment and intangible assets amounted to € 23.0 million, and were thus up on the previous year (€ 16.4 million). The expansion of foundry capacities in Göppingen once again accounted for a major share of investments. Further capital expenditures focused on Umformcenter Erfurt, where a servo press with peripherals built by Müller Weingarten AG was put into operation, as well as on production plant and equipment at German facilities in Waghäusel and Göppingen but also in São Paulo, Brazil.

With regard to intangible assets, the Group-wide harmonization of IT once again represented a major focus. A key project in this connection was the launch of SAP at Prensas Schuler S. A. in São Paulo.

Depreciation of property, plant and equipment and intangible assets totaled € 27.3 million during fiscal year 2007/08, and was thus slightly below the prior-year figure (€ 28.1 million). This development is mainly due to the lower proportion of non-scheduled depreciation in this field, which fell from € 3.7 million to € 0.1 million.

Capital expenditures and depreciation

in € million



Research and development

In the fiscal year 2007/08, a total of € 5.9 million (prior year: € 5.4 million) was invested in ongoing research and development activities (R&D expenses), of which € 1.0 million (prior year: € 1.3 million) fulfilled the IFRS capitalization criteria. After consideration of amortization on capitalized development costs of € 0.7 million (prior year: € 2.0 million), the total expense charged to profit and loss amounted to € 5.5 million (prior year: € 6.1 million). As of the balance sheet date, the carrying amount of capitalized development costs amounted to € 3.2 million (prior year: € 3.1 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 (= cost of sales) and not included in the above mentioned R&D figures.

R&D activities are conducted locally by the respective companies of the Schuler Group. Locations which are responsible for specific areas of technology (e.g. mechanical and hydraulic presses, press linkage, blank loaders) drive the new developments in their particular field. Close cooperation between these centers of excellence ensures that new solutions are compatible with each other and can be seamlessly integrated into turnkey systems in the case of joint projects.

Our current development activities focus on creating standardized and modular solutions offering maximum customer benefit. An important role is played here by the Schuler press standard – a slim product catalogue based on the modular principle.

High-speed servo press lines

Schuler's newly developed servo press lines are setting standards around the world with regard to their production stroking rate and flexibility. The press drives consist of modular drive units using Schuler's »Servo Direct Technology«. Depending on the nominal press forces, they are equipped with two, three or four identical servo motors. The press forces of the individual presses are 25,000 kN, 18,000 kN and 12,000 kN. The maximum production stroking rate amounts to 17 strokes per minute. A fully automatic change to a different die set with a corresponding change of automation equipment takes just three minutes.

Further development of servo press range with »Servo Direct Technology«

The experience gained in the past fiscal year with monoblock servo presses with press forces of up to 6,300 kN has now been used for the construction of transfer and ProgDie presses with greater press forces. Single-slide transfer presses with press forces of 11,000 kN, 16,000 kN and 20,000 kN have been engineered for current customer orders and are now in the order processing phase.

Press line for new market segments

In order to be competitive in the Asian and other highly competitive markets, Schuler has developed a press line whose modular design utilizes standardized components and predefined features to achieve significant reductions in engineering. The manufacturing of the new line has also been optimized with a strict focus on automated processes in order to tap further potential cost savings. The line's high output and ease of operation combines economic efficiency with European quality standards and can be used both as a conventional press line with flywheel drive and as a servo line.

Swingarm Feeder II

Based on the Swingarm Feeder I, which is used in compact crossbar presses, the Swingarm Feeder II was developed in particular for large press gaps and is intended to replace the Speedbar.

Vacuum-assisted transport belts for high-speed blankloaders

The increase in output of large-scale press lines also requires a similar increase in the performance of blankloaders. Schuler Automation in Gemmingen, Germany, has therefore developed vacuum-assisted belts which can transport single blanks, as well as double blanks next to or behind each other, and quadruple parts. The maximum blank dimensions are up to 4.5 m x 2 m. As a result, the transport performance of the high-speed blankloader for aluminum blanks has been raised from 12 blanks per minute to 15 blanks per minute. The newly developed vacuum-assisted transport belts are used in the three high-speed servo press lines.

Machine technology for the production of thick-walled tubes

In the field of power engineering and process technology there is a growing demand for thick-walled, seamless and high-precision tubes. A forging press has already been designed for a major European tube manufacturer for the production of tube slugs. The machine will boast a press force of 60,000 kN with a slide stroke of 4,000 mm. In order to secure high forming speeds in the case of a power cut, the drive uses hydraulic accumulators.

New performance dimension for hydraulic fineblanking presses

Based on the HFAplus range, a new »HFAspeed« range has been developed which is capable of working in fast short-stroke operation, while remaining fully compatible with all other HFA ranges. In connection with specially conceived compound progressive dies, the new range can achieve a stroking rate of up to 100 strokes per minute in short-stroke operation. The vee-ring and counterpressure pads can be ejected synchronously with the return movement of the slide.

Hydroforming optimized by new pre-forming process

By integrating pre-forming processes into hydroforming dies for the first time to meet two customer orders, we were able to take a further step toward optimizing the process. The implemented process has been named »Variform« and enables users to produce more complex geometries by integrating the pre-forming process and thus saving the need for previous pre-forming operations. A more advanced control generation was also developed to meet the high process control needs of this new technology. The performance already successfully achieved opens up great possibilities for the further spread of this new process on the market.

Progressive tool sets for speed-proof disc carriers

The production of disc carriers for transmission systems presents a particular challenge for die technology. New progressive tool sets for speed-proof disc carriers made of high-strength materials have now been developed. The process chain has also been shortened by combining the drawing and rolling processes in one stage. This reduction in the number of stages required has in turn reduced die costs and thus led to a dramatic fall in the cost of producing disc carriers.

Personnel

As of September 30, 2008, the Schuler Group employed a total of 5,634 people (including apprentices). Around 79% of this total (or 4,445) are employed at the Group's German subsidiaries. The number of staff employed by the Group's foreign subsidiaries amounted to 1,189 as of the balance sheet date. The two largest locations are Göppingen and Weingarten in Germany, with around 1,200 and 1,050 employees. Personnel expenses in the fiscal year 2007/08 amounted to € 323.6 million (prior year: € 264.3 million).

Employees	**09/30/2008**	**09/30/2007**
Schuler Group in total	**5,634**	**5,710**
Forming Systems business segment	4,391	4,474
Automation and Production Systems business segment	1,213	1,211
Schuler AG	30	25

Practically oriented training concept

Schuler stands by its commitment to providing vocational training for young people. As of September 30, 2008, the Schuler Group employed a total of 370 apprentices (prior year: 345). This corresponds to a global ratio of apprentices to full-time staff of 6.6%, and of even more than 7.8% in Germany. At the Group's headquarters in Göppingen, 23 young women and men began their training courses in September 2008, in Weingarten there were 17 and in Erfurt 16. An apprenticeship at Schuler's various facilities plays an important role in ensuring that we have a sufficient supply of skilled staff, in both commercial and technical positions.

Schuler's training concept is based on practical relevance: apprentices regularly accompany staff to assembly sites, in order to experience also at first hand the cooperation with customers. Training is offered in a wide variety of technical and commercial professions, such as Industrial Mechanic, Electronics Engineer, Technical Draughtsman, Lathe Operator, Tool Mechanic, Foundry Mechanic and Industrial Clerk. Schuler also offers staff a variety of career possibilities and development prospects after their formal education period has been completed and encourages in-service training activities.

Sound theoretical and practical basis: cooperative degree courses

The cooperative degree course »MechatronikPlus« gives young people the chance to combine their studies with a practical apprenticeship. In addition to their Bachelor of Engineering degree from university, we also train participants as qualified mechatronics engineers.

In the so-called »Ulm Model«, Schuler offers students the chance to combine a degree course in electrical engineering at the University of Applied Sciences in Ulm, Germany, with an apprenticeship as an electronics engineer, or to combine mechanical engineering with an apprenticeship as an industrial mechanic.

Louis Schuler Fund

Schuler set up the »Louis Schuler Fonds für Bildung and Wissenschaft e.V.« as long ago as 1967. The fund has the task of supporting the development of young people and promoting educational institutes in the field of technology. Every year the fund awards scholarships to future engineers, physicists and chemists as well as master tradesmen and technicians. The fund also supports university projects and awards prizes to high schools. In late 2007, we raised the fund's capital to one million euros.

Graduate recruitment

In order to meet and directly contact university graduates, we regularly attend so-called job exchanges and university fairs. Internships and dissertation projects are a further method of attracting undergraduates to our company. Internships at our subsidiaries in the USA, Brazil or China are an excellent way of experiencing international cooperation within the Schuler Group.

Trainee program

In 2008, Schuler introduced a Group-wide trainee program for university graduates and applicants with up to two years of work experience. The participants work in a variety of departments and at various facilities according to their individual training plan. Work experience at a foreign facility – e.g. in Asia or America – is also possible.

Good response to training program

Our group-wide training program offers staff the opportunity to expand their knowledge, also beyond their respective field of specialization. In the past fiscal year, demand was particularly strong for courses on foreign languages and cross-cultural management, as well as on the legal aspects of machine and plant manufacturing. Over 2,000 employees took part in a variety of training events.

Remuneration 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. The remuneration of the Board of Management comprises a fixed and a variable component. The variable remuneration component is based on the consolidated net income of the respective fiscal year. There are also post-employment benefits. Remuneration of members of the Board of Management amounted to T€ 2,021 in fiscal year 2007/08 (prior year: T€ 1,542), of which T€ 700 (prior year: T€ 606) were in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 227 (prior year: T€ 229). The Annual General Meeting 2007 resolved not to disclose individual and named remuneration details for members of the Board of Management for a period of five years.

Other benefits primarily consist of 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 does not provide for a deductible. Members of the Board of Management must pay taxes on these additional benefits. No payments were promised or granted in fiscal year 2007/08 to members of the Board of Management by a third party in respect of their activities on the Board of Management.

The Annual General Meeting of Schuler AG on April 10, 2008, adopted the introduction of a stock option program 2008 for members of the Board of Management of Schuler AG. As a consequence, the Supervisory Board of Schuler AG determined the details regarding the granting of such options and the further exercise conditions in its resolution of September 23, 2008. The conditions are presented in detail in the agenda to the Annual General Meeting 2008 posted on our corporate website, as well as in the notes to the consolidated financial statements under note (19). In the period under review, no stock options were offered to members of the Board of Management.

Total remuneration of former members of the Board of Management or management and their surviving dependants amounted to T€ 1,315 (prior year: T€ 929) in the year under review. The provisions formed for such current and future pensions amount to T€ 11,640 (prior year: T€ 12,180).

Remuneration of the Supervisory Board

§ 10 of the company's articles regulates the remuneration paid to members of the Supervisory Board. There is no variable component. Chairmanship and deputy chairmanship of the Supervisory Board and membership and chairmanship of its committees qualify for higher remuneration. In addition, the members of the Supervisory Board are paid meeting attendance fees and their expenses are reimbursed. The D&O insurance policy also covers members of the Supervisory Board (without deductible).

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

Opportunity and risk report

As an internationally operating company, Schuler is exposed to a number of possible risks. With the aid of our risk management system, we aim to recognize such risks as early as possible, and to prevent or minimize them. On the basis of our corporate strategy and with the aid of internal information systems, it is equally important for us to develop and utilize those opportunities which might help to enhance the company's value.

Risk management system

Our risk management system has been established for many years and is continually adapted to any new requirements. There are four main areas: the identification, classification, monitoring and controlling of risks. We have developed suitable instruments for each area, which cover both our core processes and the respective support processes. The main instrument is the monthly risk reporting of all Group companies. The Board of Management is notified immediately of any unexpected risks.

The responsibilities of all Group companies with regard to risk management 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.

General economic risks

The development of the Schuler Group depends to a large extent on the general economic situation, the cyclical development and the investment climate, especially in the automotive sector. We carefully monitor the cyclical development of the most important economic regions. As a result of the global banking and financial crisis, we expect that global output has grown more slowly in 2008 than in previous years. We see clear signs that a period of economic growth may turn into a downturn – in the worst case, a very drastic downturn. As is typical for the capital goods industry, we shall probably feel the impact – such as reduced investment by our customers – with a certain time delay.

Schuler counters these risks by developing those markets which are less affected by the crisis, e.g. China, more intensively in order to offset possible sales shortfalls in our traditional markets.

We shall also strengthen our service activities: if customers are not prepared to invest in new equipment, there is often the need to overhaul existing machines in order to improve their economic efficiency.

Automotive sector risks

In addition to the sales and output figures of car manufacturers, we also carefully analyze the situation and the ordering behavior of our customers. The investment climate has deteriorated significantly: the sluggish automotive markets of Western Europe, North America and Japan are still unable to escape the current crisis. It is expected that companies will reduce capacities and close facilities. After a few setbacks, the booming car markets of China, Russia and India, however, are expected to continue their current growth.

We have prepared for these risks by expanding our non-automotive business (e.g. household appliances, packaging industry) and thus reducing our dependency on the automotive industry. Against the current economic backdrop, however, car manufacturers are likely to launch cost reduction programs which will also require more economic production systems. This is an area where we can also gain new orders by offering suitable products.

Risks from operating business

Our business includes supplying large-scale production systems worth tens of millions of euros, although the number of such orders is low. The processing of these orders includes certain risks, for example, if schedules or other agreements cannot be met. We endeavor to limit such risks from the outset by carefully formulating the respective contracts. In addition, we employ a comprehensive project and order management system which draws upon our experience gained in past projects. This system controls suppliers and the coordination of the various Schuler Group facilities involved in a project, for example. Risks arising from damage and liability claims are covered as far as possible by insurance policies.

In the current and the expected future economic climate, there is a possibility that orders may be cancelled or postponed. We can react to changes in our capacity utilization by releasing flextime balances or by flexibly employing contract workers. We will also continue to strengthen our sales activities.

In order to minimize the risk of payment default, we check the creditworthiness of our customers in advance and use credit insurance agencies and other instruments – e.g. advance payments or progress payments – in order to limit the risk of default (see also notes).

Procurement risks

Raw materials, and especially steel, account for a major proportion of our costs. The high demand for steel from emerging nations, and above all from China, has led to significant price rises over the past few years. The recent slowdown in global output, however, has reduced the pressure somewhat. In general, Schuler passes increased costs on to the market, where possible. In addition, we are in the process of optimizing our procurement structures. The risk is limited, as we do not set prices for longer time periods but agree fixed prices with suppliers for the required steel when an order is placed.

Personnel risks

The knowledge and skills of our employees represent a key factor for the continued development of the Schuler Group. As a result of redundancies and staff fluctuation, the Group risks losing expertise and market advantages. There has also been a lack of engineers in Germany for some years now. This may make it difficult to recruit staff for certain vacancies in future. It is therefore all the more important that we maintain close ties with local and national universities and research institutes. Moreover, we aim to raise the appeal of Schuler companies as employers and to retain staff with corresponding personnel measures.

Risks from fair trading, patent and anti-trust regulations

Schuler faces fierce competition from other manufacturers in various product segments, which often puts high pressure on prices. It is expected that in the case of less sophisticated equipment, in particular, there will be increasing competition from aggressively priced products of companies in emerging nations, and above all China, in future.

It is therefore all the more important that Schuler extends its technological lead by means of intensive research and development activities. In some cases, technical developments are protected by patents or other industrial property rights. In other cases, however, we deliberately avoid applying for protection in order to prevent the danger of copying involved with publishing such applications.

Furthermore, we strive to avoid possible risks from fair trading, patent and anti-trust legislation by seeking comprehensive legal advice. There are no current legal proceedings concerning fair trading, anti-trust or patent laws which might have a negative impact on earnings and assets.

Product and environmental risks

Schuler reduces product and environmental risks by means of its quality assurance and environmental protection systems. Almost all Group companies are certified according to the quality management standard DIN EN ISO 9001. This enables us to meet the quality and environmental standards of our markets, as well as our own high standards. Furthermore, individual companies are also certified according to VDA 6.4/ISO/TS 16949, depending on their function within the Group and on the market. These certificates define the quality standards of the German and international automotive industry. The environmental management systems of certain Group companies are organized in line with the respective standard DIN EN ISO 14001.

Schuler conducts extensive research and development work in order to improve its existing products, but also to develop its expertise in new areas. Investments in new product areas always involve the risk that such products might fail.

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, whereby the values or cash flows of original financial instruments offset each other with regard to time or amount. Any remaining risks are reduced by the use of derivative financial instruments, such as forward exchange contracts and options, interest swaps and caps, and combined interest/currency swaps. Such derivatives are used as part of so-called micro-hedges, i.e. they serve to secure specific existing or planned transactions.

Foreign currency risks may result from an increase in the value of the Euro against the US Dollar, which would make products we export outside the Euro zone more expensive. As of September 30, 2008, currency risks were covered by forward exchange contracts and foreign currency swaps with a nominal value of € 146.4 million. On the balance sheet date there were foreign currency hedges for projects being negotiated amounting to € 18.2 million. As these projects will no longer be realized, the hedges were closed after the balance sheet date with an expense of € 1.6 million.

Interest risks result from a change in market interest rates and have an impact on variable-interest financial liabilities. We hedge against such risks by using interest hedging instruments in the form of interest swaps and options, in order to exclude or limit the effects of future interest rate changes on our financing costs. The nominal value of the interest swaps and interest options to cover such interest rate risks amounted to € 130.9 million as of the balance sheet date. The proportion of interest hedge nominal amounts included in this figure not recognized as a cash flow hedge as of September 30, 2008, due to the strict requirements of hedge accounting with regard to effectiveness, amounted to € 40.9 million. This resulted in net negative market values of € 0.5 million.

Derivatives are negotiated exclusively with banks offering good credit ratings.

Liquidity risks can primarily arise from a change in the payment or pre-payment behavior of our customers, or more restrictive bank lending. These risks are covered by our rolling liquidity planning and sufficient corporate credit lines.

Default risks are limited by means of active management of accounts receivable and the permanent monitoring of creditworthiness and payment behavior, as well as by using credit insurance, letters of credit and bank guarantees.

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 with regard to risk management 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.

Against the backdrop of the global financial crisis, it is currently difficult to raise capital on the market. In order to secure its financing needs, the Group therefore negotiated a syndicated loan of € 450 million in March 2008. In addition to Schuler AG further Group companies are involved in the loan as borrowers and guarantors. The collateralized syndicated loan agreement comprises two cash and one credit line tranche and has a term of three years. The conditions of the syndicated loan agreement depend on the Schuler Group's relationship of net borrowing to EBITDA and are reviewed and adjusted where necessary each quarter. The syndicated loan agreement can be terminated prematurely by the lender if there is an infringement of certain covenants (gearing, interest cover, debt ratio). If no immediate follow-up loan could be raised on the market, this might lead to a lack of liquidity and thus to the insolvency of Schuler AG. According to our calculations, the convenants have all been met so far.

Other risks

A change in the fiscal conditions could have a negative impact on the company's tax burden. According to § 8c of German Corporate Tax Law (Körperschaftsteuergesetz), for example, the usability of tax loss carryforwards (see notes) from the acquisition of over 25% or 50% of shares in a company is lost partially by the purchaser within a period of five years, or lost fully in the case of an acquisition of more than 50% of shares.

Former shareholders of Müller Weingarten AG filed a suit with the Regional Appeal Court of Stuttgart regarding a review of the cash settlement offered to shareholders of Müller Weingarten AG during the squeeze-out process. The Regional Appeal Court had decided in early November 2008 that no value appraisal proceedings were necessary in addition to the arrangements provided for by the squeeze-out procedure, and thus dismissed the appeal. The other party launched an immediate appeal against the verdict. If this appeal is admitted and value appraisal proceedings are initiated, this could involve considerable time and cost for Schuler AG.

Opportunity management

As part of our corporate strategy and various internal information systems, we have identified the following opportunities and growth areas:

- By establishing a permanent market and technological leadership – also with regard to product quality – we will further strengthen our position on our sales markets.
- We will expand our market share in countries such as India, China, Mexico and Russia by intensifying our market activities.
- Thanks to our enhanced engineering expertise – following the successful integration of Müller Weingarten – we are now better positioned, especially with regard to developing products which our customers in growth markets require.
- With the takeover of the Müller Weingarten Group, the number of installed machines around the world has grown considerably – especially in emerging nations. This offers further sales potential for our service business. We can offer customers a global service network and an even larger portfolio of services. Additional opportunities result from the complementary regional focus of the two providers, as we can guarantee the global maintenance, servicing and repair of all Schuler and Müller Weingarten machines supplied to date.
- We aim to expand our position as a supplier in the field of alternative energy sources. 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.

Summary of risk evaluation

The risks to which the Schuler Group is exposed are largely known, typical for its business and controlled by a functioning risk management system. If the economic environment does not deteriorate significantly, we believe that there are no risks which endanger the continued existence of our company.

Disclosures acc. to § 315 (4) German Commercial Code (HGB) (Group management report) and their explanations according to § 120 (3) sentence 2 German Stock Corporation Law (AktG)

As of the balance sheet date on September 30, 2008, the capital stock of Schuler Aktiengesellschaft amounts to € 54,600,000 and is divided into 21,000,000 common no-par value shares with a pro rata share of capital stock of € 2.60 each. There are no longer different share classes. The Annual General Meeting of April 10, 2008, adopted a conversion of the preferred stock introduced at the time of the IPO into common stock with voting rights. 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:

Schuler-Beteiligungen GmbH, Göppingen	50.1%
Süddeutsche Beteiligung GmbH, Stuttgart	17.7%

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 third 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 (1) 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 (§ 6 (2) of the articles). 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, 2013, with the approval of the Supervisory Board, to raise the company's capital stock by up to a total of € 22,750,000.00 (in words: twenty-two million seven hundred and fifty thousand euros) 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 and/or preferred shares (authorized capital).

With the approval of the Supervisory Board, and in accordance with § 4 (3) of the company's articles, 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 € 4,550,000.00 (in words: four million five hundred and fifty thousand euros) (10% limit), in order to issue the new shares at an offering price which is not significantly less than the stock market price (§ 186 (3) sentence 4 AktG); for questions of utilizing the 10% limit, the exclusion of subscription rights is also to be considered on the basis of other authorizations pursuant to § 186 (3) sentence 4 AktG; the decisive stock market price shall be the average closing price of the company's share in XETRA trading (or any functionally equivalent successor to the XETRA system) of the Frankfurt Stock Exchange over the ten trading days preceding the setting of the share's offering price;

bb) exclude the subscription rights of shareholders up to a further pro rata share of capital stock totaling € 13,650,000.00 (in words: thirteen million six hundred and fifty thousand euros) 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. Pursuant to § 4 (3) of the company's articles, 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 syndicated loan agreement includes a standard change-of-control provision, according to which the syndicated banks can demand repayment of the loan if the members of the Schuler family hold less than 30% of voting stock or one shareholder (or several shareholders acting together) gains control of at least 30% of voting rights in Schuler AG and at the same time the members of the Schuler family hold less than 50% of voting stock.

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

Merger of American subsidiary Schuler Hydroforming Incorporated and Schuler Incorporated

As of October 1, 2008, the American subsidiary Schuler Hydroforming Incorporated was merged into Schuler Incorporated.

Outlook

Global economy

The global economy is in a very difficult phase at present. In view of recent events, it appears hardly possible to make any longer term forecasts. Economic experts are currently revising their short-term forecasts in ever shorter intervals. There is general agreement, however, that the global economy is likely to face recession in 2009. The controversial questions are merely how long this recession will last, and which countries it will affect to what extent. Several national governments have already launched programs to stimulate their local economies. Such decisions have at least succeeded in temporarily lifting the general market gloom, as could be clearly observed on the international stock markets.

The IMF's forecasts clearly indicate that there were already unmistakable signs of an economic downturn in 2008. A further decline is expected for 2009. A return to growth and prosperity is not expected before 2010.

Whereas economic growth was until recently at around 5% or more, the IMF expects global economic growth of just 3.7% for 2008, which is expected to fall to 2.2% in 2009. The best prospects for 2008 are expected in China, the USA and also Germany. In China, the IMF expects growth of 9.7% in 2008 – a significant decline compared with growth of 11.9% in 2007, but at almost 10% still remarkably high. Germany must expect a fall to 1.7% (after 2.5% in 2007), while the Euro zone as a whole is much more strongly affected with a fall from 2.6% to 1.2%. And for Japan, the IMF expects a fall to 0.5% even before the end of 2008 (following 2.1% in the previous year).

It is expected that the recession will be particularly noticeable in 2009. The IMF has forecast a negative development of GDP (gross domestic product) for several countries in 2009. For the USA, the Euro zone and Japan, GDP growth is expected to be negative in all cases.

GDP development	**2008** %	**2009** %
World	3.7	2.2
USA	1.4	-0.7
Euro zone	1.2	-0.5
Germany	1.7	-0.8
Japan	0.5	-0.2
China	9.7	8.5

Source: IMF forecast (November 2008)

Automotive sector: strong fall in output expected

The German automotive industry is heading toward its worst result since reunification some 20 years ago. The German Association of the Automotive Industry (VDA) expects a fall in sales to 3.1 million new registrations this year. Many car manufacturers have already reacted by stopping production, shedding jobs and introducing short time. The VDA recently announced that German car sales had fallen by 18% in November 2008 alone (compared with the same month last year) to around 233,800 vehicles. Even exports – the traditional motor of German manufacturers – fell to 328,500 cars in November (down 18% on the same month last year).

There are therefore few encouraging prospects for the automotive sector in general. Various car manufacturers are calling for state aid and recovery programs – similar to that provided to the banks. It is virtually impossible at present to make reliable forecasts for this sector as the effects of the global recession and of the planned economic stimulus programs cannot be foreseen.

We see the following prospects for Schuler's business in future: the merger of Schuler and Müller Weingarten in our fiscal year 2006/07 established the basic conditions for us to generate new growth. There are several key factors which will stimulate this growth: firstly, the innovative products which result from our increased engineering expertise. The two largest suppliers of presses, Schuler and Müller Weingarten, can now offer their customers a common and world-encompassing service network and an even larger portfolio of services. The Group's international alignment with »on-site service around the world« is a major competitive advantage. Secondly, an improved global presence – especially in Asia and Eastern Europe – promises further growth potential, also for our new machine business. In view of the global recession, this potential will be exploited initially in those areas of Asia, such as China, where significant economic growth is still expected. Against this backdrop, we plan for both our business segments – Forming Systems and Automation and Production Systems – to further stabilize our business volume and earnings over the next two years on the achieved level. Nevertheless, also Schuler's business will depend strongly on the general economic development in fiscal year 2008/09. This cannot be forecast sufficiently accurately at present, as it will depend greatly on the further development of the financial crisis and the implementation of the planned economic stimulus programs. We shall monitor the development of our international markets very closely in order to react as quickly as possible to changing economic conditions.

Göppingen, December 23, 2008

The Board of Management

Consolidated financial statements (IFRS)

for the fiscal year 2007/08
of Schuler Aktiengesellschaft, Göppingen

CONTENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

from October 1, 2007, to September 30, 2008, of Schuler Aktiengesellschaft, Göppingen

		Notes	2007/08 T€	2007/08 T€	2006/07 T€	2006/07 T€
1.	Sales	(1)	966,120		724,957	
2.	Changes in inventories of finished goods and work in progress		-25,324		8,790	
3.	Other own work capitalized		4,410		1,621	
4.	Other operating income	(2)	63,982	1,009,188	80,211	815,579
5.	Cost of materials	(3)	469,208		353,027	
6.	Personnel expenses	(4)	323,611		264,277	
7.	Depreciation and amortization of intangible and tangible assets	(5)	27,281		28,083	
8.	Other operating expenses	(6)	151,713	971,814	123,584	768,971
9.	**Operating result**			**37,374**		**46,608**
10.	Interest income		6,494		8,058	
11.	Interest expense		32,299		25,999	
12.	Other financial result		-627		-731	
13.	**Financial result**	(7)		**-26,432**		**-18,672**
14.	**Earnings before taxes**			**10,942**		**27,936**
15.	Income taxes	(8)		2,312		14,085
16.	**Consolidated net profit/loss**			**8,631**		**13,851**
	– of which attributable to shareholders of Schuler AG			8,330		13,770
	– of which attributable to minority interests			301		81
	Earnings per share in € (undiluted and diluted)	(9)				
	Earnings per common share			0.43		0.75
	Earnings per preferred share			n.a.		0.85

CONSOLIDATED BALANCE SHEET

as at September 30, 2008, of Schuler Aktiengesellschaft, Göppingen

	Notes	09/30/2008 T€	09/30/2007 T€
ASSETS			
A. Non-current assets			
1. Intangible assets	(10)	75,623	78,600
2. Property, plant and equipment	(11)	196,682	201,049
3. Interests in affiliates and participations	(12)	3,118	5,376
4. Income tax receivables		3,519	3,856
5. Other receivables and financial assets	(13)	14,333	18,065
6. Deferred tax assets	(8)	27,074	20,436
		320,349	**327,382**
B. Current assets			
1. Inventories	(14)	146,028	165,010
2. Trade receivables	(15)	121,961	108,382
3. Future receivables from long-term construction contracts	(16)	131,621	87,755
4. Income tax receivables		4,182	4,217
5. Other receivables and financial assets	(13)	55,037	45,227
6. Cash and cash equivalents	(17)	87,517	103,718
7. Non-current assets and disposal groups classified as held for sale	(18)	0	10,712
		546,347	**525,021**
		866,696	**852,403**

	Notes	09/30/2008 T€	09/30/2007 T€
LIABILITIES			
A. Equity	(19)		
1. Share capital		54,600	45,500
2. Capital reserves		92,169	66,977
3. Retained earnings		30,360	22,030
4. Accumulated other comprehensive income		412	12,266
Equity attributable to shareholders of Schuler AG		**177,541**	**146,773**
5. Minority interests	(20)	1,957	1,496
		179,498	**148,269**
B. Non-current liabilities			
1. Financial liabilities	(21)	143,555	152,629
2. Other liabilities	(22)	1,730	1,197
3. Pension provisions	(23)	74,045	73,725
4. Other provisions	(24)	27,424	38,461
5. Deferred tax liabilities	(8)	9,191	10,048
		255,945	**276,060**
C. Current liabilities			
1. Financial liabilities	(21)	74,250	93,621
2. Trade payables	(25)	92,115	80,181
3. Income tax liabilities		734	112
4. Other liabilities	(22)	168,255	141,994
5. Income tax provisions		1,399	1,749
6. Other provisions	(24)	94,501	110,345
7. Liabilities directly associated with non-current assets classified as held for sale	(18)	0	72
		431,253	**428,074**
		866,696	**852,403**

STATEMENT OF RECOGNIZED INCOME AND EXPENDITURE WITHIN THE SCHULER GROUP

for the fiscal year 2007/08

	2007/08 T€	2006/07 T€
Cash flow hedges:		
– changes in value recognized directly in equity	-4,518	13,892
– recognized in the profit and loss account	-12,712	-2,121
Change in fair value of securities (available-for-sale)	5	14
Deferred taxes not recognized in the profit and loss account	5,672	-3,901
Changes in currency translation differences relating to foreign Group companies	-140	-1,204
Income and expenditure recognized directly in equity	**-11,693**	**6,680**
Consolidated net profit/loss	**8,631**	**13,851**
Total income and expenditure recognized in the fiscal year	**-3,063**	**20,531**
– of which attributable to shareholders of Schuler AG	-3,524	20,550
– of which attributable to minority interests	461	-19

An explanation of equity is provided in notes (19) and (20).

CASH FLOW STATEMENT OF THE SCHULER GROUP

from October 1, 2007, to September 30, 2008

		2007/08 T€	2006/07 T€
	Consolidated net profit/loss	8,631	13,851
+/-	Depreciation, amortization and impairments/impairment reversals of non-current assets	27,969	28,519
+/-	Increase/decrease in provisions (less indemnity claims)	317	679
Gross cash flow		**36,916**	**43,049**
-/+	Profit/loss from disposal of non-current assets	-8,794	-30,813
-/+	Increase/decrease in inventories	20,544	-14,532
-/+	Increase/decrease in receivables and other assets not relating to investing or financing activities	-83,032	18,245
-/+	Decrease/increase in provisions (excluding pension provisions)	-27,195	-14,304
-/+	Decrease/increase in liabilities not relating to investing or financing activities	44,474	5,279
Cash flow from operating activities		**-17,087**	**6,924**
	Proceeds from disposals of tangible and intangible assets	19,538	47,478
-	Additions from capitalized development costs	-1,000	-1,291
-	Investments in other tangible and intangible assets	-21,986	-15,150
-	Proceeds for the acquisition of consolidated companies	-4,632	-22,546
-	Investments in financial assets	0	-75
Cash flow from investing activities		**-8,080**	**8,416**
	Increase in capital of Schuler AG	33,989	0
+	Proceeds from non-current financial liabilities	72,914	26,781
-	Redemption of non-current financial liabilities	-80,405	-33,365
+/-	Proceeds from/redemption of current financial liabilities	-14,202	36,796
-	Repayment of financial leases	-1,536	-2,457
Cash flow from financing activities		**10,760**	**27,755**
Change in cash and cash equivalents		-14,407	43,095
+/-	Change in cash and cash equivalents due to exchange rate fluctuations	-1,794	1,687
Net change in cash and cash equivalents		**-16,201**	**44,782**
+	Cash and cash equivalents at beginning of period	103,718	58,936
Cash and cash equivalents at end of period		**87,517**	**103,718**

The cash flow statement is explained in note (27).

General

Schuler Aktiengesellschaft (»Schuler AG«) is the management holding company of the Schuler Group; its registered office is 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 electrical industry, the household equipment industry and national mints.

The consolidated financial statements of Schuler AG as of September 30, 2008, were prepared in accordance with international accounting regulations, the International Financial Reporting Standards (IFRS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) mandatory in the EU as of the balance sheet date. In addition to the reporting obligations of IFRS, the company also observed the supplementary regulations of § 315a (1) German Commercial Code (HGB) and the articles of Schuler AG. The accounting and valuation principles applied correspond in the main with the methods used in the previous year. Moreover, all new and revised standards and interpretations were observed – insofar as they were relevant for Schuler – which were mandatory for fiscal years beginning on October 1, 2007:

- IAS 1 »Presentation of Financial Statements« – »Capital Disclosures«
- IFRS 7 »Financial Instruments: Disclosures«
- IFRIC 10 »Interim Financial Reporting and Impairment«
- IFRIC 11 »IFRS 2 – Group and Treasury Share Transactions«

Initial application of the two new or revised standards led to a significant expansion of the explanatory notes to the annual financial statements, especially with regard to financial instruments. Comparative information to the prior-year balance sheet date has been provided. The application of the two interpretations IFRIC 10 and 11, on the other hand, had no impact on the consolidated financial statements as of September 30, 2008.

The IASB passed the following new standard, which has already been endorsed by the European Union but whose application is not yet mandatory as of the balance sheet date and has not been prematurely applied by Schuler on a voluntary basis:

- IFRS 8 »Operating Segments«

The mandatory application of this standard beginning in fiscal year 2009/10 will not affect the recognition and valuation of the Group's assets and liabilities, but will impact the way financial information is published.

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.

Schuler AG took over Müller Weingarten AG, Weingarten, with effect from April 1, 2007. The companies belonging to the Müller Weingarten group were subsequently included in the consolidated annual financial statements of Schuler AG for fiscal year 2006/07 on the basis of a short fiscal year from April 1, 2007, to September 30, 2007. The prior-year figures – especially the profit and loss account – are thus only comparable with the corresponding figures of the Schuler Group in the period under review to a limited extent.

For the purposes of clarity, various items of the balance sheet and profit and loss account have been combined. These items are listed separately and explained in the notes. The profit and loss account was prepared according to the total cost method. Balance sheet items are presented according to maturity.

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

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. The parent company of Schuler AG is Schuler-Beteiligungen GmbH, Göppingen.

The present consolidated financial statements and Group management report are to be approved by the Board of Management on December 30, 2008, for submission to the Supervisory Board. They will be published after being examined and approved by the Supervisory Board on January 28, 2009.

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), 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 (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 amortized cost. This also included Müller Weingarten Corporation, Madison Heights/Michigan, USA, which sold its assets to Schuler Incorporated, Columbus/Ohio, USA, by means of an asset deal during the period under review and was subsequently dissolved.

The Schuler Group now comprises the following number of companies:

	09/30/2008	09/30/2007
Schuler AG and fully consolidated subsidiaries		
– Domestic	24	24
– Foreign	11	11
Subsidiaries carried at amortized cost		
– Domestic	14	14
– Foreign	9	10
	58	**59**

Principles of consolidation

The financial statements of domestic and foreign companies included in the consolidation are all prepared using standard accounting and valuation methods. These methods and the consolidation principles applied remain unchanged in respect of the previous year. In order to improve the informative value, the layout of intangible assets in the explanations to the balance sheet has been changed compared with its disclosure last year. The notes regarding pension obligations have also been amended in accordance with IAS 19.120A. In both cases, the prior-year figures were adjusted accordingly.

According to IFRS 3 all business combinations must be accounted for using the purchase method. Capital consolidation of subsidiaries being consolidated for the first time is performed at the date of acquisition by netting the purchase price and ancillary costs with the newly valued prorated net assets of the subsidiary. The assets, liabilities and contingent liabilities of the subsidiaries are measured at their full fair value, irrespective of the size of any minority interests. Intangible assets are disclosed separately from goodwill if they can be separated from the company or result from a contractual or other right. Restructuring provisions may not be formed as part of the purchase price allocation. Any excess of acquisition cost over net assets acquired is recognized as goodwill. Negative goodwill resulting from initial consolidation is booked as income.

According to IFRS 3 in conjunction with IAS 36, the values of capitalized goodwill are to be reviewed annually or on indication of any impairment by means of an impairment test. 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 the assigned goodwill is initially subjected to non-scheduled amortization by the amount of the difference. Any further devaluation needs are considered by a prorated reduction in the carrying amounts of the other non-current asset items. 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 and newly recognized at their respective fair values are depreciated in scheduled amounts over their expected useful lives.

Income and expenditure between consolidated companies is eliminated, as are payables and receivables; the same applies to the obligatory notes concerning liabilities and other financial obligations. The consolidated profit and loss account 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. Consolidation processes with an effect on the profit and loss account are carried as deferred taxes, whereby deferred tax assets and liabilities from individual consolidation measures are not netted.

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 items in foreign currencies are translated at the average of the buying and selling rates effective on the balance sheet date. The resulting exchange rate profits and losses are recognized in the profit and loss account.

Foreign companies belonging to the Schuler Group are generally treated as financially, economically and organizationally independent units. Their annual financial statements are thus translated into euros in accordance with the functional currency concept, pursuant to IAS 21. With the exception of equity, balance sheet items are thus translated at the average exchange rate on the balance sheet date. Equity, on the other hand, is translated at historical rates. Foreign currency translation differences resulting in the prior-year comparison are disclosed 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 as of the balance sheet date at the historic cost of the acquisition date in line with the transitional regulation IAS 21.59.

Income and expense items in the profit and loss account are translated into euros at average annual exchange rates.

The following exchange rates were mainly used for the translation of foreign currencies:

		Closing rate		Average rate	
		09/30/2008	**09/30/2007**	**2007/08**	**2006/07**
Currency	1 € =				
Great Britain	GBP	0.7961	0.6983	0.7676	0.6807
Switzerland	CHF	1.5785	1.6598	1.6192	1.6474
Czech Republic	CZK	24.6650	27.4750	25.3117	28.0121
USA	USD	1.4340	1.4187	1.5111	1.3384
Mexico	MXN	15.7800	15.5000	16.0192	14.8729
Brazil	BRL	2.8191	2.6150	2.5920	2.7114
PR China	CNY	9.8350	10.6484	10.6679	10.2932

Accounting principles and valuation methods

Intangible assets

Intangible assets are carried at their amortized cost of acquisition or conversion. With the exception of goodwill and acquired trademarks, all intangible assets 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	20 years
Technology-based intangible assets [1]	up to 20 years
Contract-based intangible assets	5 to 10 years

[1] *incl. acquired drawing rights*

Development expenses are capitalized if a newly developed product or process can be clearly identified, is technically feasible 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, whereby 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 not capitalized. Capitalized development costs are amortized from the start of production in scheduled amounts over the expected life cycle of the products. Research costs are entered as expenditure in the period in which they are incurred.

Due to their non-definable useful lives, goodwill and acquired trademarks are 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. In order to measure impairment, goodwill and trademarks are generally assigned to a particular segment as the cash generating unit. As of the balance sheet date, goodwill amounted to T€ 25,825 (prior year: T€ 25,825) for the Forming Systems segment and T€ 688 (prior year: T€ 688) for the Automation and Production Systems segment.

Trademarks disclosed in the balance sheet amount to T€ 4,341 (prior year: T€ 4,341). Of this total, the Forming Systems segment accounts for T€ 4,141 (prior year: T€ 4,141) and the Automation and Production Systems segment for T€ 200 (prior year: T€ 200). 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. Cash flows after the planning period are extrapolated without consideration of any growth rate. The forecasts are based on past experience and expectations of future market developments. Discounting is based on the weighted average cost of capital (WACC) after tax, taking into account the risk class assigned to the respective segment. In the period under review, these rates ranged from 7.6% to 8.7% (prior year: 7.5% to 8.4%). In the case of impairment, i.e. the carrying amount of the cash generating unit to which the assets less liabilities are assigned exceeds the calculated value in use, goodwill is subject to non-scheduled amortization.

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 are generally deducted from the acquisition or conversion cost of the subsidized asset. The cost of conversion comprises individual direct costs as well as prorated material and production overheads including depreciation and production-related administrative costs. Interest payments for borrowed capital are not capitalized, but carried as a current expense. Property, plant and equipment are depreciated using the straight-line method according to the asset's standard useful life. The remaining useful life is reviewed and adjusted where necessary on each balance sheet date.

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 corresponding reversal of impairment loss must be undertaken.

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

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 ownership are transferred to the respective Group company. In such cases, the respective property, plant and equipment is capitalized at acquisition or conversion cost, or the lower present value of the 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 profit and loss account (operating lease conditions). In such cases, the leased object is not capitalized in the Schuler Group.

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 and their fair value cannot be ascertained with reasonable effort. Lower fair values are used whenever there is any indication of such value. Changes in the carrying amounts are recognized directly in the profit and loss of the period.

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 profit and loss account are subjected to an impairment test on each balance sheet date. Any impairment charges resulting from the difference between the carrying amount and the lower fair value are expensed. 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, i.e. 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 profit and loss account, transaction costs directly attributable to the acquisition are accrued in the balance sheet. For subsequent valuation, current and non-current financial assets and liabilities are divided into the following categories in line with IAS 39:

- Financial assets measured at fair value through profit or 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 or 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. Sufficient valuation allowances for dubious receivables are formed to account for the risk of estimated losses from insolvency of contractual partners. Individual allowances are formed for expected default risks. 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 on a group basis are formed 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, 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 or 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 operating expenses, while reversals of valuation allowances and incoming payments for derecognized receivables are disclosed as other operating 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 equity under consideration of deferred taxes. In the case of asset disposals, the reserve is reversed with an effect on profit or loss. If objective indications of a permanent or significant impairment already existed at an earlier time, the impairments hitherto not reported in profit or loss are eliminated and disclosed in the profit and loss account for the period. The same applies to currency-based changes in the fair value of debt instruments. Reversals of impairment losses are only shown in the profit and loss account, 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. Insofar as their fair values cannot be reliably measured otherwise, the shares are recognized at amortized cost. If there are indications of impairment, this is recognized in the profit and loss account for the 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 or loss as interest income using the effective interest method. Dividends are recognized in the profit and loss account upon accrual of payment rights. Premiums or discounts are recognized in profit or loss over the term.

Financial liabilities generally substantiate claims for repayment to another party in cash or another financial asset. *Financial liabilities measured at amortized cost mostly* comprise financial liabilities – including financial lease liabilities in which Schuler is the lessee –, 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 profit and loss account. 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.

Originated financial instruments

The amount of originated financial instruments can be seen in the consolidated balance sheet 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 originated 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 balance sheet positions 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 on every subsequent balance sheet date. 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 balance sheet item or a firm obligation without effect on the balance sheet. In this case, both the hedging and underlying transaction are carried at fair value and both value adjustments are recognized in the profit and loss account.

Cash flow hedges serve to hedge against future cash flows 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. Unrealized profits and losses from hedging transactions as a result of changes in market values are first recognized (less a proportion for tax) in a special reserve without effect on the profit and loss account. They are not transferred to the profit and loss account with an effect on profit or loss until the hedged item has been realized. 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 on the balance sheet date 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.

Providing the criteria for a hedging relationship are met, 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 hedging relationship is judged as ineffective or the criteria for hedge accounting purposes are no longer met, it is immediately reversed with an effect on the profit and loss account.

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 percentage of completion of a particular order is measured on the basis of the ratio between costs incurred to date and the estimated total contract costs (cost-to-cost method). 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 expense are recognized in the profit and loss account 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 disclosed 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. Interest payments for borrowed capital are not included. 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

In accordance with IAS 12, deferred tax assets and liabilities are generally formed for temporary differences between tax-based and IFRS-based valuations of assets and liabilities. Deferred tax assets also always recognize 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 directly in equity are recognized in the relevant equity category and not in the profit and loss account.

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. 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.

Deferred tax assets and deferred tax liabilities are offset where taxes are levied by the same taxation authority and relate to the same tax period.

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 balance sheet date, but also includes future increases in salary and pensions. Actuarial gains and losses are recognized in the profit and loss account over the average remaining service period of employees receiving pensions, providing they exceed a corridor of 10% of the maximum obligation or plan assets. In the case of indemnity claims, these are offset as plan assets with pension obligations if they meet the criteria of IAS 19. The interest portion of the addition to provisions is disclosed in the financial result.

The effects from the phased increase in the retirement age brought about by the German Act to Adapt the Standard Retirement Age (RV-Altersgrenzenanpassungsgesetz) announced in 2007 are treated as actuarial gains as the new legislation does not result in any direct changes of the decisive factors and conditions for Schuler's pension plan and there is thus no need for immediate recognition as a negative past service cost.

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 valuation generally includes all cost elements which are capitalized in inventories – especially in the case of impending losses, subsequent costs and warranties.

Provisions not resulting directly in an outflow of resources in the following year are recognized at their settlement value discounted to the balance sheet date. Discounting is based on the relevant market interest rates. The settlement value also reflects cost increases expected at the balance sheet date. Provisions are not offset against claims for reimbursement.

Provisions are reviewed on an annual basis to ascertain whether and to what degree they are still permissible. If the grounds for forming the provision no longer apply, the provision is reversed. Should there be a change in the estimated size of the obligation, the amount of the provision is adjusted accordingly.

Liabilities

With the exception of derivative financial instruments, non-current liabilities are recorded at amortized cost in the balance sheet. 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, providing the fair value of the capitalized leasing object is not lower.

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

Income and expense recognition

Schuler recognizes sales revenue and other operating income only when the relevant service has been performed and the risk has thus passed to the customer. The exception to this principle are customer-based construction contracts, where the respective revenue is measured and disclosed according to the percentage-of-completion method. 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. State subsidies are generally deducted from the acquisition costs of the subsidized assets. Public sector expense grants are recognized at the time of the incurred expense as other operating income.

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 in accordance with IFRS regulations requires management to make certain assumptions about future events that affect 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 and trademarks, assumptions concerning the technical and economic ability to realize development projects, the standard definition of useful lives of items of property, plant and equipment, the profit development of construction contracts, the collectability of receivables and deferred taxes, the probability of fulfilling the conditions of the debtor warrant and the recognition and measurement of provisions. The judgements are based on estimates and assumptions that reflect the current state of available knowledge at the time the consolidated financial statements were prepared. This concerns, for example, individual factors such as discount rates, cash flows or future salary developments, cost estimates for customer projects, and above all an overall assessment of expected business development and the sector-specific environment. Developments that differ from these assumptions may result in amounts that 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 addition, deferred taxes carried in the balance sheet depend greatly on the tax rates passed by government and expectations regarding possible future use of tax losses. In the case of such diverging developments, the estimates and, where necessary, the carrying amounts of the assets and liabilities affected are adjusted.

Consolidated profit and loss account disclosures

(1) Sales

For segment reporting purposes, consolidated sales revenue is presented by the Group's business segments and regions. Revenue from long-term construction contracts calculated according to the PoC method amounts to T€ 464,279 (prior year: T€ 310,123). The service business accounted for sales revenue of T€ 225,014 (prior year: T€ 179,753).

(2) Other operating income

	2007/08 T€	2006/07 T€
Reversal/usage of provisions	27,016	27,225
Income from the disposal of fixed assets	9,254	31,267
Currency gains	10,793	985
Refunds of other taxes in Brazil [1]	3,461	5,046
Income from rent and leases	2,444	2,603
Other operating income	11,014	13,085
	63,982	**80,211**

[1] *Mainly sales-linked PIS (Programa de Integração Social), COFINS (Contribuição Social para o Financiamento da Seguridade Social) and IPI (Instituto Nacional do Seguro Social)*

In the period under review, income from the disposal of fixed assets includes profit from the sale of commercial real estate of Schuler Hydrap GmbH & Co. KG and the die casting division of Müller Weingarten AG amounting to T€ 5,965. Substantial special expenses (e.g. for the settlement of interests, relocation, losses from transferred inventory assets) incurred during the processing of this asset deal are carried in the relevant individual cost categories. The commercial real estate of Schuler France S. A. in Strasbourg, France, was also sold during the period under review, resulting in an accounting profit of T€ 2,921. Approximately 70% of usable space will be rented for a period of five years. In the previous year, income from the disposal of fixed assets included profit from the sale of commercial real estate of Schuler AG in Göppingen amounting to T€ 30,971.

(3) Cost of materials

	2007/08 T€	2006/07 T€
Expenses for raw materials, supplies and goods purchased	388,724	294,659
Expenses for services purchased	80,484	58,368
	469,208	**353,027**

(4) Personnel expenses

	2007/08 T€	2006/07 T€
Wages and salaries	270,318	218,826
Social security expenses	53,293	45,451
	323,611	**264,277**
– of which for pensions	1,620	2,138

The proportion of staff salary conversion to domestic defined contribution plans with a fixed defined benefit base amounting to T€ 812 disclosed under pensions in the previous year was reclassified as regular wages and salaries in accordance with IAS 19.120A (c) (iii).

The annual average number of employees developed as follows:

	2007/08	2006/07
Direct employees	3,228	2,692
Indirect employees	2,004	1,689
	5,232	**4,381**
Apprentices	326	235
	5,558	**4,616**

Following the introduction of the General Remuneration Agreement (Entgelt-Rahmenabkommen) in Germany, the previously used staff classifications of »salaried« and »non-salaried« have become obsolete. They have been replaced by the new classification of direct and indirect employees.

(5) Depreciation and amortization of intangible and tangible assets

	2007/08 T€	2006/07 T€
Intangible assets	4,915	5,067
Tangible assets	22,366	23,016
	27,281	**28,083**

In the fiscal year 2007/08, tangible and intangible assets were subject to non-scheduled depreciation of T€ 139 (prior year: T€ 3,655). They concern the technical and factory equipment of Schuler Hydroforming GmbH & Co. KG. In the period under review, there were no reversals of impairment losses (prior year: T€ 600).

(6) Other operating expenses

	2007/08 T€	2006/07 T€
Travel costs for machine assembly, other travel expenses	20,963	17,356
Packaging, outgoing freight costs, duties	18,214	13,075
Repairs, servicing, maintenance	15,505	13,367
Advertising, trade fair and exhibition costs, commissions	15,107	13,597
Rent and leasing	13,517	6,954
Other expenses	68,406	59,235
	151,713	**123,584**

Exchange rate losses included in other expenses amount to T€ 1,307 (prior year: T€ 1,151).

(7) Financial result

	2007/08 T€	2006/07 T€
Interest income	6,494	8,058
– of which from affiliated companies	146	58
Interest expense	32,299	25,999
– of which to affiliated companies	483	208
Interest result	**-25,805**	**-17,941**
Income from investments	61	304
– of which from affiliated companies	60	303
Amortization of financial assets	688	1,035
– of which for affiliated companies	688	1,035
Other financial result	**-627**	**-731**
Financial result	**-26,432**	**-18,672**

(8) Income taxes

	2007/08 T€	2006/07 T€
Current tax expense, Germany	1,222	-204
Current tax expense, abroad	2,582	298
Current income tax expense	**3,804**	**94**
– of which relating to other periods	-311	-2,860
Deferred taxes		
Creation and reversal of temporary differences	**-1,492**	**13,991**
Total tax expense	**2,312**	**14,085**

As of the balance sheet date, there were domestic corporate tax loss carryforwards amounting to T€ 183,964 (prior year: T€ 202,920) and trade tax carryforwards of T€ 227,694 (prior year: T€ 243,903). Tax loss carryforwards of non-German Group companies amount to T€ 31,419 (prior year: T€ 15,784). The total amount includes loss carryforwards of T€ 262,984 (prior year: T€ 280,992) deemed non-usable (corporate tax T€ 109,915 (prior year: T€ 114,218), trade tax T€ 152,470 (prior year: T€ 156,157), foreign income taxes T€ 599 (prior year: T€ 10,617)). Of this amount, T€ 262,385 (prior year: T€ 270,376) can be carried forward indefinitely, while T€ 0 (prior year: T€ 1,432) of foreign Group companies can be used within the next two fiscal years and a further T€ 599 (prior year: T€ 9,184) can be used to reduce tax within a period of up to five (prior year: 20) years.

No deferred tax claims were capitalized for deductible temporary differences amounting to T€ 659 (prior year: T€ 1,804).

In order to calculate the expected tax expense, profit before tax is multiplied by a tax rate of 30% (prior year: 38%). This figure comprises corporation tax (15%), the solidarity surcharge (5.5% of corporation tax) and trade tax (14%). Following the introduction of the German Corporation Tax Law 2008, trade tax is no longer deductible for the calculation of corporation tax.

As in the previous year, the nominal income tax rates valid at year-end for the Group's foreign subsidiaries were between 12.5% and 34%.

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

	2007/08 T€	2006/07 T€
Result before income taxes	10,942	27,936
Income tax rate	30.0%	38.0%
Expected income taxes	**3,283**	**10,616**
Tax-free income	-393	-436
Non-deductible expenses	1,178	131
Current tax expense relating to other periods	-311	-2,860
Non-capitalized deferred taxes for temporary differences and tax loss carryforwards	2,433	2,450
Subsequent capitalization of deferred taxes for temporary differences and tax loss carryforwards	-3,262	-1,617
Use of loss carryforwards (not capitalized in previous years)	-219	-193
Deviation from foreign tax rates	-374	-255
Effects from tax rate changes	0	6,397
Other	-24	-148
Disclosed income taxes	**2,312**	**14,085**
Effective tax rate	21.1%	50.4%

In addition to the deferred taxes included in the profit and loss account with an effect on earnings, deferred tax liabilities of T€ -1,328 (prior year: T€ 4,344) in connection with the market valuation of cash flow hedges and available-for-sale securities were offset directly with the respective reserves as of the balance sheet date without an effect on profit or loss.

The following deferred tax assets and liabilities in the balance sheet refer to recognition and valuation differences between tax balance sheets and the consolidated balance sheet for individual items and to capitalized tax carryforwards:

	Deferred tax assets		Deferred tax liabilities	
	09/30/2008	**09/30/2007**	**09/30/2008**	**09/30/2007**
	T€	T€	T€	T€
Non-current assets	3,089	4,130	15,832	18,961
Inventories and receivables	555	1,822	26,079	20,878
Tax loss carryforwards	68,295	70,570	–	–
Other assets	9,427	3,466	861	5,043
Pension provisions	490	2,549	2,767	555
Other provisions	6,762	8,585	2,194	1,879
Liabilities	24,149	16,946	6,720	6,297
Gross value	**112,767**	**108,068**	**54,453**	**53,613**
Non-capitalized deferred tax assets	-40,431	-44,067	–	–
Offsetting	-45,263	-43,565	-45,263	-43,565
Balance sheet recognition	**27,074**	**20,436**	**9,190**	**10,048**

As part of the merger of operating business in the USA, Schuler Incorporated, Columbus/Ohio, acquired a usable tax loss carryforward amounting to T€ 241 net from the non-consolidated company Müller Weingarten Corporation, Madison Heights/Michigan, by means of an asset deal. In the period under review, an amount of T€ 5,672 (prior year: T€ -3,901) was recognized directly in equity from changes in deferred taxes without an effect on profit or loss. In addition, deferred taxes of T€ 303 were recognized in capital reserves as a result of the tax deductibility of capital increase costs. Currency translation differences without effect on profit or loss in connection with deferred taxes of foreign subsidiaries amounted to T€ -213 (prior year: T€ -71). All other changes were recognized in the profit and loss account.

(9) Earnings per share

Earnings per share are calculated as the ratio of profit or loss attributable to shareholders of Schuler AG and the weighted average number of no-par value shares outstanding during the fiscal year. This ratio may be diluted by so-called »potential shares« (mainly stock options and convertible bonds). Despite the approval of the stock option program 2008 by the executive bodies of Schuler AG, there were no potentially diluting shares due to a lack of allocation and acceptance of the options as of the balance sheet date. The diluted earnings per share figure is therefore still identical with that of undiluted earnings per share.

The calculation of earnings per common and preferred share in the previous year took consideration of the statutory dividend preference amounting to € 0.10. Following the conversion of all preference shares to common shares in the period under review (see note (19)), there is now only one class of share and thus a single earnings per share figure will be reported from now on. The capital increase placed in the period under review amounting to 3,500,000 no-par value shares has been considered pro rata temporis from the expiry of the subscription period for the calculation of the average number of outstanding shares.

	2007/08 T€	2006/07 T€
Group profit or loss	8,631	13,851
Profit attributable to minority interests	-301	-81
Profit attributable to shareholders of Schuler AG	**8,330**	**13,770**
Weighted number of shares outstanding:		
Common shares (number)	19,211,111	10,500,000
Preferred shares (number)	n. a.	7,000,000
Earnings per common share (€)	**0.43**	**0.75**
Earnings per preferred share (€)	**n. a.**	**0.85**

Balance sheet disclosures

(10) Intangible assets

Changes in intangible assets between October 1, 2007, and September 30, 2008

	Customer-based intangible assets and trademarks T€	Technology-based intangible assets and trademarks T€	Capitalized development costs T€	Contract-based intangible assets T€	Goodwill T€	**Total** T€
Cost of acquisition/conversion						
Balance at October 1, 2007	**24,713**	**17,711**	**7,975**	**36,700**	**38,309**	**125,408**
Foreign exchange differences	-	-	-174	-152	-	-326
Additions	150	-	1,000	1,103	-	2,253
Transfers	-	-	-	19	-	19
Disposals	-	-	92	2,713	-	2,804
Balance at September 30, 2008	**24,863**	**17,711**	**8,710**	**34,958**	**38,309**	**124,551**
Amortization and impairment						
Balance at October 1, 2007	**509**	**489**	**4,901**	**29,113**	**11,796**	**46,808**
Foreign exchange differences	-	-	-104	-69	-	-173
Additions	1,019	1,023	696	2,177	-	4,915
Disposals	-	46	9	2,567	-	2,622
Balance at September 30, 2008	**1,528**	**1,466**	**5,484**	**28,654**	**11,796**	**48,928**
Carrying amount						
Balance at October 1, 2007	**24,204**	**17,222**	**3,074**	**7,587**	**26,513**	**78,600**
Balance at September 30, 2008	**23,335**	**16,245**	**3,226**	**6,304**	**26,513**	**75,623**

Changes in intangible assets between October 1, 2006, and September 30, 2007

	Customer-based intangible assets and trademarks T€	Technology-based intangible assets and trademarks T€	Capitalized development costs T€	Contract-based intangible assets T€	Goodwill T€	**Total** T€
Cost of acquisition/conversion						
Balance at October 1, 2006	**-**	**-**	**4,439**	**22,614**	**31,480**	**58,533**
Change in consolidated group	24,713	20,461	2,599	13,353	6,829	67,955
Foreign exchange differences	-	-	99	5	-	104
Additions	-	-	1,291	698	-	1,989
Transfers	-	-	-	121	-	121
Disposals	-	-	-	38	-	38
Reclassification to assets and disposal groups held for sale	-	-2,750	-453	-53	-	-3,256
Balance at September 30, 2007	**24,713**	**17,711**	**7,975**	**36,700**	**38,309**	**125,408**
Amortization and impairment						
Balance at October 1, 2006	**-**	**-**	**2,499**	**15,632**	**11,796**	**29,927**
Change in consolidated group	-	-	366	11,657	-	12,023
Foreign exchange differences	-	-	59	-3	-	56
Additions	509	627	2,019	1,912	-	5,067
Disposals	-	-	-	36	-	36
Reclassification to assets and disposal groups held for sale	-	-138	-42	-49	-	-229
Balance at September 30, 2007	**509**	**489**	**4,901**	**29,113**	**11,796**	**46,808**
Carrying amount						
Balance at October 1, 2006	**-**	**-**	**1,940**	**6,982**	**19,684**	**28,606**
Balance at September 30, 2007	**24,204**	**17,222**	**3,074**	**7,587**	**26,513**	**78,600**

On March 14, 2008, Schuler AG negotiated a syndicated loan agreement with a consortium of banks and credit insurers with a volume of € 450 million. In connection with this agreement, the Schuler Group is required to provide collaterals, which 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 balance sheet values of the assets concerned but not the actual amount borrowed as of the balance sheet date. The provision of collateral resulted in restricted right of use amounting to T€ 47,798 (prior year: T€ 8,778).

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

	2007/08	**2006/07**
	T€	T€
Research costs and non-capitalized development costs	4,853	4,071
Amortization of capitalized development costs	696	2,019
R&D costs recognized in the profit and loss account	**5,549**	**6,090**

In addition to the amortization of capitalized development costs, the research and development costs recognized in the profit and loss account 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 2007/08 amounting to T€ 1,000 (prior year: T€ 1,291) fulfilled the conditions for capitalization pursuant to IAS 38.

In fiscal year 2007/08, government grants of T€ 92 (prior year: T€ 53) were received for research and development activities and offset from acquisition costs. They will be reversed in line with the useful life of the respective asset. Other government grants for research and development purposes amounting to T€ 146 (prior year: T€ 83) were carried directly as other operating income.

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 charged as project costs (= cost of sales).

(11) Property, plant and equipment

Changes in property, plant and equipment between October 1, 2007, and September 30, 2008

	Land, land rights and buildings, including buildings on third-party land	Technical equip-ment and machinery	Other equip-ment, factory and office equipment	Assets under construction	**Total**
	T€	T€	T€	T€	T€
Cost of acquisition/conversion					
Balance at October 1, 2007	**199,778**	**229,497**	**100,480**	**6,853**	**536,608**
Foreign exchange differences	324	-774	-487	-15	-953
Additions	3,209	7,691	5,384	4,449	20,733
Transfers	2,751	3,150	291	-6,212	-19
Disposals	526	6,530	9,325	337	16,719
Balance at September 30, 2008	**205,536**	**233,033**	**96,343**	**4,738**	**539,650**
Amortization and impairment					
Balance at October 1, 2007	**81,207**	**170,709**	**83,643**	**-**	**335,559**
Foreign exchange differences	-54	-630	-434	-	-1,118
Additions	5,981	11,766	4,619	-	22,366
Disposals	460	4,397	8,984	-	13,840
Balance at September 30, 2008	**86,675**	**177,449**	**78,843**	**-**	**342,968**
Carrying amount					
Balance at October 1, 2007	**118,571**	**58,788**	**16,837**	**6,853**	**201,049**
– of which leased assets	-	5,435	8	-	5,443
Balance at September 30, 2008	**118,861**	**55,584**	**17,499**	**4,738**	**196,682**
– of which leased assets	-	1,869	2	-	1,871

Changes in property, plant and equipment between October 1, 2006, and September 30, 2007

	Land, land rights and buildings, including buildings on third-party land	Technical equip-ment and machinery	Other equip-ment, factory and office equipment	Assets under construction	**Total**
	T€	T€	T€	T€	T€
Cost of acquisition/conversion					
Balance at October 1, 2006	**159,508**	**126,803**	**63,208**	**649**	**350,168**
Change in consolidated group	84,791	102,313	39,832	5,474	232,410
Foreign exchange differences	-1,171	-136	90	-66	-1,283
Additions	416	3,801	3,531	6,704	14,452
Transfers	3,256	1,867	361	-5,605	-121
Disposals	36,606	3,633	5,605	303	46,147
Reclassification to assets and disposal groups held for sale	-10,416	-1,518	-937	-	-12,871
Balance at September 30, 2007	**199,778**	**229,497**	**100,480**	**6,853**	**536,608**
Amortization and impairment					
Balance at October 1, 2006	**67,221**	**92,989**	**54,738**	**-**	**214,948**
Change in consolidated group	34,048	70,955	31,000	-	136,003
Foreign exchange differences	-219	21	90	-	-108
Additions	8,448	10,983	3,585	-	23,016
Disposals	21,448	2,866	5,171	-	29,485
Reversal of impairment losses	-600	-	-	-	-600
Reclassification to assets and disposal groups held for sale	-6,243	-1,373	-599	-	-8,215
Balance at September 30, 2007	**81,207**	**170,709**	**83,643**	**-**	**335,559**
Carrying amount					
Balance at October 1, 2006	**92,287**	**33,814**	**8,470**	**649**	**135,220**
– of which leased assets	2,404	7,325	-	-	9,729
Balance at September 30, 2007	**118,571**	**58,788**	**16,837**	**6,853**	**201,049**
– of which leased assets	-	5,435	8	-	5,443

Restricted right of use regarding property, plant and equipment amounts to T€ 156,590 (prior year: T€ 122,637).

Various Schuler Group companies are the lessees of assets under financial leases in the field of technical equipment and machinery and factory equipment. The agreed purchase options are likely to be exercised. In addition, there are operating leases mainly concerning the use of real estate assets at the Göppingen facility as well as vehicles and of IT hardware and software. 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 as of the balance sheet date in the table below:

	Due			**09/30/2008**
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Future payments for finance leases	767	1,272	0	2,039
Interest component	81	49	0	130
Carrying/present amount	**686**	**1,223**	**0**	**1,909**
Future minimum payments for operating leases	11,360	33,290	81,706	126,356

	Due			**09/30/2007**
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Future payments for finance leases	1,634	2,134	0	3,768
Interest component	167	140	0	307
Carrying/present amount	**1,467**	**1,994**	**0**	**3,461**
Future minimum payments for operating leases	10,535	29,456	81,036	121,027

In the period under review, payments recognized in the profit and loss account for operating leases amount to T€ 13,517 (prior year: T€ 6,954). The increase was due mainly to a sale-and-rent-back transaction concluded in September 2007 concerning commercial real estate assets of Schuler AG in Göppingen. The lease has a total term of 20 years. In the period under review, the rent amounted to T€ 4,948. There were no expenses for contingent rents.

The Group also leases self-produced machines and equipment to its customers under operating lease agreements. Straight-line depreciation is applied with useful lives of ten to forty years. As of September 30, 2008, acquisition and conversion costs amount to T€ 27,013 (prior year: T€ 27,045) – converted using average rates on the balance sheet date; depreciation amounts converted at the annual average rate in the period under review totaled T€ 1,813 (accumulated T€ 21,159, prior year: T€ 19,370). After accounting for currency translation differences belonging to annual depreciation (T€ -3, prior year: T€ 4), the carrying amount as of September 30, 2008, amounts to T€ 5,851 (prior year: T€ 7,679).

The following payments are expected to be received from these operating leases with third parties over the coming years:

	Due			**09/30/2008**
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Future payments received from operating leases	1,849	3,558	0	5,407

	Due			**09/30/2007**
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Future payments received from operating leases	1,846	5,409	0	7,255

(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 2007/08, these available-for-sale financial assets were written down by T€ 688 (prior year: T€ 1,035) and charged to the profit and loss account as their impairment was either permanent or significant.

(13) Non-current and current other receivables and financial assets

	Remaining term		09/30/2008	Remaining term		09/30/2007
	up to 1 year T€	over 1 year T€	Total T€	up to 1 year T€	over 1 year T€	Total T€
Receivables from other taxes	24,920	7,441	32,361	15,289	6,222	21,511
Positive fair values of derivatives	1,867	1,003	2,870	9,462	5,362	14,824
Payments on account	12,372	0	12,372	10,429	0	10,429
Asset values	1,193	173	1,366	391	1,308	1,699
Marketable securities	803	0	803	619	0	619
Other non-financial assets	5,577	3,820	9,397	2,763	122	2,884
Other financial assets	8,306	1,896	10,201	6,275	5,051	11,326
	55,037	**14,333**	**69,370**	**45,227**	**18,065**	**63,292**

There are no restrictions on title or right of use in respect of the disclosed other receivables and 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€ 638 as of the balance sheet date (prior year: T€ 816).

Marketable securities are interest-bearing securities of domestic issuers and allocated to the »available-for-sale« category.

Valuation allowances for other financial assets developed as follows:

	2007/08 T€	2006/07 T€
Valuation allowances as at Oct. 1	**361**	**302**
Change in consolidated group	0	287
Additions	419	0
Utilization	33	26
Reversals	109	205
Exchange rate effects and other changes	-1	3
Valuation allowances as at Sep. 30	**638**	**361**

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

	09/30/2008 T€	09/30/2007 T€
Neither impaired nor past due as at the closing date	14,768	27,623
Not impaired at the closing date and past due in the following time periods:		
– less than 3 months	275	247
– between 3 and 6 months	2	40
– between 6 and 9 months	30	2
– between 9 and 12 months	87	462
– over 12 months	77	51
	472	802
Valuation allowances to individual other receivables and other financial assets (net)	0	43
Carrying amount	**15,240**	**28,467**

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 other receivables and financial assets mainly correspond to their fair values: foreign exchange receivables are generally translated at the exchange rate valid on the balance sheet date; derivatives are valued by means of option pricing models incorporating market values valid on the balance sheet date; credit risk is accounted for by means of valuation allowances; and non-current, non-interest-bearing receivables are discounted.

(14) Inventories

	09/30/2008 T€	09/30/2007 T€
Raw materials, consumables and supplies	41,728	36,018
Work in progress	94,010	120,384
Finished goods and purchased merchandise	10,291	8,608
	146,028	**165,010**

In the period under review, valuation allowances for raw materials, consumables and supplies amounting to T€ 1,252 (prior year: T€ 914), as well as reversals of valuation allowances amounting to T€ 523 (prior year: T€ 715), were recognized as material expenses in the profit and loss account. The devaluation of unfinished and finished goods booked as a reduction in inventories amounts to T€ 8,982 (prior year: T€ 12,835). Of the total inventories, a volume of T€ 29,746 (prior year: T€ 37,577) is recognized at net realizable value.

Restricted right of use from the provision of collateral amounts to T€ 109,093 (prior year: T€ 59,340).

(15) Trade receivables

	09/30/2008 T€	09/30/2007 T€
Trade receivables from third parties	118,191	104,322
– affiliated companies	3,708	3,837
– companies in which an investment is held	62	223
	121,961	**108,382**

Trade receivables contain an amount of T€ 125 (prior year: T€ 334) with a remaining term of over one year.

Valuation allowances for trade receivables developed as follows:

	2007/08 T€	2006/07 T€
Valuation allowances as at Oct. 1	**8,723**	**2,453**
Change in consolidated group	0	5,300
Additions	1,452	4,482
Utilization	451	3,339
Reversals	2,880	183
Exchange rate effects and other changes	12	10
Valuation allowances as at Sep. 30	**6,856**	**8,723**

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

	09/30/2008 T€	09/30/2007 T€
Neither impaired nor past due as at the closing date	77,141	70,004
Not impaired at the closing date and past due in the following time periods:		
– less than 3 months	31,655	30,239
– between 3 and 6 months	5,297	2,507
– between 6 and 9 months	1,978	293
– between 9 and 12 months	1,478	749
– over 12 months	461	361
	40,870	34,148
Valuation allowances to individual trade receivables (net)	3,951	4,230
Carrying amount	**121,961**	**108,382**

An amount of T€ 2,205 (prior year: T€ 4,673) was charged to the profit and loss account 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 balance sheet. 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€ 81,999 (prior year: T€ 30,921). The parties concerned have no rights to sell or pledge the collateral provided.

(16) Future receivables from long-term construction contracts

	09/30/2008 T€	09/30/2007 T€
Contract costs incurred, including partial profits	406,770	318,628
Payments received on account for construction contracts not yet invoiced	-341,927	-268,108
Impending loss provisions	-6,359	-17,972
Future receivables from long-term construction contracts, net	**58,485**	**32,548**
– of which contracts with net receivables	131,621	87,755
– of which contracts with net payables	73,136	55,207

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 for which 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€ 127,779 (prior year: T€ 17,461). 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€ 87,517 (prior year: T€ 103,718) include bank balances (T€ 87,410, prior year: T€ 103,415), as well as checks and cash in hand (T€ 107, prior year: T€ 303). As of the balance sheet date, the average effective interest rate for short-term bank deposits amounted to 4.51% (prior year: 4.03%) in EUR, to 1.56% (prior year: 4.50%) in USD, to 11.62% (prior year: 11.25%) in BRL, to 1.93% (prior year: 2.45%) in CNY, to 1.15% (prior year: 0.12%) in CHF, and to 3.86% (prior year: 4.75%) in GBP. These deposits have terms of between one and 77 days. As of the balance sheet date, account balances totalling T€ 19,864 (prior year: T€ 0) were provided as collateral for obligations from semi-retirement agreements, as well as in connection with the syndicated loan agreement.

(18) Assets and liabilities of a disposal group

On September 26, 2007, the Supervisory Board of Schuler AG approved the Board of Management's resolution to sell a group of assets and directly related Group liabilities in a joint transaction. The assets comprised commercial real estate belonging to Schuler Hydrap GmbH & Co. KG in Plüderhausen, Germany, as well as asset and debt positions pertaining to the die casting technology division of Müller Weingarten AG (Esslingen facility) and to Theta-Centaurus-Vermögensverwaltungs-GmbH in Weingarten, Germany. The transaction was completed in fiscal year 2007/08, the Plüderhausen facility was closed and the registered offices of Schuler Hydrap GmbH & Co. KG were relocated to Esslingen to utilize vacant capacities.

(19) Equity

	Shareholders of Schuler AG							Minority interests	**Total**
				Accumulated other comprehensive income					
	Share capital	Capital reserves	Retained earnings	Currency translation	Unrealized profits/ losses from cash flow hedges	Market value of securities (available-for-sale)	Equity	Equity	Consoli-dated equity
	T€	T€	T€	T€	T€	T€	T€	T€	T€
Balance at Oct. 1, 2006	**45,500**	**36,400**	**8,259**	**4,645**	**842**	**-**	**95,646**	**1,503**	**97,149**
Other contribution Schuler AG	-	30,577	-	-	-	-	30,577	-	30,577
Change in consolidated group	-	-	-	-	-	-	-	11	11
Valuation changes recognized directly in equity	-	-	-	-1,105	7,874	10	6,779	-100	6,680
Group profit or loss 2006/07	-	-	13,770	-	-	-	13,770	81	13,851
Balance at Sep. 30, 2007	**45,500**	**66,977**	**22,030**	**3,539**	**8,716**	**10**	**146,773**	**1,496**	**148,269**
Capital increase Schuler AG	9,100	25,192	-	-	-	-	34,292	-	34,292
Valuation changes recognized directly in equity	-	-	-	-301	-11,556	3	-11,854	160	-11,693
Group profit or loss 2007/08	-	-	8,330	-	-	-	8,330	301	8,631
Balance at Sep. 30, 2008	**54,600**	**92,169**	**30,360**	**3,238**	**-2,840**	**13**	**177,541**	**1,957**	**179,498**

Share capital

The Annual General Meeting (AGM) of Schuler AG on March 29, 2007, authorized the Board of Management, with the approval of the Supervisory Board, to raise capital stock until December 31, 2011, by up to a total of € 18,200,000.00 either in one or several new issues of new common and/or preferred shares for cash contribution (authorized capital). On the basis of this authorization, the Board of Management of Schuler AG adopted a resolution on March 17, 2008, with the approval of the Supervisory Board of the same day, to raise the capital stock of Schuler AG by € 9,100,000.00 from € 45,500,000.00 to € 54,600,000.00 for cash contribution by issuing up to 3,500,000 new preferred no-par value shares made out to the bearer with full dividend rights for the fiscal year 2007/08. The new preferred shares were offered for subscription to shareholders of Schuler AG in the period March 20, 2008, to April 4, 2008, by means of an indirect subscription right pursuant to § 186 (5) AktG (German Stock Corporation Law) in the ratio of 5:1. The subscription price per preferred share amounted to € 10.00. The capital increase was completed in the full amount of 3,500,000 new preferred shares and entered in the Commercial Register of the District Court of Ulm on April 8, 2008.

The AGM and the extraordinary meeting of preferred shareholders of Schuler AG on April 10, 2008, resolved to convert the preferred stock without voting rights into common stock with voting rights by canceling the preference and making corresponding changes to the articles of Schuler AG. This also affected the newly created preferred shares. The conversion of preferred stock into common stock was made effective when entered in the Commercial Register of the District Court of Ulm on June 19, 2008.

A number of preferred shareholders brought actions contesting the resolutions of the AGM 2008. The dispute was ended on June 13, 2008, with a settlement in court, which also involved a renouncement by Schuler-Beteiligungen GmbH of its entitlement to a share of future dividends distributed by Schuler AG based on the old common shares it owns. This is the reason why the old common shares are still listed under their own stock identification number or ISIN.

Share capital thus amounts to € 54,600,000.00 (prior year: € 45,500,000.00). It is divided into 21,000,000 no-par-value common shares. Each share thus has a notional share of nominal capital amounting to € 2.60. The shares are made out to the bearer, the capital is paid up in full.

Authorized capital

On the basis of a resolution adopted by the AGM and the extraordinary meeting of preferred shareholders of Schuler AG on April 10, 2008, the Board of Management is authorized until March 31, 2013, with the approval of the Supervisory Board, to raise the company's capital stock by up to a total of € 22,750,000.00 (in words: twentytwo million seven hundred and fifty thousand euros) 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 and/or preferred shares (authorized capital). The authorization also entitles the Board of Management to issue preferred stock with the same rights as the previously issued preferred stock with regard to the distribution of profit and the company's assets. 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 € 4,550,000.00 (in words: four million five hundred and fifty thousand euros) (10% limit), in order to issue the new shares at an offering price which is not significantly lower than the stock market price (§ 186 (3) sentence 4 AktG);

bb) exclude the subscription rights of shareholders up to a further pro rata share of capital stock totaling € 13,650,000.00 (in words: thirteen million six hundred and fifty thousand euros) 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.

No new shares were issued in the period under review on the basis of this new authorization.

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 (in words: one million eight hundred and twenty thousand euros) 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.

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 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.

On the basis of the authorization provided by the Annual General Meeting, the Supervisory Board adopted the following main details concerning the granting of stock options and further exercise conditions at its meeting of September 23, 2008:

- *Vesting*
  (a) The subscription rights of each tranche become vested after a period of two years following the issue date of this tranche – providing there are no contractual provisions to the contrary in favor of the beneficiary.

  (b) An expiry of vested subscription rights following the vesting period can only occur in the following explicitly defined cases.

- *Expiry on termination of the service or employment contract*
  (a) Subscription rights of a beneficiary which are not yet vested expire on condition of the following without compensation in every case on termination of the service or employment contract of the beneficiary, irrespective of the reason for the termination of the service or employment contract. The expiry date is the day on which the service or employment contract ends. This does not affect the provisions of the following letter (b).

  (b) Subscription rights which were already vested before the expiry date or which become vested before the expiry date, but which were not exercised, or could not be exercised by the respective beneficiary before the expiry date, continue to exist provided that aa) the term of these subscription rights had not yet expired by the expiry date and

bb) the service or employment contract had not been terminated by the company, or could have been terminated, for a significant reason set by the beneficiary.

Otherwise, these subscription rights also expire without compensation. If vested subscription rights remain, they can and must be exercised by the respective beneficiary during the first possible exercise period in which all exercise conditions are met by these subscription rights and the term of the subscription rights has not yet expired. The company will inform the respective beneficiary in writing that the exercise conditions have been met before the respective exercise period begins. If subscription rights are not exercised during this exercise period, they also expire without compensation.

(c) The same applies if a beneficiary should die, on condition that subscription rights which had previously become vested, but which had not yet been exercised or were not yet exercisable, can and must be exercised by the heirs and/or legatees of the deceased beneficiary within the two next possible exercise periods following death in which all exercise conditions are met by these subscription rights and the term of the subscription rights has not yet expired. Otherwise, these subscription rights also expire without compensation. Several heirs and/or legatees can only assert their rights vis-à-vis the company accruing from the bequeathed or inherited subscription rights via a common trustee for all heirs and/or legatees. All heirs and/or legatees must jointly inform the company in writing of their nomination of a common trustee.

(d) In the case of occupational or professional disability, retirement or termination of the service contract by mutual consent, the Supervisory Board may provide for special arrangements in favor of the beneficiary concerned. The performance target may not be reduced, however, and the two-year vesting period may not be shortened.

– *Ability to assign/exercise rights*
Subscription rights granted to the beneficiaries under the stock option program 2008 cannot be transferred. All disposals of subscription rights, granting of subshares, pledging of subscription rights and setting up of a trust for subscription rights are forbidden. The same applies to legal transactions whose economic

result leads to the sale or encumbrance of subscription rights. Should a beneficiary dispose of his subscription rights in violation of the above regulations, they shall expire without compensation.

- *Expiry on end of term*
  If subscription rights are not exercised or could not be exercised before the end of their term, they expire without compensation. This also applies to vested subscription rights.
- *Implementation of capital increase*
  Shares are always issued directly after the entitled exercise of subscription rights.
- *Dividend rights*
  The new shares participate in profits from the beginning of the fiscal year in which they were issued.
- *Taxation*
  All taxes which become due as a result of the granting or exercising of subscription rights or the sale by the beneficiary of shares acquired by exercising subscription rights, are borne by the beneficiary.

At its meeting on September 23, 2008, the Supervisory Board decided to offer the members of the Board of Management 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. The corresponding balance sheet recognition thus occurs after each individual offer and declaration of acceptance by the beneficiaries from fiscal year 2008/09 onward. In accordance with IFRS 2, the total value of each tranche on the offering day is calculated with the aid of an option pricing model. It is recognized as a personnel expense, spread over the vesting period, while the opposing position is made directly in equity (capital reserves).

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€ 25,192 in fiscal year 2007/08. This amount resulted from the share premium gained during the capital increase (T€ 25,900), less the attributable transaction costs (T€ 1,011) and plus the deferred tax asset (T€ 303) on these tax-deductible costs.

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

Changes in fair values from cash flow hedges, from the market valuation of available-for-sale securities – after accounting for respective deferred taxes – and currency translation differences arising from the calculation of foreign financial statements are disclosed under Accumulated other comprehensive income.

Profit participation rights

On the basis of a resolution adopted by the AGM of April 7, 2005, the Board of Management is authorized, with the approval of the Supervisory Board, to issue individual or several profit participation rights with a total nominal amount of up to T€ 30,000. The Board of Management is only authorized to issue profit participation rights without conversion or subscription rights to preferred shares of the company. The authorization can be exercised wholly or in partial amounts, once or several times, in order to pursue one or several objectives; it is limited until April 6, 2010. When issuing the profit participation rights, the Board of Management can exclude the subscription rights of shareholders, providing the profit participation rights do not grant a share of liquidation proceeds and providing – subject to participation in balance sheet losses – the amount of interest is not based on the size of the net income, the balance sheet profit, the dividend or any other of the company's key performance indicators and is at the usual market rate. Issue is made for consideration, which must at least correspond to the nominal amount of the profit participation rights. The Board of Management, with the approval of the Supervisory Board, shall determine all other details concerning the issuance amount, maturity and interest as well as the terms of the profit participation rights.

No profit participation rights were issued in the period under review.

Disclosures on capital management

Capital management primarily aims to achieve a satisfactory equity ratio for the Group of at least 25% in the medium term in order to secure the continued existence of the company, to raise shareholder value and to utilize growth opportunities. It is measured on the basis of equity capital disclosed in the balance sheet.

	09/30/2008 T€	09/30/2007 T€
Equity capital	179,498	148,269
Balance sheet total	866,696	852,403
Equity ratio in %	20.7	17.4

The improvement during the period under review results mainly from the capital increase in April 2008, which resulted in gross proceeds of € 35 million.

As part of a syndicated loan agreement, Schuler AG has committed itself to meeting certain financial covenants. With regard to capital, these include the ratio of net financial liabilities to equity (gearing). According to our calculations, the conditions were all met in fiscal year 2007/08.

Proposed appropriation of profit

The dividend payment made by Schuler AG is based on the balance sheet profit disclosed in its annual financial statements. The Board of Management proposes to carry forward the balance sheet profit of Schuler AG as at September 30, 2008, amounting to € 48,413.62 to the next reporting period.

(20) Minority interests

The minority interests in equity are attributable to minority shareholders of Shanghai Schuler Presses Co. Ltd., Müller Weingarten Česká Republica s.r.o. and Eclips Vermietungsgesellschaft mbH & Co. Objekt Göppingen Kommanditgesellschaft.

	Remaining term			09/30/2008	Remaining term			09/30/2007
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Liabilities to banks	71,122	110,235	32,097	213,454	72,360	53,024	37,804	163,188
Promissory note loan	0	0	0	0	0	49,807	0	49,807
Bills of exchange	259	0	0	259	369	0	0	369
Financial lease liabilities	686	1,223	0	1,909	1,467	1,994	0	3,461
Loans from Schuler-Beteiligungen GmbH	0	0	0	0	102	10,000	0	10,102
Other financial debts	2,182	0	0	2,182	19,323	0	0	19,323
	74,250	**111,458**	**32,097**	**217,805**	**93,621**	**114,825**	**37,804**	**246,250**

(21) Non-current and current liabilities

Of the financial liabilities disclosed, a total of T€ 64,231 (prior year: T€ 73,934) is secured by real estate liens. In addition, financial liabilities amounting to T€ 70,139 (prior year: T€ 30,683) are secured by other assets (intangible assets, movable tangible fixed assets, inventories, receivables).

The promissory note loan with a total volume of T€ 50,000 negotiated in June 2005 was replaced in March 2008 by an extensive syndicated loan. This syndicated loan has a total volume of T€ 450,000; it expires in March 2011. The loan includes a credit line of T€ 300,000, a revolving facility of T€ 100,000 and a term loan facility of T€ 50,000. The syndicated loan agreement was concluded between Schuler AG and its main subsidiaries and a consortium of banks and credit insurance partners led by Baden-Württembergische Bank, Deutsche Bank and Dresdner Bank.

The conditions of the syndicated loan agreement depend on the Schuler Group's relationship of net borrowing to EBITDA and are reviewed and adjusted where necessary each quarter. Shares in subsidiaries and property, plant and equipment, for example, serve as collateral for the syndicated loan agreement.

In July 2007, Schuler AG had negotiated a subordinated loan totaling T€ 10,000 with Schuler-Beteiligungen GmbH. The loan had a fixed annual interest rate of 6% and was redeemed as scheduled during the reporting period. Schuler AG also negotiated a subordinated loan totaling T€ 10,000 with a subsidiary of Thüringer Aufbaubank in October 2007. The loan has an annual interest rate of 11.6% and a regular term until December 31, 2010.

Liabilities to banks include fixed-interest loans with a carrying amount of T€ 64,313 (prior year: T€ 61,762) and a fair value of T€ 60,823 (prior year: T€ 60,700). In the case of variable-interest loans, the disclosed carrying amounts correspond largely to the fair values due to regular interest adjustment dates.

As of the balance sheet date, the weighted average interest rates for fixed-interest liabilities amounted to 6.76% in EUR (prior year: 5.58%), 4.20% in CHF (prior year: 4.20%) and 6.20% (prior year: 5.74%) in CZK. In the case of variable-interest liabilities, the corresponding figures amounted to 7.86% in EUR (prior year: 6.33%), 8.12% in CNY (prior year: 6.30) and 8.90% in BRL (prior year: 9.55%). The average remaining term of fixed-interest liabilities amounts to 7.0 years as of September 30, 2008 (prior year: 8.4 years), the average term (interest adjustment dates) of variable-interest liabilities is around 6.3 months (prior year: 4.5 months).

Variable-interest liabilities are secured in part by interest swaps and caps or opposing positions. The remaining unsecured variable-interest liabilities amount to T€ 18,928 (prior year: T€ 17,854); these are exposed to an interest-related cash flow risk.

Of the liabilities to banks, a total of T€ 68,269 (prior year: T€ 74,831) is payable in BRL, T€ 1,593 (prior year: T€ 2,134) in CNY, T€ 421 (prior year: T€ 485) in CHF and T€ 405 (prior year: T€ 328) in CZK. 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 amount to a volume of T€ 551,523 (prior year: T€ 608,177). Credit/guarantee lines used at present amount to T€ 361,809 (prior year: T€ 263,831).

Credit lines with banks amounting to T€ 196,821 (prior year: T€ 46,111) are secured by various assets (intangible assets, movable tangible fixed assets, inventories, receivables).

(22) Non-current and current other liabilities

	Remaining term			**09/30/2008**	Remaining term			**09/30/2007**
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Payments on account received in respect of construction contracts (net)	66,777	0	0	66,777	37,235	0	0	37,235
Other payments on account received from customers	42,946	0	0	42,946	43,591	0	0	43,591
Liabilities in respect of staff benefits and compensation (incl. social security)	35,508	428	0	35,936	34,230	264	0	34,494
Liabilities from other taxes	10,567	0	0	10,567	10,198	7	0	10,205
Negative fair values of derivatives	5,377	1,111	0	6,488	880	732	0	1,612
Other liabilities	7,080	158	32	7,270	15,860	194	0	16,054
	168,255	**1,698**	**32**	**169,984**	**141,994**	**1,197**	**0**	**143,191**

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 as of the balance sheet date. The respective fair values do not differ significantly from the disclosed carrying amounts.

(23) Pension provisions

Pension provisions are formed 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 overwhelming proportion of pension provisions formed by the Schuler Group concern domestic subsidiaries.

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 profit and loss account as of their due date. Total defined contribution plan expenses in the period under review amount to T€ 22,848 (prior year: T€ 20,313). This total includes employer contributions to the German state pension fund of T€ 22,535 (prior year: T€ 19,141).

The Schuler Group has mostly defined benefit plans, in which the company undertakes to make agreed payments to active and former employees. The amount depends on one or several factors, such as age, years of service and income. 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 actuarial risk and/or investment risk are mainly borne by the company. A distinction is made in this case between internally financed provision systems and externally financed provision systems.

Schuler's pension obligations are overwhelmingly financed internally by means of provisions, which mainly concern the Group's German subsidiaries. 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. The present value of pension obligations is calculated using the projected unit credit method, which is prescribed by IAS 19.64 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«) as of the fiscal year 2005/06, the following assumptions were used for the calculation of pension obligations of domestic subsidiaries:

	2007/08	2006/07
Discount rate	5.25%	4.5%
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 (every 3 years)	2.0%	2.0%
Expected return on assets	4.0%	4.0%

Increases or decreases in either the present value of the defined performance plan obligation or the fair value of the plan asset can result in actuarial profits or losses, whose causes include changes in the calculation parameters, changes in assumptions in respect of the risk development of pension obligations and deviations between actual and expected income from the plan asset. Such actuarial profits or losses are only recognized in the profit and loss account if they exceed a tolerance corridor of 10% of the higher amount of pension obligation or the present value of the plan asset at the beginning of the fiscal year. The amount exceeding this corridor is amortized over the future average remaining service period of the active employees.

Past service cost is recognized immediately in the profit and loss account if the changes in the pension plan do not depend on the employee remaining in the company for a determined period (period until date when rights can no longer expire). In such cases, the past service cost is recognized in the profit and loss account in a straight line up to the point when rights can no longer expire.

The following tables show the individual information on defined benefit pension plans. Compared with fiscal year 2006/07, the changed disclosure is now based on IAS 19.120A, whereby the prior-year figures have been adjusted for comparison.

The changes in the defined benefit obligation (DBO) and the plan asset in the period under review were as follows:

	2007/08 T€	2006/07 T€
Defined benefit obligation (DBO) as of Oct. 1	**99,458**	**53,239**
Change in consolidated group	0	50,598
Disposal of die casting division	-279	n.a.
Currency translation differences	10	-25
Current service cost	1,004	1,071
Interest cost of pension obligations	5,091	3,483
Contributions of plan participants	1,583	812
Actuarial gains/losses	-13,977	-5,358
Pension payments made	-7,038	-4,362
Defined benefit obligation (DBO) as of Sep. 30	**85,852**	**99,458**

	2007/08 T€	2006/07 T€
Present value of plan assets as of Oct. 1	**23,614**	**5,506**
Change in consolidated group	0	18,143
Disposal of die casting division	-207	n.a.
Expected income from plan assets	842	618
Contributions of employers	0	608
Contributions of plan participants	893	101
Actuarial gains/losses	-1,928	-710
Payments made	-1,354	-652
Present value of plan assets as of Sep. 30	**21,860**	**23,614**

In order to ascertain the financial status, the defined benefit obligation of the externally financed obligations is compared with the plan assets, and the defined benefit obligation of the internally financed obligations are added. Including the actuarial gains and losses not yet recognized in the balance sheet, provisions for pensions are as follows:

	09/30/2008 T€	09/30/2007 T€
DBO of externally financed obligations	28,126	38,682
Fair value of plan assets	21,860	23,614
Deficit	6,266	15,068
DBO of internally financed obligations	57,726	60,776
Financial status	**63,993**	**75,844**
Unrecognized actuarial gains/losses	10,052	-2,047
Pension provisions recognized in the balance sheet	**74,045**	**73,797**
– thereof carried as pension provisions	74,045	73,725
– thereof carried as debts of a selling group (IFRS 5)	0	72

The amount recognized as income or expense in the profit and loss account resulting from defined benefit plans consists of the following items:

	2007/08 T€	2006/07 T€
Current service cost	1,004	1,071 [1)]
Amortization of actuarial gains/losses	-5	425
Interest cost of pension obligations	5,091	3,483
Expected income from plan assets	-842	-618
Net pension expense	**5,248**	**4,361**

[1)] *Reclassification of staff remuneration conversions (see note (4))*

The actual income of the plan assets amounts to T€ -1,088 (prior year: T€ -92). The past service cost and the amortized actuarial gains/losses are considered in staff costs, while the remaining components of pension expense are included in the interest result.

The plan assets refer 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. The expected income from plan assets is calculated on the basis of capital market studies and internal experience.

Employer contributions to plan assets are expected to reach T€ 650 in the following fiscal year 2008/09.

Contributions to current and preceding reporting periods according to IAS 19.120A (p) are presented in the following table:

	09/30/2008	**09/30/2007**	**09/30/2006**	**09/30/2005**
	T€	T€	T€	T€
Direct benefit obligations	-85,852	-99,458	-53,239	-53,172
Fair value of the plan assets	21,860	23,614	5,506	5,743
Plan deficit	-63,993	-75,844	-47,733	-47,429
Experience adjustments to DBO	-843	448	-	-
Experience adjustments to plan assets	-40	70	-	-

(24) Non-current and current other provisions

	Other taxes	Contract costs	Personnel expenses	Other obligations and risks	**Total**
	T€	T€	T€	T€	T€
Balance at Oct. 1, 2007	**419**	**87,877**	**43,167**	**17,343**	**148,806**
– of which current	419	82,234	14,742	12,950	110,345
Foreign exchange differences	-34	89	27	-79	2
Utilization	64	49,184	16,811	4,600	70,659
Reversals	-	14,290	2,387	1,420	18,097
Additions	496	49,722	6,369	3,932	60,519
Unwinding of discount	-	278	1,485	192	1,955
Interest rate changes	-	-114	-473	-14	-601
Balance at Sep. 30, 2008	**817**	**74,378**	**31,376**	**15,354**	**121,925**
– of which current	817	72,497	9,658	11,529	94,501

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, ERA (new German unified payment system for manual workers and employees), service anniversaries, severance pay and similar obligations concerning employees. The semi-retirement program is conducted as a block model. In addition to individual contractual arrangements, the corresponding provision also includes obligations to which staff have a legal claim due to tariff or inhouse agreements.

Other obligations and risks concern identifiable risks and uncertain obligations which are carried in the amount of their expected settlement value.

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.

As of the balance sheet date, expected refunds capitalized as assets amounted to T€ 781 (prior year: T€ 1,358).

(25) Trade payables

	2007/08 T€	2006/07 T€
Trade payables to		
– third parties	76,880	64,766
– affiliated companies	3,711	3,261
Liabilities from outstanding invoices	11,524	12,154
	92,115	**80,181**

(26) Reporting on financial instruments

Carrying amount and fair value of financial instruments

The following table presents the carrying and fair amount of financial assets – including cash and cash equivalents which are not allocated to the categories of IAS 39 – and financial liabilities for each individual class of financial instruments. The carrying amount of each class of financial assets also represents the maximum credit risk as of the balance sheet date. 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.

	Amortized cost		Fair value		**Carrying amount**
	Carrying amount	For information only: fair value	Recognized in equity	Recognized in profit/loss	**09/30/2008**
	T€	T€	T€	T€	T€
ASSETS					
Interests in affiliates and participations	3,118	3,118	-	-	3,118
Trade receivables	121,961	121,961	-	-	121,961
Future receivables from long-term construction contracts	131,621	131,621	-	-	131,621
Other receivables and financial assets	11,567	11,567	3,276	397	15,240
– thereof derivatives without hedging relationship	-	-	-	397	397
– thereof derivatives with cash flow hedging relationship	-	-	2,474	-	2,474
Cash and cash equivalents	87,517	87,517	-	-	87,517
LIABILITIES					
Financial liabilities	217,805	214,274	-	-	217,805
– thereof to banks	213,454	209,937	-	-	213,454
– thereof promissory note loan	-	-	-	-	-
– thereof bills of exchange	259	259	-	-	259
– thereof from financial leases	1,909	1,896	-	-	1,909
– thereof other financial debts	2,182	2,182	-	-	2,182
Trade payables	92,115	92,115	-	-	92,115
Other financial liabilities	37,351	37,351	5,643	845	43,839
– thereof derivatives without hedging relationship	-	-	-	845	845
– thereof derivatives with cash flow hedging relationship	-	-	5,643	-	5,643

Thereof aggregated according to valuation categories pursuant to IAS 39 (excluding derivatives with cash flow hedging relationship and without financial lease liabilities acc. to IAS 17):

	Amortized cost		Fair value		**Carrying amount**
	Carrying amount	For information only: fair value	Recognized in equity	Recognized in profit/loss	**09/30/2008**
	T€	T€	T€	T€	T€
Financial assets measured at fair value through profit or loss	-	-	-	397	397
Loans and receivables	352,667	352,667	-	-	352,667
Held-to-maturity financial investments	-	-	-	-	-
Available-for-sale financial assets	3,118	3,118	803	-	3,921
Financial liabilities measured at fair value through profit or loss	-	-	-	845	845
Financial liabilities measured at amortized cost	345,362	341,845	-	-	345,362

	Amortized cost		Fair value		**Carrying amount**
	Carrying amount	For information only: fair value	Recognized in equity	Recognized in profit/loss	**09/30/2007**
	T€	T€	T€	T€	T€
ASSETS					
Interests in affiliates and participations	5,376	5,376	-	-	5,376
Trade receivables	108,382	108,382	-	-	108,382
Future receivables from long-term construction contracts	87,755	87,755	-	-	87,755
Other receivables and financial assets	13,024	13,024	15,037	406	28,467
– thereof derivatives without hedging relationship	-	-	-	400	400
– thereof derivatives with cash flow hedging relationship	-	-	14,418	6	14,424
Cash and cash equivalents	103,718	103,718	-	-	103,718
LIABILITIES					
Financial liabilities	246,250	245,986	-	-	246,250
– thereof to banks	163,188	162,127	-	-	163,188
– thereof promissory note loan	49,807	50,806	-	-	49,807
– thereof bill liabilities	369	369	-	-	369
– thereof from financial leases	3,461	3,477	-	-	3,461
– thereof other financial debts	29,425	29,206	-	-	29,425
Trade payables	80,181	80,181	-	-	80,181
Other financial liabilities	45,084	45,084	1,280	332	46,696
– thereof derivatives without hedging relationship	-	-	-	332	332
– thereof derivatives with cash flow hedging relationship	-	-	1,280	-	1,280

Thereof aggregated according to valuation categories pursuant to IAS 39 (excluding derivatives with cash flow hedging relationship and without financial lease liabilities acc. to IAS 17):

	Amortized cost		Fair value		**Carrying amount**
	Carrying amount	For information only: fair value	Recognized in equity	Recognized in profit/loss	**09/30/2007**
	T€	T€	T€	T€	T€
Financial assets measured at fair value through profit or loss	-	-	-	400	400
Loans and receivables	312,880	312,880	-	-	312,880
Held-to-maturity financial investments	-	-	-	-	-
Available-for-sale financial assets	5,376	5,376	619	-	5,994
Financial liabilities measured at fair value through profit or loss	-	-	-	332	332
Financial liabilities measured at amortized cost	368,054	367,774	-	-	368,054

The difference between the individual balance sheet items and the carrying values of financial instruments disclosed above corresponds to the Group's non-financial assets and liabilities on the balance sheet date.

During the period under review, there were no reclassifications of financial instruments into other valuation categories. The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date using the methods and premises described below.

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 interests in affiliated companies and participations valued at amortized cost. It can generally be assumed that the fair values of these interests in affiliated companies and participations 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 options were valued on the basis of exchange rates quotes or option pricing models. The fair values of interest hedging instruments (e.g. interest swaps, interest options) were calculated by using discounted, future expected cash flows, whereby the remaining terms of market interest rates for these financial instruments were considered. Interest options were valued on the basis of interest rate quotes or option pricing models.

Other financial assets include an amount of T€ 803 (prior year: T€ 619) for securities which were classified as available-for-sale and measured at prevailing market values as at the balance sheet date.

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. Liabilities from financial lease agreements are carried at the present value of future minimum leasing payments, providing the market value of the capitalized leasing object is not lower.

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 profit and loss account in accordance with the categories of IAS 39.

	2007/08 T€	2006/07 T€
Financial assets at fair value through profit or loss	9,554	-153
Loans and receivables	4,907	991
Held-to-maturity investments	-	-
Available-for-sale financial assets	-687	-777
Financial liabilities at fair value through profit or loss	-128	-107
Financial liabilities measured at amortized cost	-18,199	-16,098

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 directly in equity and the respective effects recognized in profit and loss are disclosed in the statement of recognized income and expenditure within the Schuler Group.

Other disclosures

(27) Cash flow statement

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 cash flow statement includes only cash and cash equivalents disclosed in the balance sheet, i.e. cash in hand, checks and bank balances, providing they are available within three months.

Cash flows from operating activities are derived indirectly from profit before minority interests. As part of this indirect calculation, recognized changes in balance sheet 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 compared with the corresponding changes compared with previous years on the basis of the published consolidated balance sheet. Under consideration of the increase in working capital, cash flows from operating activities amounted to T€ -17,087 (prior year: T€ 6,924). Payments of interest and income taxes during the fiscal year are as follows:

	2007/08 T€	2006/07 T€
Interest received	6,030	7,904
Interest paid	24,536	20,116
Income taxes paid	2,919	3,055

Investing activities include additions to property, plant and equipment, and financial assets, as well as additions to intangible assets including capitalized development costs. Investments by means of financial leases are non-cash transactions and thus not included in cash flows from investing activities. The Schuler Group did not conclude any new financial leases in the period under review. Cash flows from the disposal of non-current assets amounted to T€ 19,538 (prior year: T€ 47,478) and resulted mostly from the sale of the die casting division and commercial real estate in Plüderhausen, Germany, and Strasbourg, France. The disclosed payments for the acquisition of consolidated companies include compensation paid to minority shareholders of Müller Weingarten AG after completing the squeeze-out process in October 2007. In total, cash flows from investing activities amounted to T€ -8,080, compared with T€ 8,416 in the previous year. The amount in the previous year was strongly influenced by the sale of commercial real estate belonging to Schuler AG in Göppingen.

Financing activities include cash flows with shareholders of Schuler AG as well as proceeds from and redemption of financial liabilities. Disbursements also include the redemption of liabilities from financial leases. Including the net proceeds from the capital increase placed in fiscal year 2007/08 of T€ 33,989, cash flows from financing activities amount to T€ 10,760 (prior year: T€ 27,755).

In summary, the development of various cash flows described above and the changes in value caused by exchange rate fluctuations resulted in a decrease in cash and cash equivalents in fiscal year 2007/08, from T€ 103,718 to T€ 87,517.

(28) Segment reporting

Segment information by division

Segmentation by division is based on the products and services supplied by the Group's business segments Forming Systems and Automation and Production Systems. This segmentation is also the basis for internal reporting to the Board of Management and Supervisory Board (primary segment reporting format). The secondary reporting format is based on geographical regions. The companies belonging to each segment can be seen from the list of consolidated companies at the end of these notes.

The products of the Forming Systems segment include mechanical and hydraulic metal-forming systems as well as the corresponding services.

The Automation and Production Systems segment comprises automation systems, car body technology and corresponding services as well as hydroforming and laser technology.

In addition to the respective figures for the two segments, the primary segment overview also includes amounts in the column »Schuler AG/Consolidation« which cannot be allocated to the segments. These affect non-allocated expenses/income, as well as assets and liabilities, of the Group's headquarters in Göppingen in accordance with IAS 14.16. In the previous year, this also included special income from the sale of commercial real estate belonging to Schuler AG in Göppingen. The column also includes effects from consolidation measures which do not affect the segments themselves but which are required for reconciliation with the Group's disclosures (e.g. debt consolidation between the two segments and elimination of inter-segment revenues).

The prior-year disclosure also includes the intangible and tangible assets added in the course of initial consolidation of the subgroup Müller Weingarten, which are disclosed separately at net book values.

The segment reporting figures are based on the same accounting and valuation principles as applied for the consolidated financial statements. Intercompany transactions are always transacted at standard business prices and thus correspond to those with external third parties (arms-length principle).

	Forming Systems		Automation and Production Systems		Schuler AG/ Consolidation		Schuler Group	
	2007/08 T€	**2006/07** T€	**2007/08** T€	**2006/07** T€	**2007/08** T€	**2006/07** T€	**2007/08** T€	**2006/07** T€
Sales to third parties	825,862	575,693	140,258	149,264	-	-	966,120	724,957
Intercompany sales [1]	8,722	13,734	46,814	30,489	-55,536	-44,223	0	0
Segment sales	**834,584**	**589,427**	**187,072**	**179,753**	**-55,536**	**-44,223**	**966,120**	**724,957**
EBIT	**37,574**	**20,919**	**7,196**	**1,077**	**-8,023**	**23,881**	**36,747**	**45,876**
Depreciation [2]	19,901	17,357	6,696	8,282	685	2,445	27,281	28,083
– of which non-scheduled	0	765	139	2,090	0	800	139	3,655
Appreciation	0	0	0	600	0	0	0	600
Other material noncash expenses	65,645	55,220	8,145	9,394	-1,476	558	72,315	65,172
Segment assets at Sep. 30	633,306	615,829	135,848	126,054	-27,869	-27,083	741,285	714,800
Segment debts at Sep. 30	396,299	381,405	75,863	81,227	-14,092	-16,658	458,070	445,975
Capital expenditures	15,771	11,057	5,075	3,430	2,140	1,954	22,986	16,441
Additions of tangible and intangible assets from changes in the consolidated group	0	138,257	0	14,082	0	0	0	152,339
Personnel [3]	4,067	3,339	1,142	1,022	23	20	5,232	4,381

[1] *sales to other business segments*
[2] *without amortization of financial assets*
[3] *annual average (excluding apprentices)*

Segment information by region

Segment details by region divide sales revenue according to customer location. Capital expenditures and segment assets are calculated according to the location of the respective headquarters of the Group subsidiaries.

	Sales to third parties		Segment assets		Capital expenditures	
	2007/08 T€	**2006/07** T€	**2007/08** T€	**2006/07** T€	**2007/08** T€	**2006/07** T€
Germany	382,613	262,941	627,299	568,032	17,104	10,656
Europe (excluding Germany)	193,962	158,138	20,942	22,705	312	341
America	215,404	205,449	153,787	168,382	4,847	3,576
Asia	169,437	94,636	14,146	14,197	723	1,868
Other	4,704	3,793	0	0	0	0
Consolidation	-	-	-74,888	-58,516	-	-
Schuler Group	**966,120**	**724,957**	**741,285**	**714,800**	**22,986**	**16,441**

Group profit or loss is reconciled with the performance indicator used in segment reporting (EBIT) as follows:

	2007/08 T€	2006/07 T€
EBIT	**36,747**	**45,876**
Interest result	-25,805	-17,941
Income taxes	-2,312	-14,085
Group profit or loss	**8,631**	**13,851**

Segment assets and segment debts disclosed in segment reporting are reconciled with the corresponding figures of the consolidated balance sheet as follows:

	09/30/2008 T€	09/30/2007 T€
Total segment assets of the Group	**741,285**	**714,800**
plus:		
– Financial assets	3,118	5,376
– Cash and cash equivalents	87,517	103,718
– Income tax claims	34,776	28,509
Gross assets acc. to the consolidated balance sheet	**866,696**	**852,403**

	09/30/2008 T€	09/30/2007 T€
Total segment debts of the Group	**458,070**	**445,975**
plus:		
– Financial liabilities	217,805	246,250
– Income tax debts	11,324	11,909
Gross debts acc. to the consolidated balance sheet	**687,199**	**704,134**

(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 the Group's 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 must hedge foreign currency positions at the time of their creation. 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.

Currency and interest risks

These risks consist of possible value fluctuations in the fair value of future cash flows of a financial instrument (e.g. receivables or payables) due to changes in the market interest rate or exchange rate.

Interest 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 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. As of the balance sheet date, forward exchange positions referred mainly to the exchange rate parities EUR/USD, USD/BRL, EUR/BRL, EUR/GBP 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 pure trading positions with the aim of optimizing income. Hedging by means of financial derivatives comprises recognized, pending and anticipated transactions. In the period under review, the Schuler Group recognized currency gains totaling T€ 10,793 (prior year: T€ 985). This unusually high figure results mainly from the sale of existing hedging instruments following the partial cancellation of a hedged order in a foreign currency, as well as from the change in transaction currency for a further customer order. The resulting other operating income is offset in the balance sheet by a decline in disclosed accumulated other comprehensive income within the reserves. The above mentioned partial cancellation of an order acquired in fiscal year 2006/07 reduced the Group's new orders in the second quarter of the reporting year by T€ 44,720.

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 medium-term and long-term interest-bearing liabilities. Liabilities with variable interest rates expose the Group to a cash flow interest rate risk, whereas liabilities with fixed interest rates result in a fair value interest rate risk (see note (21)). Schuler is exposed to interest rate risks mainly in the Euro zone. In order to minimize these risks with regard to maturities and fixed interest rates, the company uses derivate interest instruments. 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. Where 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 as of the balance sheet date.

In order to hedge against 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 on the balance sheet date 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 on the balance sheet date. They indicate what effect closing the positions would have had on earnings as of the balance sheet date – without consideration of opposing value developments from the underlying transactions. Positive fair values stand for potential profits as of the balance sheet date, 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 on the balance sheet date 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 or the contract values of the hedged transactions. 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.

	09/30/2008		09/30/2007	
	Notional value T€	Market value T€	Notional value T€	Market value T€
Forward exchange contracts and swaps	146,419	2,131	182,401	13,949
		-5,922		-923
Currency derivatives, net	146,419	-3,791	182,401	13,026
Interest swaps	108,074	585	60,529	584
		-567		-689
Interest options	22,836	154	29,041	291
		0		0
Interest derivatives, net	130,910	173	89,570	186
	277,329	**-3,618**	**271,971**	**13,212**

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. Hedging transactions are only concluded with prime-rated credit institutes.

The disclosed derivative financial instruments are mainly in the form of cash flow hedges and assigned directly to the underlying transactions. The market value of these derivatives (cash flow hedges) amounts to T€ -3,170 as of the balance sheet date (prior year: T€ 13,138). 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€ -448 (prior year: T€ 74). In the period under review, market value changes amounting to T€ -193 (prior year: T€ 237) were recognized immediately in the profit and loss account. Valuation changes which represent the effective portions of hedging transactions and are recognized in equity (accumulated other comprehensive income) are disclosed in the statement of recognized income and expenditure within the Schuler Group. On realization of the underlying transaction, the accumulated effects in equity are reversed with an effect on profit or loss and recognized in the profit and loss account as sales revenue or cost of materials (foreign currency derivatives) or in other operating income and expenses (interest derivatives). As of the balance sheet date, derivatives with a market value of T€ -297 (prior year: T€ 0) were disclosed in the balance sheet which still qualified as cash flow hedges in the previous year, but which did not meet the strict requirements for hedge accounting with regard to effectiveness as of September 30, 2008.

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 retrospectively on each balance sheet date 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 profit or loss 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 his contractual payment obligations. In addition to the arise of concentrations of risks, direct default risks can result in economic losses or impairment of receivables and other financial assets from the deterioration of customer credit ratings. Against the backdrop of the current financial crisis and a deterioration of the general economic situation, there may be a strong 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. 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 use of standard terms of payment and staggered approval requirements from the finance division. Receivables are also permanently monitored and payment behavior analyzed. The risk of default involved in trade receivables is accounted for in part by taking out credit insurance policies. Any other default risks identifiable on the balance sheet date are covered by forming appropriate valuation allowances in the balance sheet. 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 credit risk as of the balance sheet date corresponds to the disclosed carrying amounts of financial assets (incl. derivative financial instruments with a positive market value). 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 construction contracts):

	09/30/2008		
	Car manu-facturers T€	Automotive suppliers T€	Non-automotive T€
Trade receivables	35,740	39,806	53,271
Future receivables from long-term construction contracts	192,884	147,422	69,374

	09/30/2007		
	Car manu-facturers T€	Automotive suppliers T€	Non-automotive T€
Trade receivables	43,007	36,689	37,409
Future receivables from long-term construction contracts	142,791	129,591	61,526

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 meet its financial obligations, or not sufficiently. Amongst other things, obligations may result from interest and redemption payments for loans taken out or to serve liabilities due to suppliers. Liquidity risks occur mainly as a result of changed customer payment behavior, especially with regard to payments to be received on account. Liquidity is safe-guarded by corresponding liquidity planning, 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 Group companies by means of a central cash pool in order to optimize the Group's refinancing costs. Liquidity is mainly held in overnight and time deposit accounts. 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 concluded a syndicated loan agreement during the period under review with a consortium of banks and credit insurance companies. 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. In the case of derivatives, the disclosed cash flows correspond to market values on the balance sheet date. Negative values correspond to finance received.

	Carrying amount 09/30/2008	Cash flows			Total cash flows
		within 1 year	in 1 to 5 years	after more than 5 years	
	T€	T€	T€	T€	T€
Originated financial liabilities					
Financial liabilities	217,805	85,862	131,172	37,775	254,809
– thereof to banks	213,454	82,655	129,900	37,775	250,329
– thereof promissory note loan	0	0	0	0	0
– thereof bill liabilities	259	259	0	0	259
– thereof from finance leasing	1,909	766	1,273	0	2,039
– thereof other financial debt	2,182	2,182	0	0	2,182
Trade payables	92,115	92,115	0	0	92,115
Other financial liabilities	37,351	37,219	132	0	37,351
Derivative financial liabilities					
Currency derivatives without hedge relationship	318	282	36	0	318
Currency derivatives with cash flow hedge relationship	5,603	5,095	509	0	5,603
Interest derivatives without hedge relationship	527	0	297	229	527
Interest derivatives with cash flow hedge relationship	40	0	0	40	40

	Carrying amount 09/30/2007	Cash flows			Total cash flows
		within 1 year	in 1 to 5 years	after more than 5 years	
	T€	T€	T€	T€	T€
Originated financial liabilities					
Financial liabilities	246,250	107,684	129,956	44,341	281,981
– thereof to banks	163,188	81,549	65,651	44,341	191,541
– thereof promissory note loan	49,807	2,873	51,987	0	54,860
– thereof bill liabilities	369	369	0	0	369
– thereof from finance leasing	3,461	1,626	2,164	0	3,791
– thereof other financial debt	29,425	21,267	10,153	0	31,420
Trade payables	80,181	80,191	0	0	80,191
Other financial liabilities	45,084	45,070	16	0	45,086
Derivative financial liabilities					
Currency derivatives without hedge relationship	142	142	0	0	142
Currency derivatives with cash flow hedge relationship	780	737	43	0	780
Interest derivatives without hedge relationship	190	0	0	190	190
Interest derivatives with cash flow hedge relationship	500	0	425	74	500

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 of the balance sheet date. Interest payments from financial instruments with variable interest rates are calculated on the basis of the fixed interest rate prior to the balance sheet date.

As at the closing date, there were no breaches of loan agreements concerning redemption or interest payments, the sinking fund or redemption terms. 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 loan conditions 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 and the Brazilian Real. 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 earnings 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 directly in equity 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 as of the balance sheet date is disclosed in equity without an effect on Group profit or loss.

- In addition, exchange rate changes have an effect on the profit and loss account 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 profit and loss account of the period under review.

Based on the balance sheet date exchange rates of the relevant currencies, 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 and Brazilian Real, consolidated earnings at the end of the range would have increased (decreased) by € 1.9 million (€ 1.9 million) (prior year: € 0.2 million or € -0.2 million). In addition, the change in fair value of the cash flow hedge reserve in equity would have increased (decreased) by € 1.3 million (€ 1.3 million) (prior year: € 2.0 million or € -2.0 million).

If at the closing date the US Dollar had been revalued (devalued) by 10% against the Brazilian Real and at the same time the EUR/USD relationship had remained stable, this would not have impacted Group profit or loss. However, the change in fair value of the cash flow hedges would have led to a decrease (increase) in the hedging reserve in equity of € 3.4 million (€ 3.4 million) (prior year: € -6.3 million or € 6.3 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 capital 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 premises:

- 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 hedges 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 profit and loss account 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 equity 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.

An assumed parallel shift in the interest structure curve would result in the following effects on profit or loss and equity:

If as at September 30, 2008, the market interest level in the Euro currency zone had been 100 bp higher (lower), Group profit or loss at the end of the range would have increased (decreased) by € 1.0 million (€ 0.9 million) (prior year: € 0.5 million or € -0.3 million). The change in fair value would have led to a increase (decrease) in the accumulated other comprehensive income in equity of € 0.4 million (€ 0.4 million) (prior year: € 1.2 million or € -1.3 million).

If as at September 30, 2008, 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 increased (decreased) by € 0.1 million (€ 0.1 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

	09/30/2008 T€	09/30/2007 T€
Discounted bills	472	587
Debtor warrant	20,000	20,000
	20,472	**20,587**

Contingent liabilities are possible or existing obligations based on past events and for which an outflow of funds is unlikely. As there is only a low degree of probability for such an outflow of funds, these obligations are not recognized in the consolidated balance sheet. The disclosed volume of obligations in respect of contingent liabilities corresponds to the scope of liability existing as of the balance sheet date.

With regard to shares purchased from Metzler Beteiligungsgesellschaft mbH, Schuler AG has undertaken to make an additional purchase price payment of up to T€ 20,000 under certain conditions. This additional amount is not due before 2010 and is dependent on reaching a specified EBITDA amount. EBITDA is calculated on the basis of the consolidated annual financial statements of Schuler AG approved by the Supervisory Board for the fiscal years ending in 2010, 2011 and 2012. As in the previous year, this liability was not recognized in the balance sheet as the achievement of the contractual conditions appears unlikely.

(31) Other financial obligations

	Payable			09/30/2008	09/30/2007
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€	Total T€
Rent and lease payments (operating leases)	11,360	33,290	81,706	126,356	121,027
Purchase commitments (tangible assets)	8,035	0	0	8,035	7,078
Other obligations	1,715	559	0	2,274	2,090
	21,110	**33,849**	**81,706**	**136,665**	**130,195**

In September 2007, Schuler AG sold its premises in Göppingen, comprising production and administration buildings, in a sale-and-rent-back transaction and now rents the buildings with a lease term of 20 years. The annual rent adjustments to the retail price index are contractually agreed and will lead to contingent rent payments for the first time in fiscal year 2008/09. Future payments for this leasing contract represent the major share of other financial obligations shown above.

At the end of fiscal year 2007/08, Schuler France S. A. sold its commercial real estate in Strasbourg, France, and subsequently concluded a lease agreement for approx. 70% of the usable space with a term of five years. The respective future rent obligations amount to T€ 1,647.

(32) Litigation

Former shareholders of Müller Weingarten AG filed a suit with the Regional Appeal Court of Stuttgart regarding a review of the cash settlement offered to shareholders of Müller Weingarten AG during the squeeze-out process. The Regional Appeal Court had decided in early November 2008 that no value appraisal proceedings were necessary in addition to the arrangements provided for by the squeeze-out procedure, and thus dismissed the appeal. The other party launched an immediate appeal against the verdict. If this appeal is admitted and value appraisal proceedings are initiated, this could involve considerable time and cost for Schuler AG.

(33) Significant events after the balance sheet date

On the balance sheet date, there were foreign currency hedges for customer projects being negotiated amounting to € 18.2 million. As these projects will no longer be realized, the hedges were closed after the closing date with an expense of € 1.6 million.

(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) – arranged according to business segment.

The following table presents the volume of transactions between the Schuler Group and these related companies during the period under review:

– on Group basis –	2007/08 Supplies and services rendered T€	2007/08 Interest income T€	2007/08 Supplies and services received T€	2007/08 Interest expenses T€	2006/07 Supplies and services rendered T€	2006/07 Interest income T€	2006/07 Supplies and services received T€	2006/07 Interest expenses T€
Schuler-Beteiligungen GmbH	-	-	-	102	-	-	-	102
RSV Finanzdienst-leistungen Geschäfts-führungs GmbH	-	-	71	-	-	-	70	-
Schuler AG subsidiaries	7,425	146	2,169	141	6,437	58	3,461	106

With regard to the 5,416,740 shares in MWAG purchased by Metzler Beteiligungs-gesellschaft mbH in fiscal year 2006/07, Schuler AG agreed to make an additional purchase price payment of up to T€ 20,000 under certain conditions (debtor warrant) to Dr. Robert Schuler-Voith.

Open balances as of the balance sheet date are shown below:

– on Group basis –	09/30/2008 Receivables from T€	09/30/2008 Payables to T€	09/30/2007 Receivables from T€	09/30/2007 Payables to T€
Schuler-Beteiligungen GmbH	-	-	-	10,102
RSV Finanzdienstleistungen Geschäftsführungs GmbH	-	-	-	2
Schuler AG subsidiaries	3,770	3,711	4,060	3,259

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.

Disclosed participations

1. In accordance with § 21, (1) WpHG, Schuler-Beteiligungen GmbH, Göppingen, Germany, informed us of the following:

On April 10, 2008, the share of voting rights of Schuler-Beteiligungen GmbH in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, fell below the threshold of 75% and amounted on this day to 60.13% (10,522,595 voting rights) of total voting rights in Schuler Aktiengesellschaft.

2. In accordance with §§ 21 (1), 22 (1) sentence 1 No. 1 WpHG, Vermögensverwaltung Schuler-Voith GbR, Munich, Germany, informed us of the following:

On April 10, 2008, the share of voting rights of Vermögensverwaltung Schuler-Voith GbR in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, fell below the threshold of 75% and amounted on this day to 60.13% (10,522,595 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with § 22 (1) sentence 1 No. 1 WpHG, all 10,522,595 voting rights are attributable to Vermögensverwaltung Schuler-Voith GbR via Schuler-Beteiligungen GmbH, Munich, Germany, which directly holds the 10,522,595 shares and voting rights in Schuler Aktiengesellschaft.

3. In accordance with §§ 21 (1), 22 (1) sentence 1 No. 1, Dr. Robert Schuler-Voith, Germany, informed us of the following:

On April 10, 2008, the share of voting rights of Dr. Robert Schuler-Voith in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, fell below the threshold of 75% and amounted on this day to 60.13% (10,522,595 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with § 22 (1) sentence 1 No. 1 WpHG, all 10,522,595 voting rights are attributable to Dr. Schuler-Voith via Vermögensverwaltung Schuler-Voith GbR, Munich, Germany, and Schuler-Beteiligungen GmbH, Munich, Germany, which directly holds the 10,522,595 shares and voting rights in Schuler Aktiengesellschaft.

4. In accordance with §§ 21, 22 WpHG, Süddeutsche Beteiligung GmbH, Stuttgart, Germany, and Süddeutsche Erste Verwaltungs GmbH, Stuttgart, Germany, informed us of the following:

On April 10, 2008, the share of voting rights of Süddeutsche Beteiligung GmbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the threshold of 3%. On this day, the share of voting rights of Süddeutsche Beteiligung GmbH amounted to 3.995% (699,167 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with § 22 (1) sentence 1 No. 1 WpHG, all voting rights (699,167 voting rights) are attributable to Süddeutsche Beteiligung GmbH. The voting rights attributable to Süddeutsche Beteiligung GmbH are held by the following companies controlled by Süddeutsche Beteiligung GmbH, whose voting rights in Schuler Aktiengesellschaft amount to 3% or more:

- Süddeutsche Erste Verwaltungs GmbH.

On April 10, 2008, the share of voting rights of Süddeutsche Erste Verwaltungs GmbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the threshold of 3%. On this day, the share of voting rights of Süddeutsche Erste Verwaltungs GmbH amounted to 3.995% (699,167 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with §§ 21, 22 WpHG, Süddeutsche Beteiligung GmbH, Stuttgart, Germany, and Süddeutsche Erste Verwaltungs GmbH, Stuttgart, Germany, informed us that the share of voting rights held by Süddeutsche Beteiligung GmbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the 5%, 10% and 15% thresholds on June 19, 2008. On this day, the share of voting rights of Süddeutsche Beteiligung GmbH amounted to 17.72% (3,721,046 voting rights) of total voting rights in Schuler Aktiengesellschaft. In accordance with § 22 (1) sentence 1 No. 1 WpHG, all voting rights (3,721,046 voting rights) are attributable to Süddeutsche Beteiligung GmbH. The voting rights attributable to Süddeutsche Beteiligung GmbH are held by the following companies controlled by Süddeutsche Beteiligung GmbH, whose voting rights in Schuler Aktiengesellschaft amount to 3% or more:

- Süddeutsche Erste Verwaltungs GmbH.

On June 19, 2008, the share of voting rights held by Süddeutsche Erste Verwaltungs GmbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the 5%, 10% and 15% thresholds. On this day, the share of voting rights of Süddeutsche Erste Verwaltungs GmbH in Schuler Aktiengesellschaft amounted to 17.72% (3,721,046 voting rights) of total voting rights in Schuler Aktiengesellschaft.

5. In accordance with § 21 (1) WpHG, Kreissparkasse Biberach, Biberach, Germany, informed us of the following:

On April 10, 2008, the share of voting rights held by Kreissparkasse Biberach in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the 3% and 5% thresholds and on this day amounted to 9.72% (1,701,130 voting rights).

6. In accordance with §§ 21 ff. WpHG, BayernInvest Kapitalanlagegesellschaft mbH, Munich, Germany, informed us of the following:

On April 10, 2008, the share of voting rights held by BayernInvest Kapitalanlagegesellschaft mbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the 3% threshold and on this day amounted to 3.88% (678,430 voting rights). In accordance with § 22 (1) sentence 1 No. 6 WpHG, this 3.88% share (678,430 voting rights) is attributable to BayernInvest Kapitalanlagegesellschaft by Kreissparkasse Biberach.

7. In accordance with § 21 (1) WpHG, Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, informed us of the following:

On April 10, 2008, the share of voting rights held by Baden-Württembergischen Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the 3% threshold and now amounts to 4.07% (711,602 voting rights).

8. In accordance with § 21 (1) WpHG, Baden-Württembergische Investmentgesellschaft mbH, Stuttgart, Germany, informed us of the following:

On April 10, 2008, the share of voting rights held by Baden-Württembergische Investmentgesellschaft mbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, rose above the 3% and 5% thresholds with regard to all its special assets and on this day amounted to 7.34% (1,284,302 voting rights). In accordance with § 22 (1) sentence 1 No. 6 WpHG, 7.34% (1,284,302 voting rights) are attributable to Baden-Württembergische Investmentgesellschaft mbH. The voting rights of the following shareholders, whose share of voting rights in Schuler Aktiengesellschaft amounts to 3% or more, are attributed to Baden-Württembergische Investmentgesellschaft mbH:

- Baden-Württembergische Versorgungsanstalt für Ärzte, Zahn- und Tierärzte, Tübingen, Germany,
- Kreissparkasse Biberach, Biberach, Germany.

9. In accordance with § 21 (1) WpHG, Hammer Beteiligungs GmbH & Co. KG, Pullach, Germany, informed us of the following:

On April 10, 2008, the share of voting rights held by Hammer Beteiligungs GmbH & Co. KG in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, rose above the threshold of 3% and on this day amounted to 3.50% (612,500 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with § 21 (1) WpHG, Hammer Beteiligungs GmbH & Co. KG, Pullach, Germany, subsequently informed us that on June 18, 2008, the share of voting rights held by Hammer Beteiligungs GmbH & Co. KG in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, fell below the 3% threshold and on this day amounted to 0% (0 voting rights) of total voting rights in Schuler Aktiengesellschaft.

10. In accordance with §§ 21 (1), 22 (1) sentence 1 No. 1 WpHG, Hammer Verwaltungs GmbH, Pullach, Germany, informed us of the following:

On April 10, 2008, the share of voting rights held by Hammer Verwaltungs GmbH in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, rose above the threshold of 3% and on this day amounted to 3.50% (612,500 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with § 22 (1) sentence 1 No. 1 WpHG, all 3.50% (612,500 voting rights) are attributable to Hammer Verwaltungs GmbH via Hammer Beteiligungs GmbH & Co. KG.

In accordance with § 21 (1) WpHG, Hammer Verwaltungs GmbH, Pullach, Germany, subsequently informed us that on June 18, 2008, the share of voting rights held by Hammer Verwaltungs GmbH in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, fell below the 3% threshold and on June 18, 2008, amounted to 0% (0 voting rights) of total voting rights in Schuler Aktiengesellschaft.

11. In accordance with §§ 21 (1), 22 (1) sentence 1 No. 1 WpHG, Delphi Invest Beratungs- und Beteiligungs GmbH, Munich, Germany, informed us of the following:

On April 10, 2008, the share of voting rights held by Delphi Invest Beratungs- und Beteiligungs GmbH in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, rose above the threshold of 3% and on this day amounted to 3.50% (612,500 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with § 22 (1) sentence 1 No. 1 WpHG, all 3.50% (612,500 voting rights) are attributable to Delphi Invest Beratungs- und Beteiligungs GmbH via Hammer Beteiligungs GmbH & Co. KG.

In accordance with § 21 (1) WpHG, Delphi Invest Beratungs- und Beteiligungs GmbH, Munich, Germany, subsequently informed us that on June 18, 2008, the share of voting rights held by Delphi Invest Beratungs- und Beteiligungs GmbH in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, fell below the 3% threshold and on this day amounted to 0% (0 voting rights) of total voting rights in Schuler Aktiengesellschaft.

(35) Declaration on the German Corporate Governance Code acc. to § 161 AktG

On September 23, 2008, the Board of Management and Supervisory Board issued their seventh declaration of conformity acc. to § 161 AktG and made it permanently available to shareholders via the company's website.

(36) Auditors' fees

The audit fees of the Group's auditors recognized as expenses in the period under review are as follows:

	2007/08 T€	2006/07 T€
Audits of financial statements	1,938	1,997
Tax advisory services	281	316
Other services for parent or subsidiary companies	361	187
	2,580	**2,500**

(37) Executive bodies

Board of Management

Jürgen Tonn	Chief Executive Officer, Automation and Production Systems
Dr. Wolfgang Baur	Finance/Personnel
Joachim Beyer	Forming Systems
Dr. Markus Ernst	Forming Systems

Remuneration of members of the Board of Management amounted to T€ 2,021 in fiscal year 2007/08 (prior year: T€ 1,542), of which T€ 700 (prior year: T€ 606) were in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 227 (prior year: T€ 229).

On the basis of a resolution adopted by the Annual Shareholders' Meeting of March 29, 2007, pursuant to § 314 (2) sentence 2 HGB, individual and named remuneration details for members of the Board of Management pursuant to § 314 (1) No. 6 a) sentence 5 to 9 HGB will not be provided for a period of five years.

Total remuneration of former members of the Board of Management or management and their surviving dependants amounted to T€ 1,315 (prior year: T€ 929) in the year under review. The provisions formed for such current and future pensions amount to T€ 11,640 (prior year: T€ 12,180).

Supervisory Board

Dr. Robert Schuler-Voith	Chairman of the Supervisory Board Member of the Board of Management, Schuler-Beteiligungen GmbH, Göppingen
Roland Matheis [1)] (until April 10, 2008)	Deputy Chairman of the Supervisory Board Lathe Operator Chairman of the Labor Council, Schuler Pressen GmbH & Co. KG, Göppingen
Thomas Bohlender [1)]	Deputy Chairman of the Supervisory Board (since April 10, 2008) Power supply electrician Chairman of the Labor Council, Schuler SMG GmbH & Co. KG, Waghäusel
Prof. Dr. h.c. Roland Berger	Chairman of Roland Berger Strategy Consultants GmbH, Munich
Elke Böpple [1)] (since April 10, 2008)	Software engineer, Müller Weingarten AG, Weingarten Member of the Labor Council of Müller Weingarten AG, Weingarten
Renate Gmoser [1)]	Chief Representative of the Metal Workers' Union (IG Metall), Göppingen-Geislingen branch
Prof. Dr. Hartmut Hoffmann	Ordinarius and Professor for Metal Forming and Casting at the Technical University of Munich, Head of the Institute for Materials and Processing of the Faculty for Mechanical Engineering at the Technical University of Munich
Heiko Maßfeller [1)]	Chief Representative of the Metal Workers' Union (IG Metall), Bruchsal branch
Dieter Merkle [1)]	Head of High-speed/Minting, Schuler Pressen GmbH & Co. KG, Göppingen
Dr. Hans Michael Schmidt-Dencker (since April 10, 2008)	Managing Director, Süddeutsche Beteiligung GmbH, Stuttgart
Ingrid Wolfframm [1)]	Purchaser Chairperson of the Group Labor Council, Schuler AG, Göppingen Labor Council member, Schuler Pressen GmbH & Co. KG, Göppingen
Frank Wobst (until April 10, 2008)	Former Chairman and CEO – Huntington Bancshares Incorporated, Huntington National Bank, Columbus/Ohio, USA
Helmut Zahn	Member of the Board of Management, Schuler-Beteiligungen GmbH, Göppingen
Dr. Dr. h.c. Walther Zügel	Former Chairman of the Board of Management, Landesgirokasse, Stuttgart

[1)] *worker representatives*

Supervisory Board committees

Permanent Committee according to § 27 (3) Codetermination Law
Dr. Robert Schuler-Voith (Chairman)
Thomas Bohlender (since April 10, 2008)
Renate Gmoser
Roland Matheis (until April 10, 2008)
Dr. Dr. h.c. Walther Zügel

Personnel Committee
Dr. Robert Schuler-Voith (Chairman)
Renate Gmoser
Roland Matheis (until April 10, 2008)
Ingrid Wolfframm (since April 10, 2008)
Dr. Dr. h.c. Walther Zügel

Audit Committee
Helmut Zahn (Chairman)
Thomas Bohlender
Dieter Merkle
Dr. Dr. h.c. Walther Zügel

Nomination Committee
Dr. Robert Schuler-Voith (Chairman)
Helmut Zahn
Dr. Dr. h.c. Walther Zügel

Total remuneration of the Supervisory Board in fiscal year 2007/08 amounted to T€ 302 (prior year: T€ 303).

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

Jürgen Tonn	Hansen Sicherheitstechnik AG, Munich (Chairman) (until September 8, 2008) BCN Technical Services Inc., Hastings/Michigan, USA (Chairman) (since November 1, 2007) Müller Weingarten AG, Weingarten (until October 30, 2007) Müller Weingarten de México, S.A. de C.V., Puebla, Mexico (Chairman) (since December 5, 2007) Prensas Schuler S.A., São Paulo, Brazil Schuler Incorporated, Columbus/Ohio, USA (Chairman) Schuler Hydroforming Incorporated, Canton/Michigan, USA (Chairman)
Dr. Wolfgang Baur	BCN Technical Services Inc., Hastings/Michigan, USA (since November 1, 2007) Competence Call Center AG, Vienna, Austria Müller Weingarten AG, Weingarten (until October 30, 2007) Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, PR China (since November 9, 2007) Müller Weingarten (Shanghai) Forming Technologies Co. Ltd., Shanghai, PR China (since November 7, 2007) Müller Weingarten Ibérica S.L., Sant Cugat del Vallès, Spain (since December 5, 2007) Prensas Schuler S.A., São Paulo, Brazil Schuler Incorporated, Columbus/Ohio, USA Schuler France S.A., Strasbourg, France Schuler Ibérica S.A., Barcelona, Spain SW Italia S.r.l., Turin, Italy (since December 27, 2007)
Joachim Beyer	Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, PR China (Deputy Chairman) (since November 9, 2007) Müller Weingarten (Shanghai) Forming Technologies Co. Ltd., Shanghai, PR China (Deputy Chairman) (since November 7, 2007) Prensas Schuler S.A., São Paulo, Brazil Schuler Incorporated, Columbus/Ohio, USA Shanghai Schuler Presses Co. Ltd., Shanghai, PR China (Chairman)
Dr. Markus Ernst	Schuler Incorporated, Columbus/Ohio, USA (since October 17, 2007)

Additional seats held by members of the Supervisory Board

Dr. Robert Schuler-Voith	Leifheit AG, Nassau Prensas Schuler S.A., São Paulo, Brazil Schuler Incorporated, Columbus/Ohio, USA (until October 17, 2007)
Prof. Dr. h.c. Roland Berger	Alcan Inc., Montreal, Canada (until October 25, 2007) FIAT S.p.A., Turin, Italy Wilhelm von Finck AG, Grasbrunn (Deputy Chairman) WMP EuroCom AG, Berlin (Chairman) Live Holding AG, Berlin (Deputy Chairman) (since June 4, 2008) Helios Kliniken GmbH, Berlin (until April 30, 2008) Prime Office AG, Munich (Chairman) Senator Entertainment AG, Berlin Fresenius SE, Bad Homburg (since May 20, 2008) Telecom Italia S.p.A., Milan, Italy (since April 14, 2008)
Dieter Merkle	Schuler India Pvt. Ltd., Mumbai, India
Dr. Hans Michael Schmidt-Dencker	Aebi-Schmidt Holding AG, Bussnang, Switzerland (until June 6, 2008) Dürr AG, Stuttgart LOBA GmbH & Co. KG, Ditzingen (Chairman) Südwestbank AG, Stuttgart (since September 12, 2008) Schwäbische Werkzeugmaschinen GmbH, Schramberg-Waldmössingen (Chairman) (since September 30, 2008)
Frank Wobst	National Electric Coil Corp., Columbus/Ohio, USA Schuler Incorporated, Columbus/Ohio, USA (until October 17, 2007)
Helmut Zahn	Leifheit AG, Nassau (Chairman) Flossbach & von Storch Vermögensmanagement AG, Cologne Müller Weingarten AG, Weingarten (Chairman)
Dr. Dr. h.c. Walther Zügel	STINAG Stuttgart Invest AG, Stuttgart (Chairman) (until June 26, 2008) Stihl AG, Waiblingen (Deputy Chairman) Stuttgarter Hofbräu Verwaltungs AG, Stuttgart (until June 26, 2008) capiton AG, Berlin Berthold Leibinger GmbH, Ditzingen

(38) Fully consolidated Group companies as of September 30, 2008

	Location	Equity interest %
Forming Systems		
Müller Weingarten AG [2]	Weingarten, Germany	100.00
Müller Weingarten Technologie GmbH & Co. KG [1]	Weingarten, Germany	100.00
Schuler Systems & Services GmbH & Co. KG [1]	Göppingen, Germany	100.00
Schuler Pressen GmbH & Co. KG [1]	Göppingen, Germany	100.00
Gräbener Pressensysteme GmbH & Co. KG [1]	Netphen, Germany	100.00
Schuler SMG GmbH & Co. KG [1]	Waghäusel, Germany	100.00
Schuler Hydrap GmbH & Co. KG [1]	Esslingen, Germany	100.00
Schuler Guß GmbH & Co. KG [1]	Göppingen, Germany	100.00
Vögtle Service GmbH & Co. KG [1]	Eislingen, Germany	100.00
Theta-Centaurus-Vermögensverwaltungs GmbH [2]	Weingarten, Germany	100.00
Eclips Vermietungsgesellschaft mbH & Co. Objekt Göppingen Kommanditgesellschaft	Düsseldorf, Germany	94.00
Rena Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG	Pöcking, Germany	100.00
SUPERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten	Schönefeld, Germany	100.00
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten	Grünewald, Germany	100.00
Schuler Financial Services GmbH & Co. KG [1]	Göppingen, Germany	100.00
Beutler Nova AG	Gettnau, Switzerland	100.00
Schuler France S.A.	Strasbourg, France	100.00
Schuler Presses UK Limited [3]	Walsall, Great Britain	100.00
Schuler Incorporated	Columbus/Ohio, USA	100.00
BCN Technical Services Inc.	Hastings/Michigan, USA	100.00
Müller Weingarten de México, S.A. de C.V.	Puebla, Mexico	100.00
Prensas Schuler S.A.	São Paulo, Brazil	100.00
Shanghai Schuler Presses Co. Ltd.	Shanghai, PR China	79.38
Müller Weingarten (Dalian) Forming Technologies Co. Ltd.	Dalian, PR China	100.00

Automation and Production Systems		
Schuler Automation GmbH & Co. KG [1]	Hessdorf, Germany	100.00
Schuler Cartec GmbH & Co. KG [1]	Göppingen, Germany	100.00
Schuler Cartec Engineering GmbH & Co. KG [1]	Weingarten, Germany	100.00
Schuler Modelltechnik GmbH	Weingarten, Germany	100.00
Schuler Cartec Verwaltungs GmbH	Weingarten, Germany	100.00
Müller Weingarten Werkzeuge GmbH	Weingarten, Germany	100.00
Umformcenter Erfurt GmbH	Erfurt, Germany	100.00
Müller Weingarten Česká Republica s.r.o.	Mořkov, Czech Republic	99.50
Schuler Hydroforming GmbH & Co. KG [1]	Wilnsdorf, Germany	100.00
Schuler Hydroforming Incorporated	Canton/Michigan, USA	100.00

[1] *companies making use of the relief afforded by § 264b HGB*
[2] *companies making use of the relief afforded by § 264 (3) HGB*
[3] *formerly Müller Weingarten U.K. Ltd.*

A complete list of all shareholdings of Schuler AG has been attached as an appendix to these notes.

Göppingen, December 23, 2008

Schuler AG

The Board of Management

Jürgen Tonn	Dr. Wolfgang Baur	Joachim Beyer	Dr. Markus Ernst

AUDITOR'S OPINION

We have audited the consolidated financial statements – comprising the balance sheet, the profit and loss account, 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, 2007, to September 30, 2008, as prepared by Schuler Aktiengesellschaft. 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.

Without qualifying this assessment, we refer to the explanations in the notes to the annual financial statements and in the management report. In the »Opportunity and risk report«, it is reported that the syndicated loan agreement can be terminated prematurely by the lenders if there is an infringement of certain covenants (gearing, interest cover, debt ratio). If a follow-up loan could not be raised immediately on the market, this might lead to a lack of liquidity and thus to the insolvency of Schuler AG.

Stuttgart, December 30, 2008

HHS Hellinger Hahnemann Schulte-Groß GmbH
Wirtschaftsprüfungsgesellschaft

Schumacher	Rittmann
Auditor	Auditor

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 23, 2008

Schuler AG

The Board of Management

Jürgen Tonn	Dr. Wolfgang Baur	Joachim Beyer	Dr. Markus Ernst

Schuler AG
Postfach 1222
73012 Göppingen
Germany
Phone +49 7161 66-0
Fax +49 7161 66-233

Forming Systems

Schuler Pressen GmbH & Co. KG
Postfach 929
73009 Göppingen
Germany
Phone +49 7161 66-0
Fax +49 7161 66-233

Schuler SMG GmbH & Co. KG
Louis-Schuler-Str. 1
68753 Waghäusel
Germany
Phone +49 7254 988-0
Fax +49 7254 988-214

Gräbener Pressensysteme GmbH & Co. KG
Wetzlarer Str. 1
57250 Netphen
Germany
Phone +49 2737 962-0
Fax +49 2737 962-100

Schuler Hydrap GmbH & Co. KG
Röntgenstr. 16 – 18
73730 Esslingen
Germany
Phone +49 711 9395-143
Fax +49 711 9395-279

Schuler Guß GmbH & Co. KG
Postfach 1309
73013 Göppingen
Germany
Phone +49 7161 66-0
Fax +49 7161 66-616

Schuler Systems & Services GmbH & Co. KG
Postfach 1289
73012 Göppingen
Germany
Phone +49 1805 716611-000
Fax +49 1805 716611-900

Müller Weingarten AG
Werk Weingarten
Postfach 1363
88242 Weingarten
Germany
Phone +49 751 401-01
Fax +49 751 401-2458

Werk Esslingen
Postfach 100451
73704 Esslingen
Germany
Phone +49 711 9395-0
Fax +49 711 9395-279

Niederlassung Umformtechnik Erfurt
Postfach 800252
99028 Erfurt
Germany
Phone +49 361 70-0
Fax +49 361 70-6001

Werkservice
Am Weidenbroich 1A
Industriegebiet Bergisch-Born
42897 Remscheid
Germany
Phone +49 2191 95199-0
Fax +49 2191 95199-81

Prensas Schuler S.A.
Caixa Postal 136
09901-970 Diadema-SP
Brazil
Phone +55 11 40758444
Fax +55 11 40792766

Müller Weingarten de México, S.A. de C.V.
Lateral Arco Norte Km.25 #4
San Francisco Ocotlan
CP 72680 Puebla
Mexico
Phone +52 222 431-0019
Fax +52 222 431-0018

Schuler Incorporated
7145 Commerce Boulevard
Canton, Michigan 48187
USA
Phone +1 734 20772-00
Fax +1 734 20772-20

BCN Technical Services, Inc.
1004 East State Street
Hastings, Michigan 49058
USA
Phone +1 269 94833-00
Fax +1 269 94833-10

Shanghai Schuler Presses Co. Ltd.
750/8 Luo Chuan Zhong Road
Shanghai 200072
PR China
Phone +86 21 56650081
Fax +86 21 66529060

Müller Weingarten (Dalian)
Forming Technologies Co., Ltd.
No. 1 Weingarten Road
Dalianwan
Ganjingzi District
Dalian 116113
PR China
Phone +86 411 87124002
Fax +86 411 87609916

Müller Weingarten (Shanghai)
Forming Technologies Co., Ltd.
Room 305, Tomson Center
No. 188 Zhangyang Rd., Pudong New Area
Shanghai 200120
PR China
Phone +86 21 6888-1330
Fax +86 21 6888-8330

Müller Weingarten AG
Beijing Representative Office
Full Tower Room 1003
No. 9 Dong Sanhuan Zhonglu
Chaoyang District
Peking 100020
PR China
Phone +86 10 859103-63
Fax +86 10 859103-62

Schuler India Pvt. Ltd.
401 – 403 Keshava, Bandra-Kurla Complex
Bandra (East)
400051 Mumbai
India
Phone +91 22 668003-00
Fax +91 22 668003-99

Müller Weingarten AG
Liaison Office India
Unit 204, IInd Floor, Suyash Classic
74+75/2, Baner Road, Baner
411045 Pune
India
Phone +91 94440 79263

Müller Weingarten AG
Moskau Representative Office
Prospekt Wernadskowo 103,
Korpus 1, Büro 85
119526 Moscow
Russia
Phone +7 495 4332309
Fax +7 495 4342363

Beutler Nova AG
Hofmatt 2
6142 Gettnau
Switzerland
Phone +41 41 97275-75
Fax +41 41 97275-76

Schuler Ibérica S.A.
Edificio SCV Forum
Planta 2ª, Puerta 4ª
Ctra. Sant Cugat a Rubí, Km 01, nº 40-50
08174 Sant Cugat del Vallès (Barcelona)
Spain
Phone +34 93 54423-00
Fax +34 93 54423-01

Schuler France S.A.
BP 26
67023 Strasbourg Cedex 1
France
Phone +33 388 657080
Fax +33 388 403490

SW Italia S.r.l.
Via Erasmo da Rotterdam 4
10134 Turin
Italy
Phone +39 01131 66511
Fax +39 01131 99237

Schuler Presses UK Ltd.
Brineton Street
Quayside Drive
Walsall, West Midlands WS2 9LA
Great Britain
Phone +44 1922 6191-00
Fax +44 1922 6191-01

Vögtle Service GmbH & Co. KG
Friedhofstr. 115
73054 Eislingen
Germany
Phone +49 7161 9973-0
Fax +49 7161 9973-13

TRAVIS Handelsgesellschaft mbH
Postfach 1363
88242 Weingarten
Germany
Phone +49 751 401-2762
Fax +49 751 401-2842

Automation and Production Systems

Schuler Automation GmbH & Co. KG
Werk Hessdorf
Louis-Schuler-Str. 1
91093 Hessdorf
Germany
Phone +49 9135 715-0
Fax +49 9135 715-103

Werk Gemmingen
Louis-Schuler-Str. 9
75050 Gemmingen
Germany
Phone +49 7267 809-0
Fax +49 7267 809-180

Schuler Cartec GmbH & Co. KG
Werk Göppingen
Postfach 1129
73011 Göppingen
Germany
Phone +49 7161 66-0
Fax +49 7161 66-622

Werk Weingarten
Gartenstr. 54
88250 Weingarten
Germany
Phone +49 751 401-03
Fax +49 751 401-2931

Schuler Cartec Engineering GmbH & Co. KG
Heinrich-Hertz-Str. 6
88250 Weingarten
Germany
Phone +49 751 4006-0
Fax +49 751 4006-195

Umformcenter Erfurt GmbH
Schwerborner Str. 1
99086 Erfurt
Germany
Phone +49 361 70665-0
Fax +49 361 70665-1

Müller Weingarten Česká Republica s.r.o.
Životice u Nového Jičína čp. 118
74272 Mořkov
Czech Republic
Phone +420 556 779-911
Fax +420 556 779-904

Schuler Hydroforming GmbH & Co. KG
Louis-Schuler-Str. 2
57234 Wilnsdorf
Germany
Phone +49 2739 808-0
Fax +49 2739 808-323

PUBLISHED BY

Schuler AG

Corporate Communications/
Investor Relations
Bahnhofstr. 41
73033 Göppingen
Germany

Phone +49 7161 66-859
Fax +49 7161 66-907

ir@schulergroup.com
www.schulergroup.comm

Schuler AG is a member of bwsc Baden-Württemberg Small Caps

and DIRK Deutscher Investor Relations Verband e.V.

FINANCIAL CALENDAR

Annual press conference 2007/08	**January 29, 2009, Stuttgart**
Analysts' meeting	**January 30, 2009, Frankfurt/Main**
Interim report of the Board of Management within the 1st half of fiscal 2008/09	**February 16, 2009**
Annual General Meeting	**April 2, 2009, Municipal Hall (Stadthalle) Göppingen**
Six months' report (October 2008 – March 2009)	**May 28, 2009**
Interim report of the Board of Management within the 2nd half of fiscal 2008/09	**July/August, 2009**
Annual press conference 2008/09	**January 28, 2010, Stuttgart**
Analysts' meeting	**January 29, 2010, Frankfurt/Main**
Annual General Meeting	**April 15, 2010, Municipal Hall (Stadthalle) Göppingen**

CONCEPT & DESIGN

Impacct Communication GmbH, Hamburg

PRINTED BY

W. Zertani, Druckerei und Verlag, Bremen

Schuler AG
Bahnhofstr. 41
73033 Göppingen
Germany

SCHULER Annual Report 2007/08