Annual Report 2008/09

Ready for future challenges.

SCHULER GROUP AT A GLANCE

IFRS		2004/05	2005/06	2006/07 [1]	2007/08 [2]	2008/09 [2]
Sales	(€ million)	561.6	563.4	725.0	966.1	823.1
– of which outside Germany	(%)	70.9	71.4	63.7	60.4	60.7
New orders	(€ million)	547.7	515.7	835.8	1,006.2	590.5
Order backlog	(as of 09/30, € million)	377.6	330.0	699.6	739.7	507.1
EBITDA	(€ million)	31.2	19.3	74.4	64.7	-2.9
EBIT	(€ million)	13.2	-1.1	45.9	36.7	-43.9
Group profit or loss	(€ million)	0.4	-9.5	13.9	8.6	-64.9
Personnel incl. apprentices	(as of 09/30)	3,697	3,606	5,710	5,634	5,332
Personnel expenses	(€ million)	197.8	211.4	264.3	323.6	327.6
Balance sheet total	(as of 09/30, € million)	562.8	516.1	852.4	866.7	748.5
Shareholders' equity	(as of 09/30, € million)	115.2	97.1	148.3	179.5	116.5
Equity ratio	(%)	20.5	18.8	17.4	20.7	15.6
Gross cash flow	(€ million)	19.1	12.5	43.0	36.9	-25.5
Capital expenditures excl. financial investments	(€ million)	9.6	10.1	16.4	23.0	12.2
Depreciation excl. financial investments	(€ million)	17.8	20.3	28.1	27.3	40.9

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

CONTENTS

Cover: The world's fastest press line with ServoDirect technology (left); Schuler's latest Crossbar Feeder generation ensures efficient part transport within the press line (right)

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 forging, energy, electrical and household equipment industry. Schuler is also the market leader in coin minting technology.

THE BOARD OF MANAGEMENT

Jürgen Tonn, Chairman

Dr. Wolfgang Baur

Dr. Markus Ernst

Joachim Beyer

LETTER TO THE SHAREHOLDERS

Dear shareholders, customers and friends

The past fiscal year 2008/09 was dominated by the most severe economic crisis in German post-war history. The global economy suffered a dramatic decline. Both the automotive industry and machine tool manufacturers were hit particularly hard by the global slump in demand. Also Schuler was unable to escape the effects of this development.

The crisis led to a massive decline in new orders throughout the sector. In the past fiscal year, new orders received by Schuler were almost 40% down on the previous year. The situation called for exceptional measures from Schuler's management team, as well as their swift and full implementation. We reacted to the fall in orders at a very early stage and developed a corresponding package of measures.

These measures comprise an annual savings volume of around € 80 million. At the beginning of the new fiscal year, for example, the Hydraulic Presses division was pooled at our Waghäusel facility in order to enhance efficiency. The Esslingen facility now focuses on service activities and the service areas of the two companies at this location, Müller Weingarten and Schuler Hydrap, have been merged. The entire new machine business of this division was moved to Waghäusel at the beginning of fiscal year 2009/10. Moreover, our hydroforming technology was transferred from Wilnsdorf to Waghäusel, from where it will be continued. Capacity at our facility in Brazil has also been adapted to the significant fall in business volume.

Within the context of these restructuring measures, Schuler will reduce staff by around 11% world-wide, corresponding to the loss of around 600 jobs. As part of our cost management activities, we have introduced cost-saving projects. In addition to reductions in material costs by means of purchasing measures, Schuler has terminated the use of nearly all its temporary staff around the world. These were mainly employed at our overseas facilities.

In addition, a temporary 20% reduction in personnel expenses for the remaining work force has been targeted. A central component of this measure was the conclusion of a supplementary collective bargaining agreement with the following key elements: short-time work is to continue throughout the Group; employees who are not included in the short-time work program will have their working hours and pay deducted by 10%; holiday pay for 2010 is to be postponed, staff will instead receive a base rate of € 300; if the Group's defined savings target is achieved without the need to waive holiday pay, the full amount of holiday pay will be distributed in September 2010 after deducting the base rate already paid; if holiday pay has to be cancelled in part or in full in order to achieve the planned savings, the amount distributed will be reduced accordingly.

Schuler has thus succeeded in significantly raising efficiency with high cost savings, while at the same time upholding its strong market position and performance, and securing jobs. In this context, we would also like to emphasize the constructive attitude of our worker representatives during this process.

On December 7, 2009, Schuler prematurely extended the syndicated loan of € 450 million it concluded in March 2008 and thus created a reliable financial structure for the years ahead. The agreement will initially run until the end of September 2012. The loan amount is unchanged and comprises a cash tranche of € 200 million in total and a credit line tranche of € 250 million.

Schuler has therefore reacted swiftly and comprehensively to the economic crisis. In the meantime, there are the first signs of a return to stability in our sector. We also believe that Schuler has turned the corner and now expect business to pick up again. There are a number of projects in progress in certain areas, which we must now turn into firm orders. Schuler is well prepared for the challenges ahead.

The Board of Management

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

Quantum leap in large press construction

Schuler's ServoDirect technology enhances economic efficiency of press shops

ServoDirect technology represents a technological leap in the mass manufacturing of sheet metal parts. It enhances the economic efficiency of modern press shops while at the same time significantly reducing energy consumption. BMW already decided last year to install ServoDirect technology at its press shops in Leipzig, Regensburg, Munich and Dingolfing. The servo press lines in Leipzig and Regensburg have already been successfully delivered to the customer; production will be launched on a third servo press line at BMW's Munich facility in mid 2011. The overall package includes a ProgDie press for Dingolfing and a blanking press for Regensburg – also equipped with ServoDirect technology – which have been in multiple-shift operation since spring 2009. All in all, we have supplied BMW with the most efficient solutions from our modular program for each particular facility, thus ensuring sustainable productivity enhancements while also conserving valuable resources.

ServoDirect technology: much greater economic efficiency and a significant reduction in energy consumption

First servo press line world-wide

Leipzig and Regensburg are the first BMW facilities to use the new ServoDirect technology in press lines. The combination of high press force, freely programmable forming processes and increased output with reduced energy consumption is unique throughout the world. Schuler has thus started a new chapter in metalforming technology. BMW can produce parts with dies measuring up to five meters on the servo press lines and reach maximum speeds of 17 strokes per minute. Up to four parts can be produced with every stroke. Depending on the particular part, energy consumption can be reduced by 10%. The lines are also equipped with Schuler automation solutions, such as the blankloader to feed blanks into the line, and Schuler Crossbar Feeders which transport parts from one press station to the next.

Forming processes can be easily programmed in the press line's control center

Up to 68 large parts are produced every minute

Blanking press rounds out solution for BMW Regensburg

The solution for BMW Regensburg also includes a blanking press with coil feeding and finished part stacking. It can turn up to 400 metric tons of coil material per day into blanks, which are then processed by the servo press lines. The cutting press is the first in the world to be equipped with ServoDirect technology. This greatly reduces cutting shocks and results in much longer die service lives, especially when processing high- and higher-strength sheet metals.

ProgDie press for Dingolfing facility receives top marks for material use and energy efficiency

The ProgDie press PML4-3000 with a press force of 30,000 kN (3,000 metric tons) has been in operation at the Dingolfing facility since spring 2009. The line uses progressive dies for the parallel production of structural parts directly from the coil. As a result, the number of process stages is reduced while at the same time raising output to as much as 160 parts per minute. ServoDirect technology and the energy management system supplied by Schuler with energy recovery can reduce annual energy requirements by around five million kilowatt hours, compared with existing lines. That corresponds to the annual electricity needs of around 1,500 homes.

The world's first cutting press with ServoDirect technology significantly prolongs die service lives

ServoDirect technology also greatly increases the output of ProgDie presses

Forming Systems

- Schuler's ServoDirect technology sets new standards
- China biggest market for press shop equipment
- Diversification strategy aimed at customers in non-automotive sector
- Optimization significantly enhances performance of existing lines

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 modular product range for the automotive supplier market. Further Forming Systems products include solid forming systems and high-speed presses.

High quality, flexible, fast – almost all of the new Porsche Panamera's body panels are produced on a hydraulic press line

Schuler's ServoDirect technology sets new standards

ServoDirect technology represents a technological leap in the mass manufacturing of sheet metal parts and enhances the economic efficiency of modern press shops. BMW already decided last year to install ServoDirect technology at its press shops in Dingolfing, Leipzig, Regensburg and Munich. The servo press lines in Leipzig and Regensburg, and the ProgDie line in Dingolfing, have already been successfully delivered to the customer (see feature »Quantum leap in large press construction« on page 6). When it comes to manufacturing high-precision parts, our servo technology is also first choice for the part supply industry. Belgian manufacturer Penne, for example, has been producing windshield wiper components on a Schuler servo press since February 2009.

Largest hydraulic press line automated with robots

In December 2008, Volvo accepted delivery of the largest hydraulic press line automated with robots for its facility in Olofström, Sweden. The Schuler line is used to mass manufacture outer and inner doors, wheel wells, wings and A-pillar supports for the new Volvo XC60. In addition to these steel parts, the line will also be used in future to produce aluminum hoods.

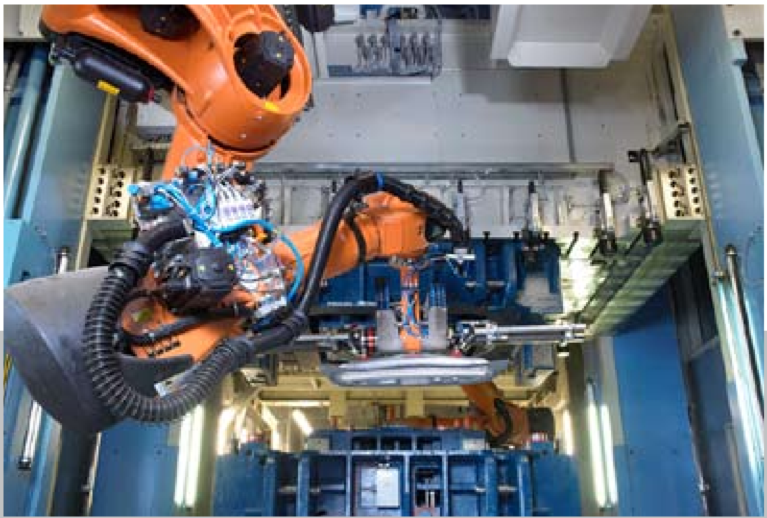
Good visibility: windshield wiper components produced with great precision using ServoDirect technology

Body panels for new Porsche Panamera produced using Schuler solutions

In March 2009, Volkswagen Commercial Vehicles in Hanover, Germany, began the production of large body panels for the new Porsche Panamera, which was launched in Germany in September 2009. Almost all of the new car's panels are produced on a press line which was modernized with a new hydraulic lead-off press and eight Crossbar Robots from Schuler. The parts produced include the doors, hoods and trunks.

Volkswagen in China expands production with three new press lines

In summer 2009, FAW-VW in China ordered two six-station mechanical Speedbar press lines and two hydraulic tryout presses, while Shanghai Volkswagen ordered a six-station mechanical press line with the latest generation of our Crossbar Feeder. VW will use all three lines to manufacture car panels for new vehicle models destined for the Chinese market.



Schuler's Crossbar Robot can also handle very large parts, such as the body panels for the new Porsche Panamera

Strong demand for Schuler forging presses in China

Shandong Shantui Construction is one of China's largest manufacturers of construction machines. The company recently modernized and expanded its forging shop with a crank forging press and screw press supplied by the Schuler Group. The lines are used to produce crawler tracks and support rollers for construction vehicles.

Schuler lines in the USA ensure perfect material flow for the production of heat exchanger plates

At its new facility in Pennsylvania, USA, GEA PHE Systems, one of the world's leading producers of cooling units, uses a newly developed Schuler production line with two hydraulic presses to manufacture heat exchanger plates. The two presses develop a press force of 250,000 kN (25,000 metric tons) and 6,300 kN (630 metric tons). The presses are needed to emboss and cut stainless steel blanks which are used in large heat exchangers for the beverage industry or for huge ship's engines.

A customer uses Schuler forging presses to produce crawler tracks and support rollers for various construction vehicles

Photo©Wolfgang Jargstorff

Spanish company launches production of railway wheels for the global market

Shortly after Easter 2009, our Spanish customer CAF launched production of railway wheels on a large hydraulic press supplied by Schuler offering a maximum press force of 100,000 kN (10,000 metric tons). CAF specializes in manufacturing all types of railway wagons and its core competency includes the production of wheels. A fully formed railway wheel with a maximum diameter of around one-and-a-half meters and a weight of over one ton leaves the line every 90 seconds. Only about one tenth of the wheels is for CAF's own needs; the rest is delivered to customers around the world.

Schuler extends its range for the packaging industry with new necking machine

Schuler has extended its range of products for the packaging industry with the addition of its new N40V necking machine. The machine is used to give the neck of aerosol cans – previously produced on our impact extrusion presses – the desired shape. Aerosol cans are used as containers for hair sprays or deodorants. Symmetrical forming of the neck is achieved by reducing or expanding the printed and lacquered cylinder.

Safe journey: forged railway wheels for high-speed trains

Indian manufacturer of electricity generating equipment uses Schuler line to produce electric motor laminations

In April 2009, our High-speed division supplied a production line for the manufacturing of electric motor laminations to one of India's leading suppliers of electricity generating equipment.

VW de México relies on Schuler's modernization know-how

In the past fiscal year 2008/09, Schuler completely refurbished two press lines of VW de México which had been supplied by Umformtechnik Erfurt and Schuler in the 1980s, and brought them in line with the latest technology.

Optimization leads to increased output in the field of forging

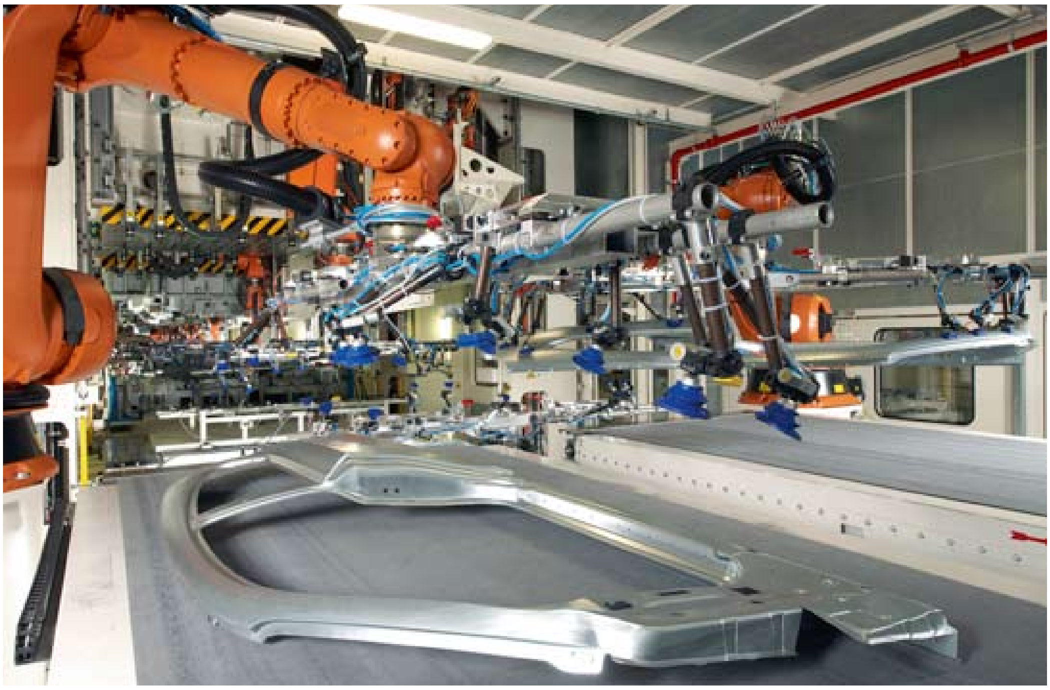
Schuler-specialists for optimizing hydraulic presses in Waghäusel completed a retrofit on a hydraulic cold extrusion press in late 2008. The customer was Hirschvogel Umformtechnik GmbH, one of the world's leading suppliers in the field of solid forming and machining. Following the two-day optimization program, the customer was able to achieve cycle time improvements of up to 30%.

Laminations are needed in generators and electric motors used in a number of different sectors

Automation and Production Systems

– Schuler’s Crossbar Robot successfully established on the market
– High-speed blankloader for servo press lines in operation at BMW

Schuler’s Automation and Production Systems business segment offers one-stop shopping in the field of automation and press dies. Hydroforming and laser technology represent further areas of expertise. Hydroforming entails shaping hollow bodies with the aid of gas or fluid pressure.



Schuler’s new Crossbar Feeders significantly raise the efficiency of press line processes and equipment

Schuler’s Crossbar Robot successfully established on the market

Just two years after its market launch, Schuler’s Crossbar Robot has already successfully established itself on the market: 26 models are already being used to automate press lines at various sites around the world. A German car manufacturer recently used the Crossbar Robot to link press lines used for the production of panels and structural parts for various vehicle models. Further Crossbar Robots are to be found in Brazil, the USA, China and Sweden. With the development of this product, Schuler was able to combine the benefits of robot and crossbar technologies. The Crossbar Robot transports parts along the line from one die to the next in a single action. Where necessary, parts can also be re-oriented. The key advantage is that just one tooling per press gap is needed. This reduces tooling costs compared with a feeder linkage system; feeder automation requires one loading and one unloading feeder per press gap, as well as an intermediary station. The Crossbar Robots are also very flexible and offer both low maintenance and high availability.

Perfectly in sync with production: high-speed blankloader for servo press lines

When it came to feeding its new Schuler servo press lines, BMW decided to invest in Schuler’s high-speed blankloader as it can significantly raise the line’s output. The blankloader can handle up to 20 single or 40 double blanks per minute. It is also possible to prepare the press line for up to 60 four-out blanks per minute.

Schuler’s Crossbar Robots transport parts from one die to the next in a single action

New compact series added to coil feeding line range

Schuler Automation has extended its range of modular coil feeding lines with the addition of the compact C-series. It is especially suitable for smaller widths of 300 to 800 millimeters and lower coil weights of three to eight metric tons. As a result, even small and mid-size companies can now enjoy the benefits of this modular system. Schuler's coil feeding lines in long space design are already being used in a wide variety of sectors – such as the automotive, household appliance and packaging industries, as well as mints.

New product for fast feeding and linking of machine tools with a minimum of staff

The LoadMaster is a new linear system developed by Schuler Automation which enables the fast feeding and linking of machine tools with a minimum of staff. The system is flexible and can be adapted to varying production requirements. The range consists of the LoadMaster Compact and the LoadMaster Flex. The LoadMaster Compact is a modular solution for the automation of single or multiple machine tools of similar construction. The system is designed for parts with weights of up to 1.5 metric tons and diameters of up to 1.40 meters. The LoadMaster Flex is a freely configurable system which can be used to link differing machine tools. It can also handle Euro pallets with raw materials.

Straightener of coil feeding lines supplied by Schuler, that are used in a variety of sectors

Depending on the particular size, the LoadMaster Flex system can process parts with weights of up to ten metric tons and diameters of up to two meters. In the case of both machines, the holder pallets are equipped and parts clamped while the machine is still running. The parts are then kept in the storage unit until the system automatically loads them into the machine for processing. This means there is no waiting time at the machine, enabling it to be operated without staff.

Standardized certification lowers costs in die construction and press shops

In mid 2009, our die construction and press shop facilities in Göppingen and Erfurt conducted their first-ever standardized certification of the quality and environmental systems at all Schuler Cartec locations. The Schuler Cartec facilities in Göppingen and Weingarten, Schuler Cartec Engineering in Weingarten, UmformCenter Erfurt in Erfurt and Müller Weingarten Česká Republica in Mořkov, Czech Republic, were previously audited by different certifiers. With the Group certification process completed in June 2009, all Schuler Cartec facilities now operate with a central quality management system. The benefits: Group certification is more efficient, as regular monitoring audits reduce both auditing time and cost. Improvement possibilities detected during the audits can also be quickly implemented at other facilities.

Modern dies ensure precise and efficient manufacturing of even complex formed parts

Schuler defies the global economic crisis – the worst in over 100 years

Germany's manufacturers of plant and machinery have also been severely impacted by the global economic crisis. According to figures of the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau – VDMA), new orders were down 42% in real terms during the period January to March 2009, compared with the same period last year.

The automotive industry and its suppliers have been hit particularly hard by the global economic crisis and significantly reduced their orders of new presses. This is strongly reflected in the number of orders received by Schuler: with new orders of around € 295 million in the first six months of fiscal year 2008/09, Schuler suffered a fall of almost 50% compared with the previous year (€ 555 million). Schuler reacted to this challenge by launching a comprehensive catalogue of measures to enable the company to chart a stable course through the crisis. These measures focus on:

- Streamlining the organization, for example by pooling all activities of the Hydraulic Presses division in Waghäusel, Germany:
  - The Esslingen facility now focuses on service activities. The service areas of the two companies at this location, Müller Weingarten and Schuler Hydrap, have been merged.
  - The entire new machine business of this division was transferred to Waghäusel.
  - Hydroforming technology is now being continued from Waghäusel.
- Capacities at the Group's manufacturing facility in Brazil have been adjusted to the greatly reduced business volume. The loss-making contract processing of welded parts for wind energy components has been discontinued.
- Capacity adjustments at Schuler Automation, Schuler Cartec and Müller Weingarten were conducted based on the development of sales.

Within the context of these measures, Schuler's staff will be reduced by about 11% world-wide. Of these approximately 600 jobs, around 360 are in Germany.

Further measures:

- Reductions in material costs by means of targeted purchasing measures, such as a further strengthening of the Group's global sourcing activities.
- Schuler has almost completely reduced the use of temporary staff around the world. These were mainly employed at overseas facilities.
- In order to achieve further temporary savings of 20% in personnel expenses, a supplementary collective bargaining agreement was concluded with worker representatives for tariff-based staff. This agreement comprises the following main points:
  - Short-time work will continue throughout the Group.
  - Employees who are not included in the short-time work program will have their working hours and pay deducted by 10%.
  - Holiday pay for 2010 is to be postponed, staff will instead receive a base rate of € 300. If the Group's defined savings target is achieved without the need to waive holiday pay, the full amount of holiday pay will be distributed in September 2010 after deducting the base rate already paid. If holiday pay has to be cancelled in part or in full in order to achieve the planned savings, the amount distributed will be reduced accordingly.

  The supplementary collective bargaining agreement is valid for the fiscal year 2009/10 with an option to extend it to the following fiscal year. The negotiating partners have agreed to regularly review the savings targets and to amend the supplementary collective bargaining agreement if there is any significant change in economic conditions.
- Individual agreements concerning the temporary waiving of remuneration were made with senior executives and non-tariff staff.

The measures have so far succeeded in significantly raising efficiency and achieving high cost savings, while at the same time upholding the Group's strong market position and performance. In the medium term, these restructuring measures will result in annual savings of up to € 80 million for Schuler.

Share in focus

Following the collapse in share prices of late 2008 and early 2009, the international stock markets began to recover in March 2009. This trend was dampened slightly in the middle of the year. The capital markets were torn between recovery and hope of more stable economic development on the one hand and doubt as to the intensity and sustainability of the recovery on the other. In fall 2009, there were growing signs of a recovery in Germany and of a global economic upturn in 2010.

Development of share price not satisfactory

The Schuler share started the fiscal year 2008/09 at € 6.66 on October 1, 2008, and already reached its year-high price of € 7.00 on October 7, 2008. It was then initially caught up in the general market slump, before sliding steadily to a year-low of € 1.77 on March 24, 2009. The share price subsequently recovered slightly and was quoted at € 2.99 at the end of our fiscal year on September 30, 2009.

Over the same period, the German blue-chip index DAX suffered a year-on-year decline of 2.3%, while the engineering index CDAX fell by 3.1%, and the small-cap index SDAX grew slightly by 3.8% (all figures based on XETRA electronic trading).

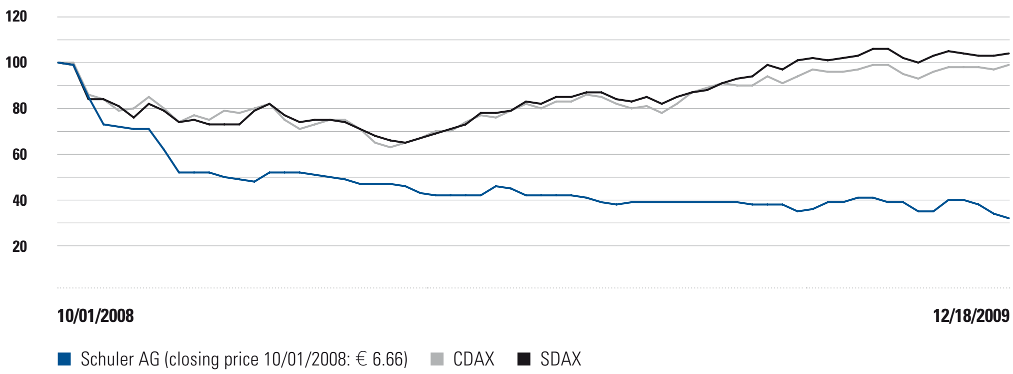
The number of Schuler shares traded at all stock exchanges amounted to an average of 7,198 per day during the period under review, and was thus virtually unchanged compared with the prior-year figure.

Consistent communication

We provide shareholders and investors with all important data on the company in the »Investor Relations« section of our website www.schulergroup.com. All key data and financial reports can be accessed and downloaded from this section. 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.

We also held one analyst conference, participated in capital market conferences and held one-on-one meetings with potential investors.

Schuler stock performance (weekly average prices) in %



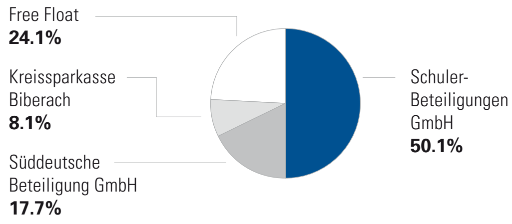
Share data

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
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		2006/07	2007/08	2008/09
Earnings	(€)	0.85	0.43	-3.12
Dividend	(€)	0	0	0
Dividend yield, gross	(%)	0	0	0
Year-high	(€)	10.98	12.00	7.00
Year-low	(€)	5.44	6.88	1.77
Year-end price	(September 30, €)	10.80	6.88	2.99
Carrying amount	(€)	8.39	8.45	5.43

Shareholder structure

in %



Suit against squeeze-out rejected

Former shareholders of Müller Weingarten AG filed a suit with the District Court of Stuttgart regarding a review of the cash settlement offered to shareholders of Müller Weingarten AG during the squeeze-out process. The District Court 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 claim. The other party launched an immediate appeal against the verdict. In early May 2009, the Regional Appeal Court of Stuttgart rejected all appeals of the claimants and decided that an administrative decision procedure was not permissible in this particular case.

Appropriation of earnings

As of September 30, 2009, Schuler AG posted an accumulated loss of € 23,621,939.17 to be carried forward.

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. The Code also clarifies the obligation of the Board of Management and the Supervisory Board to ensure the continued existence of the enterprise and its sustainable creation of value in conformity with the principles of the social market economy.

In the version dated June 18, 2009, the Code includes amendments which particularly concern the composition of the Supervisory Board, Board of Management remuneration and deductibles in the case of D&O insurance.

According to § 161 of the German Stock Corporation Act (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, and why not. 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 34 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. 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 2008/09, 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, IT, 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 2008/09, no variable, performance-related components were paid to members of the Board of Management. With regard to compensation components of a long-term incentive nature, a total of 529,000 subscription rights (prior year: 0) of the Stock Option Program 2008 were granted to members of the Board of Management as part of total remuneration in fiscal year 2008/09. These rights had a weighted market value on the date of issuance of € 1.32 per subscription right, amounting to a total of T€ 698. As the exercise conditions had not been met, the options were not exercisable and no shares were subscribed for by members of the Board of Management as part of this program. Please refer to section (18) of the notes to the consolidated annual financial statements for further details on the stock option program.

Supervisory Board

The Supervisory Board of Schuler AG is composed in accordance with the German Codetermination Act 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. In the case of tied votes, the Chairman of the Supervisory Board has two votes. The Supervisory Board monitors and advises the Board of Management in its management of business. Major business transactions of the Board of Management require the prior approval of the Supervisory Board. The Board of Management regularly provides the Supervisory Board with detailed and up-to-date information concerning the development of business and current planning.

The Supervisory Board has formed a Personnel Committee, a Committee pursuant to § 27 (3) of the German Codetermination Act (MitbestG), an Audit Committee and a Nomination Committee. The Personnel Committee prepares the personnel decisions of the Supervisory Board. The Audit Committee is concerned in particular with questions of year-end accounting and risk management, the necessary independence of the external auditors, deciding which areas they should focus on, agreeing their remuneration and commissioning them to audit the company's annual financial statements. 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 € 20,500.00 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 2008/09 are published online at www.dgap.de or www.schulergroup.com (Investor Relations/ Corporate Governance). All transactions were conducted by the majority shareholder, Schuler-Beteiligungen GmbH.

Annual General Meeting

Each share entitles the owner to one vote and is represented by a global certificate in bearer form. Only those shareholders who have proven their entitlement and registered are allowed to participate in the Annual General Meeting. 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. At the next Annual General Meeting, a proposal will be made to change the company's articles in order to comply with the Act Implementing the Shareholders' Rights Directive (ARUG), and the planned transitional regulations, which came into power in Germany on September 1, 2009.

Accounting and auditing

The consolidated financial statements are prepared according to IFRS (International Financial Reporting Standards) as mandatory in the EU. 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. In 2008/09, no income-related components were paid. There are also post-employment benefits. These are all based on the standard, group-wide regulations concerning the granting of pension supplements and consider such aspects as last basic remuneration and the number of service years. Pensions are paid on termination of the service contract and no sooner than on completion of the 63rd year of age or in the case of prior service disability. Remuneration of members of the Board of Management amounted to T€ 1,432 in fiscal year 2008/09 (prior year: T€ 2,021), of which T€ 0 (prior year: T€ 700) were in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 364 (prior year: T€ 227).

With regard to compensation components of a long-term incentive nature, a total of 529,000 subscription rights (prior year: 0) of the Stock Option Program 2008 were granted to members of the Board of Management as part of total remuneration in fiscal year 2008/09. These rights had a weighted market value on their date of issuance of € 1.32 per subscription right, amounting to a total of T€ 698. As the exercise conditions had not been met, the options were not exercisable and no shares were subscribed for by members of the Board of Management as part of this program. Please refer to section (18) of the notes to the consolidated annual financial statements for further details on the stock option program.

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. The German Act on the Appropriateness of Management Board Remuneration adopted on June 18, 2009, included the introduction of a binding deductible for D&O insurance taken out for Board of Management members. The new law includes a transitional period until June 30, 2010, for D&O insurance policies concluded before August 5, 2009. By mid 2010 at the latest, Schuler will adapt its D&O insurance for Board of Management members to include a deductible in accordance with § 93 (2) AktG. Members of the Board of

Management must pay taxes on these additional benefits. No payments were promised or granted in fiscal year 2008/09 to members of the Board of Management by a third party in respect of their activities on the Board of Management.

Total remuneration of former members of the Board of Management and their surviving dependants amounted to T€ 1,122 (prior year: T€ 1,315) in the year under review. The group-wide provisions formed for such current and future pensions amount to T€ 11,409 (prior year: T€ 11,640).

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 chairmanship and membership of its committees qualify for higher remuneration. In fiscal year 2008/09, the Supervisory Board waived 25% of its remuneration. In addition, the members of the Supervisory Board are paid meeting attendance fees and their expenses are reimbursed. In the past fiscal year, Supervisory Board remuneration amounted to T€ 228 (prior year: T€ 302).

The D&O insurance policy (without deductible) also applies to members of the Supervisory Board.

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

Declaration of Conformity 2009 with the German Corporate Governance Code in accordance with § 161 German Stock Corporation Act (AktG)

The Board of Management and Supervisory Board of Schuler Aktiengesellschaft (hereinafter referred to as »Schuler AG« or the »company«) submit the following Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) with regard to the recommendations of the »Government Commission on the German Corporate Governance Code« and will ensure that it is published on the company's website. The Board of Management and Supervisory Board of Schuler AG submitted the last Declaration of Conformity in accordance with § 161 AktG on September 23, 2008. For the period from September 24, 2008, to August 4, 2009, the following declaration refers to the recommendations of the German Corporate Governance Code (»GCGC«) in the version dated June 6, 2008, and as published in the electronic Federal Gazette on August 8, 2008 (»2008 version«). For the period as of August 5, 2009, the following declaration refers to the recommendations of the Code in its version dated June 18, 2009, and as published in the electronic Federal Gazette on August 5, 2009 (»2009 version«).

The Board of Management and Supervisory Board of Schuler AG therefore declare that the recommendations of the Code are complied with and were complied with in the past. The Board of Management and Supervisory Board of Schuler AG also intend to comply with these recommendations in future. Only the following recommendations of the Code were not complied with in the past, nor are they being complied with at present.

1. Section 3.8 of the Code – D&O insurance and deductible

If the company takes out a D&O (Directors and Officers' Liability Insurance) policy for members of the Management Board and Supervisory Board, section 3.8 of the Code (version 2008) recommends that a suitable deductible is agreed. In section 3.8 of the Code in its 2009 version, the agreement of a suitable deductible is only recommended in the case of D&O policies for members of the Supervisory Board, while such deductibles are required by law in the case of D&O policies for members of the Board of Management. Schuler AG believes that agreeing a deductible would not be a suitable method of improving the motivation and sense of responsibility for the tasks and functions with which the members of the Board of Management and Supervisory Board of Schuler AG have been entrusted. The existing D&O policies for members of the Board of Management and Supervisory Board of Schuler AG therefore differ from section 3.8 of the Code in its 2008 version insofar as no deductibles were agreed. For reasons already stated, Schuler AG will also not agree deductibles for the D&O policies of Supervisory Board members in future and thus differs from the recommendation stated in section 3.8 of the Code (2009 version).

2. Section 4.2.2 of the Code – Structure of the Management Board compensation system

In section 4.2.2, the Code (version 2008) recommends that, at the proposal of the committee dealing with Board of Management contracts, the full Supervisory Board shall adopt and regularly review the compensation system of the Board of Management, including all significant contractual elements. Section 4.2.2 of the Code in its 2009 version states that, at the proposal of the committee dealing with Board of Management contracts, the full Supervisory Board shall decide the total compensation of the individual Board of Management members and recommends that the compensation system for the Board of Management be adopted and regularly reviewed by the full Supervisory Board. The Supervisory Board has set up a Personnel Committee, in which it has pooled its expert knowledge on personnel issues. This system has proved highly effective in the past. Due to the specialist knowledge of the Personnel Committee, the compensation system of the Board of Management, including all significant contractual elements, was adopted and regularly reviewed in the past not by the full Supervisory Board but by the

Personnel Committee. Schuler AG thus differs from section 4.2.2 of the Code in its 2008 version. Due to the positive experience made in previous years, important personnel issues such as compensation will continue to be adopted and regularly reviewed by the Personnel Committee – insofar as legally permissible – and not by the full Supervisory Board. Schuler AG thus differs from section 4.2.2 of the Code in its 2009 version.

3. Section 5.4.1 of the Code – Age limit for members of the Supervisory Board

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. Section 5.4.6 of the Code – Compensation of members of the Supervisory Board

Schuler AG differs from the recommendation of the Code in section 5.4.6, which states that members of the Supervisory Board shall receive performance-related compensation in addition to their fixed compensation. The company continues to believe that by choosing not to pay performance-related compensation, potential conflicts of interest in the decision-making process of the Supervisory Board which may influence the company's success criteria can be excluded. Schuler AG is also skeptical as to whether performance-related compensation is a suitable method of motivating supervisory and audit committees to perform their duties even more thoroughly – not least in view of the causes of the financial crisis.

Schuler AG also differs from the recommendation of the Code in section 5.4.6 insofar as Supervisory Board compensation should be individualized and itemized when disclosed in the Corporate Governance Report. Schuler AG believes that the disclosure of total compensation for members of the Supervisory Board according to accounting regulations in the annual report is sufficient to meet the shareholders' interest in such information.

5. Section 6.6 of the Code – Shareholdings held by Management Board and Supervisory Board members

Contrary to the recommendations of section 6.6 of the Code, individual shareholdings of corporate body members are not disclosed in the case that these exceed 1% of the shares issued by the company. This is to protect the interests and privacy of such corporate body members. Furthermore, it is not disclosed whether the total shareholding of all members of a body exceeds 1% of the shares issued by the company. By not disclosing this information, Schuler AG also differs from the recommendation stated in section 6.6 of the Code which specifies that the aforementioned details be contained in the Corporate Governance Report.

6. Section 7.1.2 of the Code – Deadlines for the publication of consolidated financial statements and interim reports

Contrary to the recommendations of section 7.1.2 of the Code, the consolidated financial statements will continue to be publicly accessible within 120 days of the end of the financial year, and the half-yearly financial report within 60 days of the end of the reporting period. 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.

7. Section 7.1.3 of the Code – Disclosures on the Stock Option Plan in the Corporate Governance Report

The company differs from the recommendation of section 7.1.3 of the Code which specifies that the Corporate Governance Report should contain specific disclosures about the company's stock option plans and similar security-based incentive systems. The Corporate Governance Report of Schuler AG only contains a reference to the Notes to the Annual Financial Statements, where these details are disclosed. The company believes that a repeated disclosure of these details in the Corporate Governance Report is not necessary and would rather detract from the clarity of the annual report, which is already quite extensive at well over 100 pages.

With the exception of the above-mentioned items 1 to 7, we shall continue to comply with the recommendations of the »Government Commission on the German Corporate Governance Code«.

Göppingen, October 8, 2009

Schuler AG

For the Board of Management	For the Supervisory Board
Jürgen Tonn	*Dr. Robert Schuler-Voith*

Report of the Supervisory Board

For the Schuler Group, fiscal year 2008/09 was dominated above all by the global financial and economic crisis and the resulting restructuring program adopted in May 2009 (see Group management report).

In the period under review, the Supervisory Board of Schuler AG fulfilled all its statutory duties, and 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 and adopted all resolutions after careful examination and on the basis of the written proposals presented.

A total of four meetings were held in the fiscal year 2008/09. 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 once during the past fiscal year. The Permanent Committee pursuant to § 27 (3) of the German Codetermination Act 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.

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 the planned future development of the company.

At the balance sheet meeting of January 28, 2009, the Supervisory Board also adopted the annual financial statements for 2007/08, approved the appropriation of earnings, the agenda for the Annual General Meeting, and the investment budgets for fiscal years 2009/10 and 2010/11, and discussed the examination of the Supervisory Board's efficiency.

At the meeting on April 2, 2009, directly prior to the Annual General Meeting of Schuler AG, the development of business to date and conduct of the Annual General Meeting were discussed.

At its meeting on May 5, 2009, the Supervisory Board discussed in detail the restructuring concept with which Schuler aims to successfully meet the challenges of the economic and financial crisis. The adapting of capacity at the company's Brazilian facility to the significant decline in business volume was also discussed.

At a meeting on July 8, 2009, the Board of Management gave a status report concerning the implementation of the restructuring program, the status of talks with the banks with regard to necessary changes to the syndicated loan agreement, a sale-and-rent-back model for commercial real estate assets of the Brazilian subsidiary, and developments in the field of Blanking and Forming Presses and Procurement/Logistics. In addition, Dr. Markus Ernst was re-appointed as member of the Board of Management of Schuler AG for the period ending July 8, 2014.

At its first meeting of the current fiscal year 2009/10 on October 8, 2009, the Supervisory Board also dealt in detail with the current implementation status of the restructuring program, the development of bank negotiations, corporate planning, and amendments to the German Corporate Governance Code. The Supervisory Board also issued its Declaration of Conformity 2009.

At the balance sheet meeting on January 27, 2010, the results of the efficiency examination of the Supervisory Board were discussed. The examination had been conducted for fiscal year 2008/09 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, 2009, 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 25, 2010. It gave a detailed report at the Supervisory Board's meeting on January 27, 2010. 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 Act (AktG).

The report concerning relations to affiliated companies, as prepared by the Board of Management pursuant to § 312 AktG, was examined by the Supervisory Board. In accordance with § 313 (3) AktG, the chief auditor awarded the following certificate:

»On the basis of our statutory examination and evaluation, we can confirm that:

1. the details made in the report are accurate,
2. the company's 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 final declaration at the end of the affiliated companies report.

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, as well as our shareholders for their continued trust in the company.

Göppingen, January 27, 2010

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 metalforming technology. We receive around 60% of our orders from car manufacturers and 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, the forging industry and national mints account for approximately 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 and 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. Services (including second-hand machine trading) generally account for around 25% of our sales.

Corporate structure

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

Merger of the US subsidiaries Schuler Incorporated and Schuler Hydroforming Inc.

As of October 1, 2008, the US subsidiary Schuler Hydroforming Incorporated was integrated into Schuler Incorporated. The move will enable the Group to utilize synergy effects and shorten reporting and decision paths. Both companies are based in Canton, Michigan, and already cooperated closely in many areas in the past.

Legal structure

The consolidated Schuler Group comprises 34 companies (prior year: 35). Schuler AG, headquartered in Göppingen, Germany, 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

The global economy began a dramatic downturn in the second half of 2008 which culminated in full global recession by the end of the year. Even the most modest forecasts for GDP growth made in fall 2008 proved to be too optimistic by the end of the year – in some cases by a considerable margin. By spring 2009, the industrialized nations found themselves in the most severe recession since the global economic crisis of the 1930s. Even the fast-growing emerging nations and developing countries were hit by this development, with a significant slowdown in their respective economies. Following concerted efforts by national governments, the situation on the financial markets of the USA and Europe was alleviated somewhat, but still remains tense. The lost trust between banks is only slowly returning. Tougher lending guidelines introduced by numerous banks in the Euro and Dollar zones have created even more problems for many companies.

GDP development	2008 %	2009 %
World	3.0	-1.1
USA	0.4	-2.7
Euro zone	0.7	-4.2
Germany	1.2	-5.3
Japan	-0.7	-5.4
China	9.0	8.5

Source: IMF forecast (October 2009)

In the second quarter of 2009, various state-financed economic stimulus programs led to a noticeable slowdown in the pace of economic decline and the first green shoots of recovery became increasingly visible. Many countries now believe that they are pulling out of recession. Forecasts for global economic growth have thus been raised slightly. However, a stable recovery is still not expected in the short term even if the upturn continues over the coming months.

Raw material prices came under strong pressure during the course of the recession and reflected the onset of the economic crisis with a strong fall in early 2008. The trend only began to turn in late 2008/early 2009, due mainly to increased demand from China and improved car sales following various government stimulus packages. The price of steel, for example, has since returned to the level of 2006.

Automotive sector development

The global financial crisis and economic slump had a dramatic impact on the demand for cars in 2008. Global car sales fell by 5% to around 63 million vehicles. Certain major car manufacturers needed government support or even filed for Chapter 11 bankruptcy protection temporarily. Following these dramatic events, the hard-hit automotive markets of Western Europe and the USA were able to recapture lost ground in some areas during 2009 thanks mainly to state incentive programs (scrappage schemes, tax breaks for new vehicles). The recovering economies of China and India also helped buoy global car sales. It should be noted, however, that this recovery is still based on a low level of sales and its sustainability is being questioned by many experts. Many new vehicle purchases were investments which had been brought forward and which will therefore be missing in coming years. In Western Europe, the threat of capacity reductions and works closures has still not been averted.

For 2009 as a whole, global car sales are expected to fall by at least 16% – in other words, 8 million cars less than in 2008. Although global sales improved in fall 2009, the situation is still very heterogeneous. Former growth markets, such as the new EU states and Russia, will suffer falls of almost 30% in 2009. Seemingly oblivious to this global trend is the Chinese car market, which is booming more than ever. In early 2009, China replaced the USA as the world's largest automotive market. In September 2009 alone, over one million vehicles were sold in China, representing year-on-year growth of well over 80%, and the Chinese automotive market is expected to maintain these high growth rates. In Russia, year-on-year car sales fell by over 50% as of October 2009. In the first 11 months of 2009, around 3.6 million cars were bought in Germany – more than in 2008 as a whole. Experts attribute this growth above all to the country's so-called scrappage scheme.

Business development

Sales

Consolidated sales of the Schuler Group in fiscal year 2008/09 amounted to € 823.1 million and were thus 14.8% down on the prior-year figure of € 966.1 million. Sales in America reached € 197.1 million (-8.5%; prior year: € 215.4 million) and in Asia € 135.1 million (-20.3%; prior year: € 169.4 million). In Germany, we generated sales of € 323.4 million (-15.5%; prior year: € 382.6 million) and in the rest of Europe € 166.4 million (-14.2%; prior year: € 194.0 million). The total proportion of consolidated sales generated outside Germany amounted to 60.7% (prior year: 60.4%).

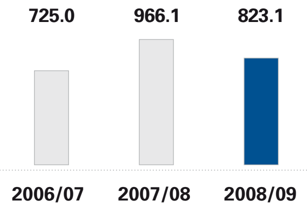
In fiscal year 2008/09, the Forming Systems segment achieved sales of € 722.6 million with third parties and the Group's other segment (-13.4%; prior year: € 834.6 million). This corresponds to 82.8% of the Group's total sales (including inter-segment sales). The corresponding sales of the Automation and Production Systems segment amounted to € 149.7 million (-20.0%; prior year: € 187.1 million). This segment accounted for 17.2% of total Group sales.

Order situation

In fiscal 2008/09, consolidated new orders amounted to € 590.5 million and were therefore 41.3% below the corresponding prior-year figure of € 1,006.2 million. New orders from America reached € 70.7 million, compared with € 220.4 million in the previous year (-67.9%). Orders received from Asian customers totaled € 158.4 million (-15.9%; prior year: € 188.4 million). In Germany, the value of new orders received reached € 221.2 million (-43.2%; prior year: € 389.4 million). Orders from other European nations amounted to € 137.4 million in the period under review (-33.0%; prior year: € 205.2 million).

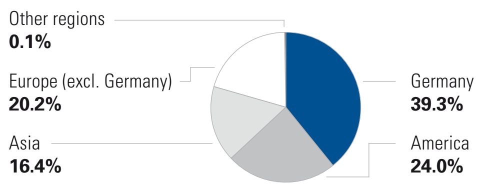
Consolidated sales

in € million



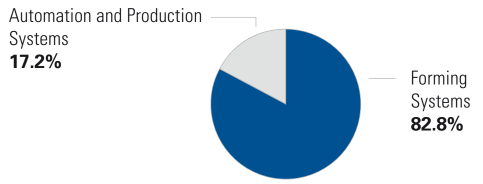
Sales by region 2008/09

in %



Sales by business segments 2008/09

in %



The proportion of new orders received from outside Germany amounted to 62.5%, compared with 61.3% in the previous year. New orders received by the Forming Systems segment in fiscal year 2008/09 amounted to € 520.7 million and were thus down 41.0% on the previous year (€ 882.7 million), while the Automation and Production Systems segment received new orders worth € 101.7 million (-47.1%; prior year: € 192.4 million).

As of the balance sheet date (September 30, 2009), the Group's order backlog amounted to € 507.1 million (-31.4%; prior year: € 739.7 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 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%.

In fiscal year 2008/09, EBIT was burdened by extraordinary expenses for restructuring and capacity adjustments, and the amendment to the Group's finance, as well as by non-recurring charges resulting from the financial and economic crisis amounting to € 55.5 million in total. On the opposing side, there was non-operating income from the disposal of the entire commercial real estate assets of Prensas Schuler S.A. in São Paulo, Brazil, which were sold in a sale-and-rent-back transaction. After deducting attributable transaction costs, the income from this transaction amounted to the equivalent of € 6.5 million.

After consideration of the aforementioned special items, the fall in sales due to recession, and the resulting excess capacity of certain segments, EBIT amounted to € -43.9 million (prior year: € 36.7 million), and ROCE to -9.4% (prior year: 7.5%).

Earnings before taxes (EBT) amounted to € -71.8 million (prior year: € 10.9 million); the pre-tax profit margin was -8.7% (prior year: 1.1%). Adjusted for even higher special items for this ratio of € 56.5 million and the above mentioned non-operating income, the figure amounts to -2.6%.

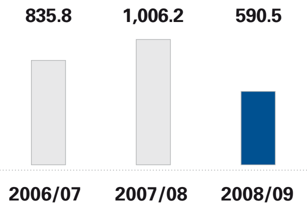
Due to expenses totaling € 12.4 million charged for value adjustments of accumulated tax losses carried in the balance sheet and the restricted new capitalization of losses from the fiscal year due to impairment, the high pre-tax loss is only opposed by a less than proportional income tax benefit of 9.6% or € 6.9 million (prior year: income tax expense of € 2.3 million). The Group's net income for fiscal year 2008/09 therefore amounts to € -64.9 million (prior year: € 8.6 million).

Schuler's restructuring program lays foundation for stability during the crisis

The car industry and its suppliers have been hit particularly hard by the economic crisis. As a consequence, the industry is currently in a phase of reorientation and is highly reluctant to order new presses in the present climate. Schuler reacted to this new challenge by developing a comprehensive catalogue of measures which will enable the company to chart a safe and stable course through the crisis.

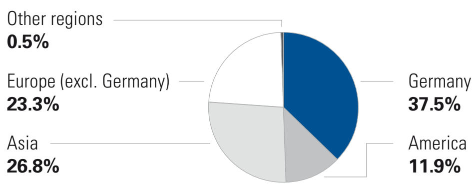
New orders

in € million



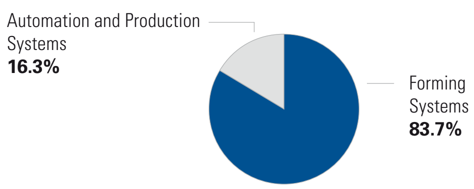
New orders by region 2008/09

in %



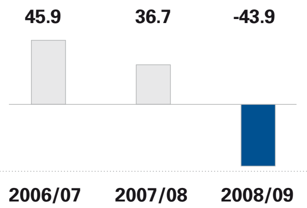
New orders by business segments 2008/09

in %



EBIT

in € million



The program adopted in May 2009 has two main focus areas:

- Achieving more flexible cost structures
- Exploiting all potential for raising efficiency

In order to enhance efficiency, the Group's entire new hydraulic press business and its hydroforming activities were pooled in Waghäusel, Germany, while the Esslingen facility will focus in future on service activities. Within the context of these measures, Schuler will reduce staff by about 11% world-wide. Of these approximately 600 jobs, around 360 are in Germany. In addition to the most badly affected facilities in Esslingen and Wilnsdorf, other domestic companies affected to a lesser extent by job cuts include Schuler Automation in Gemmingen and Hessdorf, Schuler Cartec in Göppingen and Weingarten, Müller Weingarten in Weingarten and Schuler SMG in Waghäusel. A further focus area was the adaptation of capacities at the Brazilian facility to a much lower business volume. This necessitated terminating the use of all temporary staff and reducing the number of permanent staff by 240.

As part of its cost management activities, Schuler has introduced further cost saving projects. In addition to reductions in material costs by means of purchasing measures, Schuler terminated the use of almost all temporary staff around the world (mainly employed at overseas facilities). This has enabled a permanent cost savings potential of around € 80 million. Furthermore, we hope to achieve temporary savings of at least 20% in personnel expenses, for example by adapting working time to current production needs.

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.

In order to meet borrowing needs and to secure liquidity, a syndicated loan agreement of € 450 million was negotiated in March 2008. Due to the effects of the financial and economic crisis on Schuler AG – and the expected inability to meet agreed covenants – it was decided at an early stage to seek talks with the syndicate partners about adapting the terms of the syndicated loan agreement. Compliance with the agreed covenants was suspended for the duration of these talks. The amended syndicated loan agreement with an unchanged total amount was signed in December 2009. It comprises an increase in the cash tranche to a total of € 200 million (prior year: € 150 million) with partial involvement of the KfW bank and the state of Baden-Württemberg, as well as a reduced credit line tranche of € 250 million (prior year: € 300 million). In addition to a prolongation of the term until September 30, 2012, and increased financing costs, the contract terms continue to include extensive collateral arrangements and certain restrictions for the Group's subsidiaries with regard to capital expenditure, acquisitions, or additional financing for example. The amended syndicated loan agreement was concluded between Schuler AG and its main subsidiaries and the existing consortium of banks and credit insurance partners led by Baden-Württembergische Bank, Deutsche Bank and Commerzbank.

The terms of the syndicated loan agreement mainly 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, as well as for its amendment, 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 agreed thresholds (order backlog, equity, EBITDA, debt ratio). According to our planning, the covenants will all be met during the term of the syndicated loan agreement.

The agreement includes a standard change-of-control provision. Details are provided on page 62.

In December 2009, a subordinated loan of € 15 million with a term until December 31, 2012, was agreed with Thüringer Aufbaubank.

All other loans are mainly in EUR and BRL (Brazilian Real). Insofar as variable-interest long-term loans were negotiated, these are mostly hedged against by interest hedging instruments or opposing positions. The average term of the fixed-interest loans is 7.3 years (prior year: 7.0 years) and that of the variable-interest loans 5.4 months (prior year: 6.3 months).

In total, the Schuler Group has credit and guarantee facilities with various credit institutes and credit insurance partners amounting to € 523.8 million (prior year: € 551.5 million), of which € 204.3 million (prior year: € 189.7 million) were unused as of the balance sheet date.

Furthermore, we use selected off-balance-sheet financial instruments, such as operating leases or old-line factoring. As of the balance sheet date, receivables amounting to € 3.2 million (prior year: € 0.0 million) were sold using old-line factoring. As of September 30, 2009, payment obligations from operating leases amounted to € 136.4 million (prior year: € 126.4 million). Further details are provided in note (30) of the consolidated financial statements.

In the course of its sale of commercial real estate, the Group's Brazilian subsidiary signed an operating lease with a basic term of ten years in the period under review for the subsequent usage of the premises sold. There is an option to extend the contract twice for a period of five years each. The new rent obligations amount to € 2.3 million in the fiscal year 2009/10 and a total of € 20.7 million in the nine subsequent years (without considering future annual rent adjustments to the Brazilian consumer price index IPCA). Under the terms of the agreement, the sales price will be settled by the buyer in several installments in the first six months of fiscal year 2009/10. The total amount is equivalent to € 19.2 million.

Based on the consolidated net profit/loss for the period under review, the cash flow statement of the Schuler Group presents the cash flows from operating, investing and financing activities. After adding cash and cash equivalents at the beginning of the year, this results in the total amount of cash and cash equivalents available at the end of each fiscal year. Due to negative earnings, cash flow from operating activities deteriorated in the period under review from € -17.1 million to € -32.9 million, despite a significant reduction in inventories and trade receivables. Cash flow from investing activities remained stable at € -7.9 million (€ -8.1 million). However, there was a strong decline in both investment and disinvestment during the period under review. Cash flow from financing activities fell from € 10.8 million to € 1.9 million. The prior-year figure was mainly influenced by a cash flow from the capital increase of Schuler AG amounting to € 34.0 million. In total, the three cash flows resulted in a change in cash and cash equivalents of € -36.0 million (prior year: € -16.2 million) to € 51.5 million (prior year: € 87.5 million). After deducting cash and cash equivalents, financial debt amounted to € 173.8 million (prior year: € 130.3 million) as of September 30, 2009.

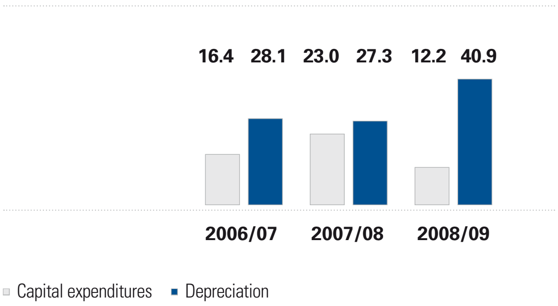
Assets position

Compared with the prior-year figure, the balance sheet total decreased strongly by € 118.2 million to € 748.5 million as of September 30, 2009. This was due in part to the fall in property, plant and equipment, which fell from € 275.4 million to € 232.2 million as a result of reduced capital expenditure and higher – including unscheduled – depreciation. There was also a decline in current assets, mainly due to the falling volume of business and measures introduced to reduce the amount of capital tied up in inventories and trade receivables.

On the liabilities side, equity capital fell from € 179.5 million to € 116.5 million mainly as a result of the negative consolidated result. Due to the fall in the balance sheet total, however, there was a less than proportionate fall in the equity ratio from 20.7% to 15.6%. The decrease in non-current liabilities resulted mainly from a shift in the maturity profile of financial liabilities – with a decrease in long-term and an increase in short-term financial liabilities. Despite this shift, however, current liabilities also fell to € 403.4 million (prior year: € 431.3 million). The main reason was a strong fall in trade payables and a reduction in payments on account carried as liabilities. These two factors more than compensated for the above mentioned increase in current financial liabilities and the increase in current other provisions, which resulted mainly from staff measures introduced.

Capital expenditures and depreciation

in € million



Capital expenditures and depreciation

As a result of cost reduction programs, investments in property, plant and equipment and intangible assets were almost halved in the period under review, from € 23.0 million to € 12.2 million. Capital expenditures focused on replacement purchases to maintain operational reliability as well as capitalized development costs for new machine types and equipment, of which a wind turbine with direct generator represented the main development focus.

At € 40.9 million (prior year: € 27.3 million), depreciation and amortization allowances were significantly higher than capital expenditures. Of this total, non-scheduled additions to valuation allowances accounted for € 14.7 million (prior year: € 0.1 million). These mainly concern the write-down of assets belonging to Schuler Hydroforming GmbH & Co. KG in connection with the termination of hydroforming technology at the Wilnsdorf facility (T€ 2,398), as well as additional valuation allowances recognized by the Automation and Production Systems segment amounting to T€ 10,688 (of which goodwill impairment: T€ 688) to adjust the carrying values of this cash-generating unit to its reduced value in use.

Research and development

In the fiscal year 2008/09, a total of € 7.0 million (prior year: € 5.9 million) was invested in ongoing research and development activities (R&D expenses), of which € 3.1 million (prior year: € 1.0 million) fulfilled the IFRS capitalization criteria. After consideration of amortization on capitalized development costs of € 1.1 million (prior year: € 0.7 million), the total expense charged to profit and loss amounted to € 5.0 million (prior year: € 5.5 million). As of the balance sheet date, the carrying amount of capitalized development costs amounted to € 5.2 million (prior year: € 3.2 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. Facilities responsible for specific areas of technology (e.g. mechanical and hydraulic presses, press linkage, blankloaders) 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.

Integration of Crossbar Feeder II into mechanical press lines of Prensas Schuler

Schuler's Crossbar Feeders were used for projects of Prensas Schuler in Brazil for our customers Mahindra in India and Ford in Mexico. Both lines feature flywheel press drives. A superordinated line control system coordinates all movement sequences and comprises numerous monitoring stations to guarantee reliable machine stoppage in the case of faults. By combining the highly dynamic Crossbar Feeder II with an intelligent control system, speeds of up to 15 strokes per minute can be achieved. The presses can be operated in either start-stop mode or continual operation.

Development of a complete onshore wind power plant with direct drive

Following detailed market surveys, development has begun on a complete drivetrain for wind power plants which will be used in a 2.7 MW turbine. It is planned that the pilot plant is to feed electricity into the grid in late 2010. Preliminary talks regarding the approval of sites in the vicinity have already been positive. An independent report has testified that the power plant is suitable for the market and features pioneering technology. The plant already complies with future EU grid feeding guidelines.

New type of feeding and loading system for medallion presses

A 1,000-metric-ton medallion press developed for the US Mint is the first of its kind to feed and emboss up to 45 silver blanks per minute in continuous operation. A special feature of the press is its new feeding and loading system, which is designed in such a way that the blank surface is not dirtied, scratched or otherwise blemished.

Knuckle-joint press with servo technology

In order to round out the Schuler Group's range of servo presses and meet the needs of our customers, we have begun development work on a servo knuckle-joint press, based on our successful TMK series of knuckle-joint presses. In conjunction with a new knuckle-joint system, servo technology provides a unique combination of high rigidity, highly accurate slide movements, a forming action which is gentle on the die and a high degree of process flexibility. It also offers the possibility of using higher strokes than previously possible with knuckle-joint presses; the oscillating stroke means there is no longer need for time-consuming stroke adjustments. The first 630-metric-ton, servo-driven, knuckle-joint press is set to be unveiled in mid 2010.

Hydraulic fineblanking machines: from the HFA Plus and HFA Speed to servo fineblanking machines

As a further development of the successful HFA Plus, the new »HFA Speed« range was already presented at the Euroblech 2008 fair in Hanover, Germany. It opened up a new dimension of performance with speeds of up to 100 strokes per minute in extreme short-stroke operation. In order to meet the high process demands on die technology set by our cooperation partner Feintool with regard to slide movement regulation, and to reach even higher output levels with normal stroke lengths, we are currently laying the foundation for a successor to the »HFA Plus« range in cooperation with Feintool. To this end, we analyzed the feasibility of both servo-mechanical and servo-hydraulic drive concepts. The servo-hydraulic drive concept will be tested by Schuler SMG in a prototype application at the end of 2009. The projected servo-mechanical design, developed together with engineers in Göppingen, is to be released for the construction of a prototype at around the same time.

Solid forming: machine technology for open die forging

Over the past years, the Schuler Group has aligned its Solid Forming division with the needs of fast growing business sectors, such as the construction of electrical energy equipment and traffic engineering. By agreeing an extensive technology and sales cooperation deal with Wepuko Hydraulik, Schuler SMG has now closed the last gap in the forging technology process chain: open die forging. With immediate effect, Schuler will begin licensed construction of open die presses under Wepuko's »Pahnke« brand, will deliver lines throughout the world as turnkey systems, and will drive technological development in this field. The development work already started on these energy-intensive production lines with several megawatts of power consumption is focused on optimizing hydraulic drive technology and energy-efficient concepts.

Schuler expands its competency in laser technology

In cooperation with the company Erlas, Schuler has developed and built a laser hardening and buildup welding machine for BMW in Dingolfing, Germany. This gantry-style machine can process complete top and bottom dies in a single clamping. Above all, it can achieve considerable time savings when dies need to be reworked due to wear and tear.

Joint research project on roller profiling with Fraunhofer Institute in Chemnitz

Schuler is to deliver a research profiling machine to the Fraunhofer Institute in Chemnitz, Germany, for the joint development of roller profiled, semi-finished parts from ultra-high-strength steel blanks for use in car body construction. The special feature of the machine is its ability to produce profiles with variable profile cross-sections within a single part. Each shaft is equipped with its own servo drive.

Schuler develops improved straightening device with added cost reduction benefit

Schuler has developed a new sheet metal straightening device which guarantees improved straightening quality while at the same time enabling simpler maintenance. Manufacturing costs can also be significantly reduced. This balancing act has been made possible by exactly analyzing the physical effects involved and utilizing all possibilities of the machine's construction. A first machine has already been supplied to a customer.

High-speed blankloader for servo transfer presses: dynamic, flexible and reliable

Schuler Automation in Gemmingen, Germany, has developed a new blankloader for servo transfer presses in a cooperation project with Schuler Presses and Müller Weingarten. Vacuum suction cups used to destack the blanks can be individually selected. The blanks are transported by hanging magnetic belts. The blankloader has a performance of up to 35 blanks per minute. There is no interruption to production when the stack of blanks has to be changed. Both single parts and two-out parts can be processed one after the other. This high-speed blankloader for servo transfer presses was developed as an addition to the blankloaders already offered in our product portfolio. The aim of the development was to significantly increase output compared with previous concepts, while at the same time raising availability.

Forging line automation: robust, reliable and economic

In cooperation with Müller Weingarten, Schuler Automation has developed an automation system for a forging line in China. The automation links a forging press and a deburring press. The automation components include three robots, a shuttle system and a part manipulator. The line is used to manufacture axles and crankshaft blanks with weights of up to 250 kg. The forging temperature amounts to 1,250 °C.

Hard cutting

Schuler offers systems for the reliable hard cutting of parts made from ultra-high-strength steels. These include die systems with high cutting lives and simple maintenance procedures. The further development of this technology is focused on prolonging service intervals and extending the process limits.

New forming processes for shaped fittings

Schuler offers high-performance, rotary indexing machines for the production of shaped fittings in individual steps. These integrate both forming and machining in a single unit. The rotary indexing machines are a Schuler development and have already been successfully tested in a variety of applications. A future development will be the forming of stainless steel fittings.

Personnel

As of September 30, 2009, the Schuler Group employed a total of 5,332 people (including apprentices). 80.2% of this total (or 4,275) are employed at the Group's German subsidiaries. The number of staff employed by the Group's foreign subsidiaries amounted to 1,057 as of the balance sheet date. The two largest locations are Göppingen and Weingarten in Germany, with around 1,200 and 1,000 employees, respectively. Personnel expenses in fiscal year 2008/09 amounted to € 327.6 million (prior year: € 323.6 million). This figure includes non-recurring expenses (redundancy pay, social plans etc.) of € 26.0 million.

Employees	**09/30/2009**	**09/30/2008**
Schuler Group in total	**5,332**	**5,634**
Forming Systems business segment	4,181	4,391
Automation and Production Systems business segment	1,118	1,213
Schuler AG	33	30

Practically oriented training concept

Schuler stands by its commitment to providing vocational training for young people. As of September 30, 2009, the Schuler Group employed a total of 359 apprentices (prior year: 370). This corresponds to a global ratio of apprentices to full-time staff of 6.7%, and of even 7.9% in Germany. At the Group's headquarters in Göppingen, 25 young women and men began their training courses in September 2009, and in Weingarten 19.

Schuler's training concept is based on practical relevance: apprentices regularly accompany staff to assembly sites in order to experience at first hand the interaction 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 university degree, 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.

New for the Göppingen facility is a cooperation between Schuler and the Duale Hochschule Baden-Württemberg (formerly: Berufsakademie). Two young Schuler employees began their cooperative degree course in September 2009 and hope to receive their Bachelor of Arts degree after three years. The practical part of their course is completed at the company.

Louis Schuler Fund

Schuler set up the »Louis Schuler Fonds für Bildung und 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.

Good response to training program

Our group-wide training program offers all employees the opportunity to expand their knowledge, also beyond their respective field of specialization.

In addition, the newly created possibilities for training measures during short-time work were extensively utilized. Employees are given the opportunity to expand their knowledge during the time they are not working. In late March 2009, the German labor agency approved around 80 Schuler training activities. In Göppingen alone, over 220 training places have been occupied since April 2009. There are around 40 topics on offer. The courses are led by trainers of the Schuler Academy and other colleagues.

Even in difficult economic circumstances, Schuler remains committed to its investment in education and continues to promote the expertise and knowledge of its employees. We believe this is an important prerequisite to secure our position as the technological leader and the pacemaker for new developments in metalforming technology.

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. No performance-based components were paid in fiscal year 2008/09. There are also post-employment benefits. These are all based on the standard, group-wide regulations concerning the granting of pension supplements and consider such aspects as last basic remuneration and the number of service years. Pensions are paid on termination of the service contract and no sooner than on completion of the 63rd year of age or in the case of prior service disability.

Remuneration of members of the Board of Management amounted to T€ 1,432 in fiscal year 2008/09 (prior year: T€ 2,021), of which T€ 0 (prior year: T€ 700) were in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 364 (prior year: T€ 227).

With regard to compensation components of a long-term incentive nature, a total of 529,000 subscription rights (prior year: 0) of the Stock Option Program 2008 were granted to members of the Board of Management as part of total remuneration in fiscal year 2008/09. These rights had a weighted market value on their date of issuance of € 1.32 per subscription right, amounting to a total of T€ 698. As the exercise conditions had not been met, the options were not exercisable and no shares were subscribed for by members of the Board of Management as part of this program. Please refer to note (18) of the notes to the consolidated annual financial statements for further details on the stock option program.

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. The German Act on the Appropriateness of Management Board Remuneration adopted on June 18, 2009, included the introduction of a binding deductible for D&O insurance taken out for Board of Management members. The new law includes a transitional period until June 30, 2010, for D&O insurance policies concluded before August 5, 2009. By mid 2010 at the latest, Schuler will adapt its D&O insurance for Board of Management members to include a deductible in accordance with § 93 (2) AktG. Members of the Board of Management must pay taxes on these additional benefits. No payments were promised or granted in fiscal year 2008/09 to members of the Board of Management by a third party in respect of their activities on the Board of Management.

Total remuneration of former members of the Board of Management and their surviving dependants amounted to T€ 1,122 (prior year: T€ 1,315) in the year under review. The provisions formed by the Group for such current and future pensions amount to T€ 11,409 (prior year: T€ 11,640).

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 as well as chairmanship and membership of its committees qualify for higher remuneration. In fiscal year 2008/09, the Supervisory Board waived 25% of its remuneration.

In addition, the members of the Supervisory Board are paid meeting attendance fees and their expenses are reimbursed. In the past fiscal year, Supervisory Board remuneration amounted to T€ 228 (prior year: T€ 302).

The D&O insurance policy (without deductible) also applies to members of the Supervisory Board.

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

Opportunity and risk report

Like every 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 recognize and develop those opportunities which are suitable for enhancing the company's value.

Risk management system

The main instrument of our risk management system is the monthly risk reporting of all Group companies. The management boards of our subsidiaries highlight and classify possible risks in these reports. They explain which measures have been taken to counter such risks, monitor their ongoing development and regularly report on them. The Board of Management is notified immediately of any unexpected risks.

The operational framework, the clear functional separation between trading and processing and the internal financial reporting system are clearly regulated in detail for all persons responsible for risk management. The efficiency of the hedging instruments used and the reliability of our internal control systems are regularly checked by means of internal and external audits.

Business environment and sector risks

In the period under review, and after a certain time delay, Schuler was hit by the full extent of the global economic crisis. A fall in new orders of over 40% illustrates the extreme investment cutbacks made by the automotive industry – one of Schuler's most important customer groups – which has been hit particularly hard by the crisis. The automotive industry is suffering from excess capacity and falling demand and must face further possible plant closures. In the previously booming automotive markets of China, Russia and India, there has also been a marked slowdown in growth.

Schuler reacted to this dramatic development by launching an extensive restructuring program. Global headcount is to be reduced by 11% (around 600 jobs). A further area of focus is the reduction of material costs by means of purchasing measures and the phase-out of temporary staff. A total of € 80 million per year is to be saved by these measures. In addition, personnel expenses are to be reduced by 20% by means of temporary savings. Further details on the restructuring concept are provided in the corresponding special chapter.

The risk of payment default and insolvencies among our customers has increased as a consequence of the current economic crisis. We are therefore intensifying our checks for creditworthiness and increasingly utilizing all instruments to limit risks, e.g. progress payments and credit insurance.

Economic performance risks

Some of the orders we receive are worth tens of millions of euros. We therefore employ a comprehensive project and order management system to process such orders, which draws upon our experience gained in past projects. It is accompanied by ongoing project controlling and a claims management system which monitors order changes for current projects made by the customer and invoices any resulting additional costs. The increasing standardization and modularization of our products is designed to enhance cost efficiency while at the same time reducing risks during assembly and production launch: reliable and compatible standard components reduce interface problems and the danger of technical errors. Nevertheless, risks can occur if deadlines and agreements are not met, for example. We endeavor to limit such risks from the outset by carefully formulating the respective contracts. Risks arising from damage and liability claims are covered as far as possible by insurance policies.

Against the backdrop of the current economic situation, there is a possibility that orders may be cancelled or postponed when new projects are agreed. We react flexibly to fluctuations in our capacity utilization by using flextime balances, reducing temporary staff, introducing short-time work and closing factories on certain days at our German facilities, as well as other measures aimed at temporarily reducing personnel expenses. In addition, office expenses have been examined with regard to possible savings and budgets correspondingly reduced (e.g. capital expenditures, insurance policies and travel costs). A temporary 20% reduction in personnel expenses is also planned for the remaining permanent staff. Measures to achieve this target include the extensive use of short-time work, the waiving of bonuses, and a reduction in working hours without wage compensation as part of a collective bargaining agreement to secure employment. A supplementary collective bargaining agreement was signed in November 2009 – see »Subsequent events«.

In addition, we are expanding our non-automotive business – as this segment has been affected far less by the current crisis – and generally strengthening our sales activities.

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. Prices reached their peak in the second half of 2008, but have fallen steadily since late 2008 and are currently at a similar level to that of 2006. Even if international economic developments impact future prices, no significant changes are expected in 2010. In general, Schuler passes increased costs on to the market, where possible. In addition, we continually develop our procurement organization and structures. The risk is additionally 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.

As a result of the recession, the risk of losing suppliers has grown significantly. We have therefore increased our supplier monitoring activities and intend to expand them even more as part of the strategic international alignment of our supplier portfolio. Contracts for larger order volumes are only concluded if the supplier has a good credit rating.

Personnel risks

The future development of the Schuler Group depends to a great extent on the knowledge and commitment of our employees. We take personnel risks seriously and use systematic personnel planning and training in order to utilize staff according to their abilities, as well as to develop and retain them. As a result of redundancies and staff fluctuation, there is a general risk of losing expertise and market advantages. There has also been a lack of skilled staff – and especially engineers – in Germany for some years now, making it difficult to recruit staff for certain vacancies. We therefore attach great importance to maintaining close ties with local and national universities and research institutes. With the aid of targeted personnel and university marketing activities, we aim to raise the appeal of Schuler's companies as attractive employers for internal and external candidates. Our personnel development system is an important component in our efforts to reliably ensure future personnel capacities.

Risks from fair trading, patent and anti-trust regulations

In difficult economic times with tough price competition for every project, it is all the more important that Schuler extends its technological lead by means of intensive research and development activities. We protect our technical developments in part by means of patents and 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.

We 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.

Financial risks

Due to its international alignment, the Schuler Group is exposed to certain interest and foreign currency risks. These include possible value fluctuations of a financial instrument due to changes in the market interest rate or exchange rate. Coverage against such risks is provided by so-called netting, i.e. the balancing of values or cash flows with regard to time and amount. Any remaining risks are reduced by the use of derivative financial instruments, 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 other currencies. This might make products we offer in foreign currencies more expensive. As of September 30, 2009, currency risks were covered by forward exchange contracts and foreign currency swaps with a nominal value of € 56.5 million (prior year: € 146.4 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 € 63.1 million as of the balance sheet date (prior year: € 130.9 million). Due to the amendment of the syndicated loan agreement and the resulting change of the term loan facility to a fixed-rate loan, the hedging relationships of the previously attributable interest hedges had to be prematurely terminated. The proportion of interest hedge notional amounts not recognized as a cash flow hedge as of September 30, 2009, due to the dedesignation or non-fulfillment of the strict requirements of hedge accounting, amounted to € 53.1 million (prior year: € 40.9 million). This resulted in net market values of € -2.6 million as of the balance sheet date (prior year: € -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. Furthermore, liquidity risks may arise from a change in the lending behavior of banks in the case of loan maturities or the coverage behavior of credit insurers. 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 in some cases using 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.

Due to the effects of the financial and economic crisis on Schuler AG, the syndicated loan agreement of € 450 million negotiated in March 2008 was amended in December 2009 and adapted to the new situation. Further details are provided in the »Financial position« section. The syndicated loan agreement can be terminated prematurely by the lenders if there is an infringement of the agreed covenants. If the loan is terminated and no immediate follow-up loan can be raised on the market, the future existence of Schuler AG may be endangered.

Risks from pension plans

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

Summary of risk evaluation

Most risks to which the Schuler Group is exposed are known, typical for our business and can be controlled by our risk management system. Although business environment and sector risks have increased significantly in the past fiscal year, we do not believe that this poses a threat to the continued existence of our company. By implementing the restructuring program at an early stage we feel well prepared to emerge from the crisis in a stable condition.

Opportunity management

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

– *Servo presses and press lines:* These flexible machines can help raise output by up to 40%. The combination of high press force, freely programmable forming processes and increased output with reduced energy consumption is unique throughout the world. Especially in difficult economic times, our customers need to enhance the economic efficiency of their manufacturing processes. We therefore believe that this machine type is tailored to current market needs and offers considerable sales potential.

– *Service:* Since the acquisition of the Müller Weingarten Group, the number of our presses already on the market has grown considerably – especially in so-called emerging markets. This offers additional sales potential.

  The acquisition also expanded the portfolio of brands in our service business. These well-known brands often help »open doors« with respect to customer contacts.

  Our service business is also expanding into new areas, such as the reconditioning of wind power plants.

– *Non-automotive presses:* In order to reduce our dependence on the automotive industry, we have been developing markets outside this sector for some years now. Against the backdrop of the current economic crisis, these efforts are to be intensified further. We see attractive sales potential especially in the packaging industry and the manufacturing of electric motors.

  With our high-speed lines and presses we can offer attractive products suitable for these markets. Repeat effects can also be achieved in this product segment.

- *Wind energy:* Against the backdrop of the continuing rise in global energy needs and the simultaneous depletion of raw material reserves, the importance of alternative energy sources will continue to grow in the coming years. Based on our know-how in press gearbox manufacturing, we are therefore currently developing onshore wind energy plants (2.7 MW) with direct drives. A prototype is planned for mid 2010. At the same time, we are working on the development of a nacelle with a directly driven drivetrain, which can be integrated into offshore wind turbines (6 MW).

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

As of the balance sheet date on September 30, 2009, 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. 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 thirds of the members of the Supervisory Board. If such a majority is not reached and no appointment is made, the Mediation Committee of the Supervisory Board must present a proposal to the Supervisory Board for the appointment within one month of the vote. The Supervisory Board then appoints the Board of Management members with a majority vote of its members. If once again no appointment can be made, the Chairman of the Supervisory Board has two votes during the subsequent voting procedure.

Pursuant to § 6 (1) of the articles, the Board of Management consists of at least two persons. The appointment of deputy members of the Board of Management, who have the same rights as ordinary members with regard to representing the company externally, is permissible pursuant to § 6 (1) of the articles. The number of members of the Board of Management is determined by the Supervisory Board, according to § 6 (2) of the articles. Pursuant to § 6 (2) of the articles, the Supervisory Board is also responsible for appointing deputy members of the Board of Management, concluding service contracts, appointing a member as chairman of the Board of Management, and possibly appointing further members of the Board of Management as deputy chairmen. The Supervisory Board can revoke the appointment of a member of the Board of Management and the appointment of the chairman of the Board of Management, according to § 6 (2) of the articles.

In accordance with § 179 (1) AktG, any change of the company's articles must be adopted by the Annual General Meeting. § 12 (3) of the articles states that a resolution can be adopted by the Annual General Meeting with a simple majority of the capital stock represented, provided that a larger majority is not mandatory by law; the latter is particularly the case for resolutions concerning a change of the company's object, capital reductions and changing the company's legal form. In accordance with § 4 (3) and (4) of the articles, the Supervisory Board is authorized to adapt or amend the articles if the authorized capital is used.

Pursuant to § 4 (3) of the articles, the Board of Management is authorized until March 31, 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

Supplementary collective bargaining agreement signed

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

Exploiting efficiency enhancement potential

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

Adjustment to financial structure

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

Outlook

Global economy

The world is currently experiencing a deep, global recession. Thanks to extensive state intervention, the global financial system is now becoming a little more stable and the economy is already picking up again in certain states. However, it is currently virtually impossible to make any longer-term forecasts as to how this recovery will develop in detail. Even short-term forecasts are being regularly adjusted. Experts are particularly divided on the question of whether recession will be followed by a linear upturn in all countries, or whether we will have to face periodic setbacks – perhaps even of a severe nature. The general consensus is that we can expect a slow recovery, which may be disrupted or halted when state stimulus packages run out, for example, and unemployment begins to rise again. Many experts also believe that the increase in share prices which began in 2009 could lead to the next bubble and the danger of a renewed market crash.

In its forecasts, the IMF expects that recession will turn into a global upturn in 2010 which will stabilize in the following year, 2011, and reach all global regions. Following a decline in global GDP of 1.1% in 2009, the IMF expects a return to growth of 3.1% in 2010. With the exception of certain East European countries, the economy is expected to pick up in all regions, while the IMF forecasts the strongest growth for the developing and emerging nations of Africa and Asia. For example, the IMF expects China to grow by 9.0% again in 2010, while growth of 6.4% is forecast for the Indian economy and growth of 3.5% for the Brazilian economy. The developed economies (Euro zone, USA, Japan) are expected to reach average growth of just 1.3%. For Germany, the IMF forecasts only slight growth of 0.3%, which corresponds to the average expected growth of the Euro zone as a whole. In contrast to most other developed economies, Japan already entered recession in 2008 and suffered a decline of -5.4% in 2009. However, the IMF forecasts economic growth of 1.7% for Japan in 2010.

GDP development	**2009** %	**2010** %
World	-1.1	3.1
USA	-2.7	1.5
Euro zone	-4.2	0.3
Germany	-5.3	0.3
Japan	-5.4	1.7
China	8.5	9.0

Source: IMF forecast (October 2009)

Automotive sector: slow recovery

Following an exceptionally bad result in 2008, German car sales picked up again in 2009. This was primarily due to state support via the so-called scrappage bonus. By November 2009, the German Association of the Automotive Industry (Verband Deutscher Automobilindustrie – VDA) reported almost 3.6 million newly registered cars, representing growth of 25% compared with the first eleven months of the previous year. At the same time, however, exports fell by 20% with sales of just 3.1 million vehicles. As new orders from abroad were up on the previous year for the second month in succession in September 2009, a recovery of the German car industry's export markets now seems likely. This development is not shared by the commercial vehicles sector, which continued to suffer significant losses in domestic and foreign sales of 28% and 60%, respectively, in November 2009.

For 2010, the sector is pinning its hopes in particular on the Asian markets of China and India, as well as the Brazilian market. Following a slight dip in their respective economic growth curves, these nations are expected to quickly return to the boom period which they enjoyed prior to the global economic crisis. This would certainly help boost the automotive sector as a whole. Despite all signs of a positive development, however, there is still uncertainty as to how the market in general will react to the end of various state incentive programs.

In the longer term, the end of global recession offers the opportunity of an upswing for the automotive sector in almost all markets – albeit at varying speeds. However, this will require the fulfillment of certain conditions: above all, there must be a return to complete trust in the financial markets, not least in order to ensure that the upswing is not jeopardized by liquidity problems. When the economy picks up again, part suppliers – mainly small to mid-sized family businesses – will face considerable financial challenges. The latest figures released by the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau – VDMA) indicate that the engineering sector has been able to stop the decline in new orders. There are now signs of a slow return to stability. Due to the sustained and severe global recession during the past fiscal year, we were unable to achieve our prior-year forecast of a more stable development for Schuler's key financial figures. We now believe that Schuler has turned the corner and expect the project situation to pick up again. There are a number of projects in progress in certain areas, which we must now turn into firm orders. However, there will be a certain time delay before the large-scale machine construction sector feels the effects of a slow recovery. The current fiscal year 2009/10 will thus remain difficult. Nevertheless, due to the corrective measures which we swiftly introduced (extensive restructuring program), we expect a corresponding improvement in earnings for the current fiscal year, despite a further fall in sales revenue. In view of the current forecasts of further macroeconomic recovery, we expect improvements in sales and earnings for the following years.

Göppingen, December 23, 2009

Schuler AG

The Board of Management

Consolidated financial statements (IFRS)

for the fiscal year 2008/09
of Schuler Aktiengesellschaft, Göppingen

CONTENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period October 1, 2008, to September 30, 2009, of Schuler Aktiengesellschaft, Göppingen

	Notes	2008/09 T€	T€	2007/08 T€	T€
1. Sales	(1)	823,117		966,120	
2. Changes in inventories of finished goods and work in progress		-29,642		-25,324	
3. Other own work capitalized		3,739		4,410	
4. Other operating income	(2)	37,399	834,613	63,982	1,009,188
5. Cost of materials	(3)	378,172		469,208	
6. Personnel expenses	(4)	327,570		323,611	
7. Depreciation and amortization of intangible and tangible assets	(5)	40,917		27,281	
8. Other operating expenses	(6)	131,871	878,530	151,713	971,814
9. **Operating result**			**-43,917**		**37,374**
10. Interest income		3,195		6,494	
11. Interest expense		31,134		32,299	
12. Other financial result		65		-627	
13. **Financial result**	(7)		**-27,874**		**-26,432**
14. **Earnings before taxes**			**-71,790**		**10,942**
15. Income taxes	(8)		-6,888		2,312
16. **Consolidated net profit/loss**			**-64,903**		**8,631**
– of which attributable to shareholders of Schuler AG			-65,591		8,330
– of which attributable to minority interests			689		301
Earnings per share in € (undiluted and diluted)	(9)				
Earnings per common share			-3.12		0.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

as at September 30, 2009, of Schuler Aktiengesellschaft, Göppingen

	Notes	09/30/2009 T€	09/30/2008 T€
ASSETS			
A. Non-current assets			
1. Intangible assets	(10)	72,794	75,623
2. Property, plant and equipment	(11)	157,652	196,682
3. Interests in affiliates and participations	(12)	1,741	3,118
4. Income tax receivables		3,153	3,519
5. Other receivables and financial assets	(13)	10,660	14,333
6. Deferred tax assets	(8)	33,081	27,074
		279,082	**320,349**
B. Current assets			
1. Inventories	(14)	106,044	146,028
2. Trade receivables	(15)	88,046	121,961
3. Future receivables from long-term construction contracts	(16)	156,557	131,621
4. Income tax receivables		3,669	4,182
5. Other receivables and financial assets	(13)	63,573	55,037
6. Cash and cash equivalents	(17)	51,489	87,517
		469,378	**546,347**
		748,460	**866,696**

	Notes	09/30/2009 T€	09/30/2008 T€
LIABILITIES			
A. Equity	(18)		
1. Share capital		54,600	54,600
2. Capital reserves		92,223	92,169
3. Retained earnings		-35,231	30,360
4. Accumulated other comprehensive income		2,382	412
Equity attributable to shareholders of Schuler AG		**113,974**	**177,541**
5. Minority interests	(19)	2,567	1,957
		116,541	**179,498**
B. Non-current liabilities			
1. Financial liabilities	(20)	118,378	143,555
2. Other liabilities	(21)	4,015	1,730
3. Pension provisions	(22)	72,459	74,045
4. Other provisions	(23)	25,648	27,424
5. Deferred tax liabilities	(8)	7,993	9,191
		228,494	**255,945**
C. Current liabilities			
1. Financial liabilities	(20)	106,863	74,250
2. Trade payables	(24)	51,301	92,115
3. Income tax liabilities		265	734
4. Other liabilities	(21)	136,414	168,255
5. Income tax provisions		406	1,399
6. Other provisions	(23)	108,177	94,501
		403,425	**431,253**
		748,460	**866,696**

STATEMENT OF RECOGNIZED INCOME AND EXPENDITURE WITHIN THE SCHULER GROUP

for the fiscal year 2008/09

	2008/09 T€	2007/08 T€
Cash flow hedges:		
– changes in value recognized directly in equity	268	-4,518
– recognized in the profit and loss account	3,290	-12,712
Change in fair value of securities (available-for-sale)	-13	5
Deferred taxes not recognized in the profit and loss account	-1,145	5,672
Changes in currency translation differences relating to foreign Group companies	-509	-140
Income and expenditure recognized directly in equity	**1,892**	**-11,693**
Consolidated net profit/loss	**-64,903**	**8,631**
Total income and expenditure recognized in the fiscal year	**-63,011**	**-3,063**
– of which attributable to shareholders of Schuler AG	-63,621	-3,524
– of which attributable to minority interests	610	461

An explanation of equity is provided in notes (18) and (19).

CASH FLOW STATEMENT OF THE SCHULER GROUP

from October 1, 2008, to September 30, 2009

		2008/09 T€	2007/08 T€
	Consolidated net profit/loss	-64,903	8,631
+/-	Depreciation, amortization and impairments/impairment reversals of non-current assets	40,943	27,969
+/-	Increase/decrease in provisions (less indemnity claims)	-1,579	317
Gross cash flow		**-25,539**	**36,916**
+	Stock Option Program 2008	54	0
-/+	Profit/loss from disposal of non-current assets	-8,602	-8,794
-/+	Increase/decrease in inventories	41,410	20,544
-/+	Increase/decrease in receivables and other assets not relating to investing or financing activities	22,900	-83,032
-/+	Decrease/increase in provisions (excluding pension provisions)	10,734	-27,195
-/+	Decrease/increase in liabilities not relating to investing or financing activities	-73,863	44,474
Cash flow from operating activities		**-32,907**	**-17,087**
	Proceeds from disposals of tangible and intangible assets	2,595	19,538
-	Additions from capitalized development costs	-3,047	-1,000
-	Investments in other tangible and intangible assets	-9,179	-21,986
+	Proceeds from the disposal of financial assets	1,734	0
-	Investments in financial assets	-10	0
-	Proceeds for the acquisition of consolidated companies	0	-4,632
Cash flow from investing activities		**-7,907**	**-8,080**
	Increase in capital of Schuler AG	0	33,989
+	Proceeds from non-current financial liabilities	357	72,914
-	Redemption of non-current financial liabilities	-26,467	-80,405
+/-	Proceeds from/redemption of current financial liabilities	28,460	-14,202
-	Repayment of financial leases	-500	-1,536
Cash flow from financing activities		**1,850**	**10,760**
Change in cash and cash equivalents		-38,964	-14,407
+/-	Change in cash and cash equivalents due to exchange rate fluctuations	2,936	-1,794
Net change in cash and cash equivalents		**-36,029**	**-16,201**
+	Cash and cash equivalents at beginning of period	87,517	103,718
Cash and cash equivalents at end of period		**51,489**	**87,517**

The cash flow statement is explained in note (26).

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 energy and electrical industry, the household equipment industry and national mints.

The consolidated financial statements of Schuler AG as of September 30, 2009, 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 mandatory for fiscal years beginning on October 1, 2008, were observed – insofar as they were relevant for Schuler:

- IAS 39 »Financial Instruments: Recognition and Measurement« and IFRS 7 »Financial Instruments: Disclosures« – Amendments »Reclassification of Financial Assets«
- IFRIC 13 »Customer Loyalty Programmes«
- IFRIC 14 »IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction«
- IFRIC 12 »Service Concession Arrangements«
- IFRIC 16 »Hedges of a Net Investment in a Foreign Operation«
- IAS 39 »Financial Instruments: Recognition and Measurement« and IFRS 7 »Financial Instruments: Disclosures« – Amendment »Reclassification of Financial Assets – Effective Date and Transition«

The changes which resulted from the amended standards and new interpretations had no impact on the consolidated financial statements of the Schuler Group as of September 30, 2009.

The IASB passed the following new or revised standards, which have already been endorsed by the European Union but whose application was not yet mandatory as of the balance sheet date and which have also not been prematurely applied by Schuler on a voluntary basis:

- IFRS 8 »Operating Segments«
- IAS 23 »Borrowing Costs« (revised)
- IFRS 2 »Share-based Payment« – Amendment »Vesting Conditions and Cancellations«
- IAS 1 »Presentation of Financial Statements« – Amendments »A Revised Presentation«
- IAS 32 »Financial Instruments: Presentation« and IAS 1 »Presentation of Financial Statements« – Amendments »Puttable Financial Instruments and Obligations Arising on Liquidation«
- IFRS 1 »First-time Adoption of International Financial Reporting Standards« and IAS 27 »Consolidated and Separate Financial Statements« – Amendments »Cost of an Investment in a Subsidiary, jointly-controlled Entity or Associate«
- Improvements to IFRS (annual amendment procedure, released by the IASB in May 2008)
- IAS 27 »Consolidated and Separate Financial Statements« (revised)
- IFRS 3 »Business Combinations« (revised)
- IFRIC 15 »Agreement for the Construction of Real Estate«
- IAS 39 »Financial Instruments: Recognition and Measurement« – Amendment »Eligible Hedged Items«

The mandatory application of these standards and interpretations as of fiscal year 2009/10 is not expected to have any significant impact on the whole on the consolidated annual financial statements: the initial application of IFRS 8 and amended IAS 1 will affect the manner and scope of disclosures in the annual financial statements, but not generally affect the recognition and valuation of assets and liabilities. The mandatory obligation arising from revised IAS 23 to capitalize borrowing costs in future annual financial statements as part of acquisition or conversion costs which can be attributed to the acquisition, construction or conversion of a qualified asset will generally have no impact on Schuler's most important area of qualified assets – future receivables from long-term construction contracts: in this case, it is not the conversion costs (and thus also no interest expense in the conversion phase) which are capitalized, but the sales revenues which have already been realized on a pro rata basis. The company does not therefore expect any significant impact from the application of this new accounting regulation on its assets, liabilities, financial position and earnings. The other amendments listed above are not expected to affect the consolidated annual financial statements as there are no relevant areas of application.

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

For the purposes of clarity, various items of the statement of financial positions 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, 2009, for submission to the Supervisory Board. They will be published after being examined and approved by the Supervisory Board on January 27, 2010.

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.

On October 1, 2008, the North American subsidiary Schuler Hydroforming Incorporated, Canton/Michigan, was merged with Schuler Incorporated, Columbus/Ohio. With effect from the same day, the Spanish sales company Müller Weingarten Ibérica S.L., Sant Cugat del Vallès, was merged with Schuler Ibérica S.A. of the same location. Moreover, in the period under review a further service company was opened: Schuler Slovakia

Services s.r.o., Dubnica nad Váhom, Slovakia. Due to its limited activities, this company is carried in the consolidated annual financial statements at amortized cost. Comparability with the consolidated annual financial statements as at September 30, 2008, has not been impeded by the changes which occurred in the current fiscal year.

The Schuler Group now comprises the following number of companies:

	09/30/2009	09/30/2008
Schuler AG and fully consolidated subsidiaries		
– Domestic	24	24
– Foreign	10	11
Subsidiaries carried at amortized cost		
– Domestic	14	14
– Foreign	9	9
	57	**58**

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.

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 balance sheet items, other financial obligations and contingent liabilities in foreign currencies are translated at the average spot foreign currency rates applicable 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 spot 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:

Currency	1 € =	Closing rate		Average rate	
		09/30/2009	09/30/2008	2008/09	2007/08
Great Britain	GBP	0.9140	0.7961	0.8804	0.7676
Switzerland	CHF	1.5169	1.5785	1.5083	1.6192
Czech Republic	CZK	25.3163	24.6650	26.2253	25.3117
USA	USD	1.4619	1.4340	1.3564	1.5111
Mexico	MXN	19.7463	15.7800	18.4773	16.0192
Brazil	BRL	2.6045	2.8191	2.8661	2.5920
PR China	CNY	9.9802	9.8350	9.2838	10.6679

Accounting principles and valuation methods

Intangible assets

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

[1)] *incl. acquired drawing rights*

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 the non-definable useful lives, goodwill is not amortized in scheduled amounts but reviewed annually or on indication of any impairment by means of an impairment test in accordance with IAS 36.10. This is normally based on the asset's value in use. In order to measure impairment, goodwill is generally assigned to a particular segment as the cash generating unit. As of the balance sheet date, it amounted to T€ 25,826 (prior year: T€ 25,826) for the Forming Systems segment and T€ 0 (prior year: T€ 688) for the Automation and Production Systems segment. 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 on the basis of the last planning year, without consideration of any growth rate. The forecasts are based on past experience and expectations of future market developments, which are also validated by external sources. Discounting is based on the weighted average cost of capital (WACC) after tax, taking into account the risk class assigned to the respective segment. In the period under review, these rates ranged from 7.4% to 7.6% (prior year: 7.6% to 8.7%). 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. Should the reason for amortization no longer apply, it is not permissible to revalue goodwill. As a result of the negative development of earnings and the deterioration in the prospects of the Automation and Production Systems segment, due to the economic recession, goodwill was written down fully by T€ 688 (prior year: T€ 0) in the reporting period. Moreover, in accordance with IAS 36.104 (b), the non-current assets of this segment were written down by a further T€ 10,000 (prior year: T€ 0) in order to adapt them to their reduced value in use. These write-downs mainly affected the categories »Machines and technical equipment« and »Other factory and office equipment«.

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. Regardless of the probability of their occurrence, losses from expected future events are not considered. The following criteria are used to objectively determine impairment:

- substantial financial difficulties of the issuer or debtor
- high probability of insolvency proceedings against the debtor or necessary recovery measures of the borrower
- significant change in the technological, economic or legal environment and the issuer's market environment
- signs which enable the measurement of a sustained or significant decline in the financial asset's fair value below amortized cost
- concessions to the borrower for economic or legal reasons in connection with his financial difficulties
- contractual infringements
- the disappearance of an active market for the financial asset.

Financial instruments are always recognized on delivery, i.e. on the settlement date. Regular purchases or sales based on contracts which provide for the delivery of an asset within a certain period, which is usually determined by provisions or conventions of the respective market, are booked on the trading day and thus on the day on which the Group entered into the contractual obligations of the financial instrument. Derecognition of financial assets takes place when the Group's claims in respect of cash flows from the financial instrument expire or when the financial instrument is transferred to another party, including control or all major risks and rewards. Financial liabilities are derecognized when the Group's obligations specified in the contract expire, or are lifted or terminated. Initial recognition of financial instruments is at fair value, 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 statement of financial positions. In accordance with IAS 39, current and non-current financial assets and liabilities are divided into the following categories:

- Financial assets measured at fair value through profit or loss
- Loans and receivables originated by the enterprise
- Held-to-maturity financial investments
- Available-for-sale financial assets
- Financial assets measured at amortized cost
- Financial liabilities measured at fair value through profit or loss.

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

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

- at which the financial asset or liability was initially recognized, including transaction costs,
- less subsequent repayment amounts and non-scheduled amortization for impairment or uncollectibility and,
- where applicable, plus or minus the difference (premium) between the original amount and the amount to be repaid on maturity, which is spread over the expected life of the financial asset or liability using the effective interest method.

In the case of short-term receivables and liabilities, the amortized acquisition cost is generally identical with the nominal or repayment amount. Individual valuation allowances for dubious receivables are formed to account for the risk of estimated losses from insolvency of contractual partners. They are recognized to reduce the gross receivable if there are specific indications that a debtor cannot meet his financial obligations to a sufficient extent. Valuation adjustments on a group basis are formed without indication of default 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 and loss. The impairment of trade receivables, and part of other assets, is included in allowance accounts. Receivables are derecognized if the contractual rights to payments no longer exist, the respective opportunities and risks are mostly transferred or if they are classified as uncollectible. The degree of risk assessment reliability is an indication of whether a default risk should be covered by an allowance account or via a direct receivable adjustment. Expenses from the value adjustment and derecognition of receivables are disclosed under other 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 an impairment of the financial asset to below its acquisition cost already existed at an earlier time, the impairments hitherto not reported in profit and loss are removed from equity 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. The size of the allowance is calculated as the difference between the carrying value and the present value of the estimated future cash flows, discounted with the current market return of a comparable financial asset. Reversals of impairment losses are only shown in the 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. In the case of these equity instruments, a permanent or significant decline of fair value below acquisition cost also leads to a loss in value, which is recognized in the profit and loss account of the respective reporting period. 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 and 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 and 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 statement of financial positions 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 hedge or as cash flow hedge.

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 statement of financial positions. 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 stage 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 expected 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 expenses 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 inventories are generally valued using the average cost method.

Deferred taxes

Deferred tax assets and liabilities are formed for temporary differences between tax-based and IFRS-based valuations of assets and liabilities on the basis of the balance-sheet oriented liability method in accordance with IAS 12. Temporary differences from goodwill or from initial recognition of other assets and liabilities (provided it is not a business combination) which affect neither the tax result nor the IFRS result at the time of the transaction are not considered. 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 wherever deferred taxes refer to the same tax subject and the same tax authority and there is a legally enforceable right to set off current tax assets from current tax liabilities.

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 statement of financial positions. 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.

Share-based payment

Stock options were granted to members of Schuler AG's Board of Management for the first time in fiscal year 2008/09. The fair value of these non-cash compensation components was measured on the two grant dates during the year in accordance with IFRS 2.16. It is expensed over the vesting period in the consolidated profit and loss account using the straight-line method and weighted according to the exercise probability.

Income and expense recognition

Schuler recognizes sales revenue and other operating income only when the relevant delivery or service has been performed and the risk has thereby passed to the customer. This generally presupposes that all major contract components – depending on the agreement, not just delivery but construction and assembly – must be completed on the balance sheet date. If acceptance agreements were concluded with the customers, revenue is not recognized in the profit and loss account until after acceptance. The exception to this principle are customer-based, long-term construction contracts, where the respective revenue is measured and disclosed according to the percentage-of-completion method. 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 judgments 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.

Due to a change in business policy, the previously assumed unrestricted useful lives of acquired trademarks were reassessed in fiscal year 2008/09 as follows: in the period under review, the Board of Management decided to end its previously pursued dual-brand strategy for new machines in the long term. In the case of the umbrella brand »Müller Weingarten«, an unrestricted useful life is no longer assumed. From the beginning of fiscal year 2008/09, it will therefore be written down in scheduled amounts over the expected residual useful life of five years. Amortization amounts to T€ 868 in the current reporting period.

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€ 473,444 (prior year: T€ 464,279). The service business (including sales of used machines) accounted for sales revenue of T€ 176,649 (prior year: T€ 225,014).

(2) Other operating income

	2008/09 T€	2007/08 T€
Reversal/usage of provisions	11,816	27,016
Income from the disposal of fixed assets	9,105	9,254
Income from rent and leases	2,740	2,444
Cost refunds/compensation from third parties	2,608	233
Currency gains	1,906	10,793
Other operating income	9,224	14,242
	37,399	**63,982**

In the period under review, income from the disposal of fixed assets includes profit from the sale of commercial real estate assets belonging to the Group subsidiary Prensas Schuler S.A. in São Paulo, Brazil, amounting to the equivalent of T€ 6,506. In the previous year, income from the disposal of fixed assets included 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 a combined total of T€ 5,965 and an accounting profit of T€ 2,921 arising from the sale of commercial real estate belonging to Schuler France S.A. in Strasbourg, France.

(3) Cost of materials

	2008/09 T€	2007/08 T€
Expenses for raw materials, supplies and goods purchased	327,330	388,724
Expenses for services purchased	50,842	80,484
	378,172	**469,208**

(4) Personnel expenses

	2008/09 T€	2007/08 T€
Wages and salaries	276,865	270,318
Social security expenses	50,705	53,293
	327,570	**323,611**
– of which for pensions	93	1,620

Personnel expenses of the fiscal year 2008/09 include non-recurring expenses of T€ 26,006 from personnel measures resolved in May 2009 to reduce capacities (redundancy pay, social plans, transfer companies etc.).

The annual average number of employees developed as follows:

	2008/09	2007/08
Direct employees	3,135	3,228
Indirect employees	1,983	2,004
	5,118	**5,232**
Apprentices	337	326
	5,455	**5,558**

(5) Depreciation and amortization of intangible and tangible assets

	2008/09 T€	2007/08 T€
Intangible assets	7,914	4,915
Tangible assets	33,002	22,366
	40,917	**27,281**

In the fiscal year 2008/09, tangible and intangible assets were subject to non-scheduled depreciation of T€ 14,668 (prior year: T€ 139). This mainly concerns write-downs on the assets of Schuler Hydroforming GmbH & Co. KG in connection with the termination of hydroforming activities at the Wilnsdorf facility (T€ 2,398) as well as an additional allowance recognized by the Automation and Production Systems segment (T€ 10,688, thereof goodwill impairment T€ 688) to adapt carrying values to the reduced value in use of this segment.

(6) Other operating expenses

	2008/09 T€	2007/08 T€
Travel costs for machine assembly, other travel expenses	17,753	20,963
Packaging, outgoing freight costs, duties	17,716	18,214
Repairs, servicing, maintenance	16,790	15,505
Rent and leasing	14,567	13,517
Advertising, trade fair and exhibition costs, commissions	14,027	15,107
Other expenses	51,018	68,406
	131,871	**151,713**

Exchange rate losses included in other expenses amount to T€ 3,155 (prior year: T€ 1,307). In the period under review, this item also includes extraordinary expenses for restructuring and capacity adjustments, as well as for the restructuring of Group finance and other non-recurring charges resulting from the financial and economic crisis amounting to T€ 8,187.

(7) Financial result

	2008/09 T€	2007/08 T€
Interest income	3,195	6,494
– of which from affiliated companies	56	146
Interest expense	31,134	32,299
– of which to affiliated companies	92	483
Interest result	**-27,939**	**-25,805**
Income from investments	91	61
– of which from affiliated companies	0	60
Amortization of financial assets	26	688
– of which for affiliated companies	26	688
Other financial result	**65**	**-627**
Financial result	**-27,874**	**-26,432**

(8) Income taxes

	2008/09 T€	2007/08 T€
Current tax expense, Germany	961	1,222
Current tax expense, abroad	148	2,582
Current income tax expense	**1,109**	**3,804**
– of which relating to other periods	-116	-311
Deferred taxes		
Creation and reversal of temporary differences	**-7,997**	**-1,492**
Total tax income/expense	**-6,888**	**2,312**

As of the balance sheet date, there were domestic corporate tax loss carryforwards amounting to T€ 226,428 (prior year: T€ 183,964) and trade tax carryforwards of T€ 270,592 (prior year: T€ 227,694). Tax loss carryforwards of non-German Group companies amount to the equivalent of T€ 44,539 (prior year: T€ 31,419). The total amount includes loss carryforwards of T€ 346,898 (prior year: T€ 262,984) deemed non-usable (corporate tax T€ 141,925 (prior year: T€ 109,915), trade tax T€ 204,500 (prior year: T€ 152,470), foreign income taxes T€ 473 (prior year: T€ 599)). Of this amount, T€ 346,718 (prior year: T€ 262,385) can be carried forward indefinitely, while T€ 0 of foreign Group companies (prior year: T€ 599) can be used to reduce tax within a period of up to five (prior year: five) years and T€ 180 (prior year: T€ 0) can be used within the next ten fiscal years.

In order to calculate the expected tax expense, profit before tax is multiplied by a tax rate of 30.0% (prior year: 30.0%). This figure comprises corporation tax (15.0%), the solidarity surcharge (5.5% of corporation tax) and trade tax (14.0%). 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 34.0%.

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

	2008/09 T€	2007/08 T€
Result before income taxes	-71,790	10,942
Income tax rate	30.0%	30.0%
Expected income taxes	**-21,537**	**3,283**
Tax-free income	-275	-393
Non-deductible expenses	3,533	1,178
Current tax expense relating to other periods	-116	-311
Non-capitalized deferred taxes for temporary differences and tax loss carryforwards	12,411	2,433
Subsequent capitalization of deferred taxes for temporary differences and tax loss carryforwards	-206	-3,262
Use of loss carryforwards (not capitalized in previous years)	0	-219
Deviation from foreign tax rates	-796	-374
Effects from tax rate changes	71	0
Other	27	-24
Disclosed income taxes	**-6,888**	**2,312**
Effective tax rate	9.6%	21.1%

In addition to the deferred taxes included in the profit and loss account with an effect on earnings, deferred tax liabilities of T€ -183 (prior year: T€ -1,328) 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 statement of financial positions 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	
	09/30/2009 T€	**09/30/2008** T€	**09/30/2009** T€	**09/30/2008** T€
Non-current assets	6,057	3,089	13,218	15,832
Inventories and receivables	595	555	32,626	26,079
Tax loss carryforwards	83,415	68,295	-	-
Other assets	4,050	9,427	491	861
Pension provisions	3,843	490	919	2,767
Other provisions	7,828	6,762	1,035	2,194
Liabilities	21,917	24,149	2,858	6,720
Gross value	**127,705**	**112,767**	**51,147**	**54,453**
Non-capitalized deferred tax assets	-51,470	-40,431	-	-
Offsetting	-43,154	-45,263	-43,154	-45,263
Balance sheet recognition	**33,081**	**27,074**	**7,993**	**9,190**

In the period under review, an amount of T€ -1,145 (prior year: T€ 5,672) was recognized directly in equity from changes in deferred taxes without an effect on profit or loss. Currency translation differences without effect on profit or loss in connection with deferred taxes of foreign subsidiaries amounted to T€ 353 (prior year: T€ -213). 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. Neither Schuler AG itself, nor a company it controls, held treasury shares of Schuler AG in the period under review. The ratio may be diluted by so-called »potential shares« (mainly stock options and convertible bonds). Following the granting of the first and second tranches of the Stock Option Program 2008, potentially diluting shares were created in the period under review due to outstanding options.

However, as the prescribed performance targets for exercising these subscription rights have not yet been met, international accounting standards do not require them to be considered for the calculation of diluted earnings per share. As a result, the diluted earnings per share figure is still identical with that of undiluted earnings per share. The conditional capital adopted by the Annual General Meeting is explained in note (18).

	2008/09 T€	2007/08 T€
Group profit or loss	-64,903	8,631
Profit attributable to minority interests	-689	-301
Profit attributable to shareholders of Schuler AG	**-65,591**	**8,330**
Weighted number of shares outstanding:		
Common shares (number)	21,000,000	19,211,111
Earnings per common share (€)	**-3.12**	**0.43**

The capital increase placed in the previous year amounting to 3,500,000 no-par value shares was considered in fiscal year 2007/08 pro rata temporis from the expiry of the subscription period for the calculation of the average number of outstanding shares.

(10) Intangible assets

Changes in intangible assets between October 1, 2008, and September 30, 2009

	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, 2008	**24,863**	**17,711**	**8,710**	**34,958**	**38,309**	**124,551**
Foreign exchange differences	-	-	216	66	-	282
Additions	-	525	3,047	646	-	4,218
Transfers	-	-	-	1,018	-	1,018
Disposals	-	-	66	1,057	-	1,123
Balance at September 30, 2009	**24,863**	**18,236**	**11,906**	**35,631**	**38,309**	**128,945**
Amortization and impairment						
Balance at October 1, 2008	**1,528**	**1,466**	**5,484**	**28,654**	**11,796**	**48,928**
Foreign exchange differences	-	-	140	90	-	230
Additions	1,887	2,141	1,057	2,141	688	7,914
– of which non-scheduled	-	1,159	342	149	688	2,338
Disposals	-	-	-	921	-	921
Balance at September 30, 2009	**3,415**	**3,608**	**6,681**	**29,964**	**12,484**	**56,151**
Carrying amounts						
Balance at October 1, 2008	**23,335**	**16,245**	**3,226**	**6,304**	**26,513**	**75,623**
Balance at September 30, 2009	**21,448**	**14,628**	**5,225**	**5,667**	**25,826**	**72,794**

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

	Customer-based intangible assets and trademarks	Technology-based intangible assets and trademarks	Capitalized development costs	Contract-based intangible assets	Goodwill	**Total**
	T€	T€	T€	T€	T€	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 amounts						
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**

Customer-based intangible assets include a residual carrying amount of T€ 3,473 (prior year: T€ 4,341) attributable to the acquired umbrella brand Müller Weingarten, whose unlimited use is no longer intended (see »Estimates and assumptions by management« in the section »Accounting principles and valuation methods«).

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. This agreement was amended and prolonged in December 2009. 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€ 38,802 (prior year: T€ 47,798).

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

	2008/09 T€	2007/08 T€
Research costs and non-capitalized development costs	3,965	4,853
Amortization of capitalized development costs	1,057	696
R&D costs recognized in the profit and loss account	**5,023**	**5,549**

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 2008/09 amounting to T€ 3,047 (prior year: T€ 1,000) fulfilled the conditions for capitalization pursuant to IAS 38.

In fiscal year 2008/09, government grants of T€ 1,185 (prior year: T€ 92) 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€ 55 (prior year: T€ 146) were carried directly in the profit and loss account.

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, 2008, and September 30, 2009

	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, 2008	**205,536**	**233,033**	**96,343**	**4,738**	**539,650**
Foreign exchange differences	378	1,069	408	185	2,040
Additions	1,031	3,205	2,109	1,663	8,008
Transfers	1,243	1,631	63	-3,956	-1,018
Disposals	20,593	5,365	4,167	881	31,006
Balance at September 30, 2009	**187,596**	**233,573**	**94,756**	**1,749**	**517,674**
Amortization and impairment					
Balance at October 1, 2008	**86,675**	**177,449**	**78,843**	**-**	**342,968**
Foreign exchange differences	257	1,022	419	-	1,697
Additions	7,058	19,974	5,970	-	33,002
– of which non-scheduled	1,011	9,427	1,893	-	12,330
Transfers	-	-22	22	-	-
Disposals	9,109	4,738	3,799	-	17,646
Balance at September 30, 2009	**84,881**	**193,685**	**81,455**	**-**	**360,021**
Carrying amounts					
Balance at October 1, 2008	**118,861**	**55,584**	**17,499**	**4,738**	**196,682**
– of which leased assets	-	1,869	2	-	1,871
Balance at September 30, 2009	**102,714**	**39,888**	**13,301**	**1,749**	**157,652**
– of which leased assets	-	1,266	-	-	1,266

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
– of which non-scheduled	-	15	123	-	139
Disposals	460	4,397	8,984	-	13,840
Balance at September 30, 2008	**86,675**	**177,449**	**78,843**	**-**	**342,968**
Carrying amounts					
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

Restricted right of use regarding property, plant and equipment amounts to T€ 109,373 (prior year: T€ 156,590).

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 – from October 1, 2009, also at the São Paulo facility (see note (30)) – as well as of 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		**09/30/2009**
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Future payments for finance leases	785	663	0	1,448
Interest component	47	12	0	59
Carrying/present value	**738**	**651**	**0**	**1,389**
Future minimum payments for operating leases	13,015	41,271	82,122	136,409

		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 value	**686**	**1,223**	**0**	**1,909**
Future minimum payments for operating leases	11,360	33,290	81,706	126,356

In the period under review, payments recognized in the profit and loss account for operating leases amount to T€ 14,567 (prior year: T€ 13,517). This figure comprises minimum leasing payments of T€ 14,422 (prior year: T€ 13,517) and contingent rents of T€ 145 (prior year: T€ 0), which are based on contractually agreed annual adjustments of rent payments to the consumer price index.

The Group leases a minor amount of 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. Following net disposals of T€ 501, acquisition and conversion costs – converted using average rates on the balance sheet date – amount to T€ 24,447 (prior year: T€ 27,013) as of September 30, 2009; depreciation amounts converted at the annual average rate in the period under review totaled T€ 1,631 (accumulated T€ 20,747, prior year: T€ 21,159). After accounting for currency translation differences belonging to annual depreciation (T€ 5, prior year: T€ -3), the carrying amount as of September 30, 2009, amounts to T€ 3,704 (prior year: T€ 5,851). The following payments are expected to be received from these operating leases with third parties over the coming years:

	Due			09/30/2009
	up to 1 year	from 1 to 5 years	over 5 years	Total
	T€	T€	T€	T€
Future payments received from operating leases	1,829	1,727	0	3,556

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

(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 2008/09, these available-for-sale financial assets were written down by T€ 26 (prior year: T€ 688) and charged to the profit and loss account as their impairment was either permanent or significant.

Interests in non-consolidated affiliated companies include restricted right of use amounting to T€ 519 (prior year: T€ 0).

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

	Remaining term		09/30/2009	Remaining term		09/30/2008
	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	20,796	6,265	27,060	24,920	7,441	32,361
Positive fair values of derivatives	1,465	245	1,709	1,867	1,003	2,870
Payments on account	4,475	0	4,475	12,372	0	12,372
Asset values	868	381	1,249	1,193	173	1,366
Marketable securities	1,058	0	1,058	803	0	803
Other non-financial assets	10,208	1,450	11,657	5,577	3,820	9,397
Other financial assets	24,704	2,320	27,024	8,306	1,896	10,201
	63,573	**10,660**	**74,233**	**55,037**	**14,333**	**69,370**

With the exception of marketable securities which serve as insolvency security for semi-retirement credit balances and are thus pledged to an external trustee, 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€ 3,499 as of the balance sheet date (prior year: T€ 638).

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

Other non-financial assets with a remaining term of up to one year comprise a purchase price receivable of T€ 19,198 as of September 30, 2009 resulting from the sale of commercial real estate assets of Prensas Schuler S.A. in São Paulo, Brazil.

Valuation allowances for other financial assets developed as follows:

	2008/09 T€	2007/08 T€
Valuation allowances as at Oct. 1	**638**	**361**
Additions	2,861	419
Utilization	0	33
Reversals	0	109
Exchange rate effects and other changes	0	-1
Valuation allowances as at Sep. 30	**3,499**	**638**

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

	09/30/2009 T€	09/30/2008 T€
Neither impaired nor past due as at the closing date	29,118	14,768
Not impaired at the closing date and past due in the following time periods:		
– less than 3 months	1,114	275
– between 3 and 6 months	343	2
– between 6 and 9 months	256	30
– between 9 and 12 months	41	87
– over 12 months	33	77
	1,786	472
Valuation allowances to individual other receivables and other financial assets (net)	137	0
Carrying amount (net)	**31,040**	**15,240**

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 actuarial 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

	09/30/2009 T€	09/30/2008 T€
Raw materials, consumables and supplies	31,103	41,728
Work in progress	64,555	94,010
Finished goods and purchased merchandise	10,386	10,291
	106,044	**146,028**

In the period under review, valuation allowances for raw materials, consumables and supplies amounting to T€ 7,126 (prior year: T€ 1,252), as well as reversals of valuation allowances amounting to T€ 109 (prior year: T€ 523), 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€ 10,367 (prior year: T€ 8,982). Of the total inventories, a volume of T€ 46,156 (prior year: T€ 29,746) is recognized at net realizable value.

Restricted right of use from the provision of collateral amounts to T€ 74,475 (prior year: T€ 109,093).

(15) Trade receivables

	09/30/2009 T€	09/30/2008 T€
Trade receivables from		
– third parties	86,903	118,191
– affiliated companies	1,083	3,708
– companies in which an investment is held	59	62
	88,046	**121,961**

Trade receivables contain an amount of T€ 3,360 (prior year: T€ 125) with a remaining term of over one year.

Valuation allowances for trade receivables developed as follows:

	2008/09 T€	2007/08 T€
Valuation allowances as at Oct. 1	**6,856**	**8,723**
Additions	2,774	1,452
Utilization	493	451
Reversals	1,298	2,880
Exchange rate effects and other changes	33	12
Valuation allowances as at Sep. 30	**7,872**	**6,856**

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

	09/30/2009 T€	09/30/2008 T€
Neither impaired nor past due as at the closing date	51,952	77,141
Not impaired at the closing date and past due in the following time periods:		
– less than 3 months	23,538	31,655
– between 3 and 6 months	9,280	5,297
– between 6 and 9 months	480	1,978
– between 9 and 12 months	656	1,478
– over 12 months	696	461
	34,649	40,870
Valuation allowances to individual trade receivables (net)	1,445	3,951
Carrying amount (net)	**88,046**	**121,961**

An amount of T€ 4,095 (prior year: T€ 2,205) 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€ 65,279 (prior year: T€ 81,999). The parties concerned have no rights to sell or pledge the collateral provided.

(16) Future receivables from long-term construction contracts

	09/30/2009 T€	09/30/2008 T€
Contract costs incurred, including partial profits	500,471	406,770
Payments received on account for construction contracts not yet invoiced	-412,105	-341,927
Impending loss provisions	-5,435	-6,359
Future receivables from long-term construction contracts (net)	**82,930**	**58,485**
– of which contracts with net receivables	156,557	131,621
– of which contracts with net payables	73,627	73,136

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

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

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

Restricted right of use from the provision of collateral amounts to T€ 140,581 (prior year: T€ 127,779). 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€ 51,489 (prior year: T€ 87,517) include bank balances (T€ 51,382, prior year: T€ 87,410), as well as checks and cash in hand (T€ 107, prior year: T€ 107). As of the balance sheet date, the average effective interest rate for short-term bank deposits amounted to 0.35% (prior year: 4.51%) in EUR, to 0.0% (prior year: 1.56%) in USD, to 8.75% (prior year: 11.62%) in BRL, to 2.11% (prior year: 1.93%) in CNY, to 0.13% (prior year: 1.15%) in CHF, and to 0.05% (prior year: 3.86%) in GBP. These deposits have terms of between one and 65 days. As of the balance sheet date, account balances totaling T€ 29,029 (prior year: T€ 19,864) were provided as collateral for obligations from semi-retirement agreements, as well as in connection with the syndicated loan agreement.

(18) 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, 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**
Stock Option Program 2008	-	54	-	-	-	-	54	-	54
Valuation changes recognized directly in equity	-	-	-	-431	2,410	-9	1,970	-79	1,892
Group profit or loss 2008/09	-	-	-65,591	-	-	-	-65,591	689	-64,903
Balance at Sep. 30, 2009	**54,600**	**92,223**	**-35,231**	**2,808**	**-430**	**5**	**113,974**	**2,567**	**116,541**

Share capital

Share capital remains unchanged at € 54,600,000.00; it is divided into 21,000,000 common no-par value 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 Annual General Meeting 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: 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). 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.

At its meeting of September 23, 2008, the Supervisory Board specified the individual exercise conditions and resolved to offer the Board of Management members of Schuler AG a total of 661,250 share options in three tranches spread over the following two fiscal years, as part of the above mentioned stock option program. In accordance with this resolution, the first two tranches were offered and accepted in fiscal year 2008/09. Details regarding the development of outstanding options can be seen from the following table:

Stock Option Program 2008	Number of stock options	(Remaining) contractual term	Exercise price/ option	Initial Schuler share price [1]	Fair value/ option [1]
	Units	Years	€	€	
As of October 1, 2008	**-**	**-**	**-**	**-**	**-**
Tranche 1 (January 30, 2009)	264,500	4.0	2.60	3.45	1.62
Tranche 2 (April 3, 2009)	264,500	4.0	2.60	2.60	1.01
As of September 30, 2009	**529,000**	**3.4**	**2.60**	**3.02**	**1.32**

[1] *on the grant date*

The fair values of stock options on the grant date were calculated using the Monte-Carlo simulation and the Cox-Ross-Rubinstein binomial tree valuation methods, based on historic share prices of the last four years. Historic quarterly EBITDA results were considered from October 2003 onward; expected planning figures as of the grant dates were used for future EBITDA results. In addition to the above mentioned details, the other model assumptions were based on a risk-free interest rate of 2.83% (Tranche 1) and 2.69% (Tranche 2), a term of four years, an expected volatility of 43.16% (Tranche 1) and 45.72% (Tranche 2), no dividend payments and a correlation between EBITDA and the share price of zero.

The setting of a performance target in the form of a minimum EBITDA result represents a so-called non-market vesting condition. According to IFRS 2.19, such a target may not be used directly in the valuation procedure, but should be considered as part of the exercise probability. The expected development is to be reassessed on every balance sheet date. The same applies to the agreed service condition. The expense from the stock option program is recognized pro rata temporis over the vesting period. Based on the calculations of an external assessor, the prorated personnel expense for share-based compensation transactions in fiscal year 2008/09 amounts to T€ 54 (prior year: T€ 0).

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€ 54 in fiscal year 2008/09 as a result of the Stock Option Program 2008.

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 the financial statements of foreign subsidiaries not carried in euro are disclosed under »Accumulated other comprehensive income«.

Profit participation rights

On the basis of a resolution adopted by the Annual General Meeting 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 statement of financial positions.

	09/30/2009 T€	09/30/2008 T€
Equity capital	116,541	179,498
Balance sheet total	748,460	866,696
Equity ratio in %	15.6	20.7

As part of the syndicated loan agreement, Schuler AG committed itself to meeting certain financial covenants. In the period under review, this included the ratio of net financial liabilities to equity (gearing). In the course of negotiations to adapt the existing syndicated loan agreement, the obligation to meet the financial covenants was suspended for the duration of negotiations until the new agreement was signed in December 2009.

Proposed appropriation of profit

The accumulated loss of Schuler AG as of September 30, 2009 amounting to € 23,621,939.17 is to be carried forward to the next reporting period.

(19) Minority interests

The minority interests in equity is 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.

(20) Non-current and current liabilities

	Remaining term			09/30/2009	Remaining term			09/30/2008
	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	106,106	91,713	26,013	223,833	71,122	110,235	32,097	213,454
Bills of exchange	2	0	0	2	259	0	0	259
Financial lease liabilities	738	651	0	1,389	686	1,223	0	1,909
Other financial debts	17	0	0	17	2,182	0	0	2,182
	106,863	**92,364**	**26,013**	**225,240**	**74,250**	**111,458**	**32,097**	**217,805**

Of the financial liabilities disclosed, a total of T€ 170,825 (prior year: T€ 134,370) is secured by real estate liens and other assets (intangible assets, movable tangible fixed assets, inventories, receivables, credit balances).

A syndicated loan agreement concluded in March 2008 between Schuler AG and its main subsidiaries and a consortium of banks and credit insurance partners led by Baden-Württembergische Bank, Deutsche Bank and Commerzbank was adjusted in December 2009. The volume remains unchanged at T€ 450,000; the newly agreed term expires in September 2012. The loan comprises a credit line of T€ 250,000, two revolving facilities totaling T€ 95,300 and term loan facilities of T€ 104,700 with fixed interest rates. The conditions of the revolving tranches 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 October 2007, Schuler AG negotiated a subordinated loan totaling T€ 10,000 with a subsidiary of Thüringer Aufbaubank. The loan was redeemed on December 30, 2008.

Liabilities to banks include fixed-interest loans with a carrying amount of T€ 48,403 (prior year: T€ 64,313) and a fair value of T€ 47,183 (prior year: T€ 60,823). 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 4.98% in EUR (prior year: 6.76%) and 3.20% in CHF (prior year: 4.20%). In the case of variable-interest liabilities, the corresponding figures amounted to 3.95% in EUR (prior year: 7.86%), 7.45% in CNY (prior year: 8.12%), 9.70% in BRL (prior year: 8.90%) and 4.96% in CZK (prior year: n. a.). The average remaining term of fixed-interest liabilities amounts to 7.3 years as of September 30, 2009 (prior year: 7.0 years), while the average term (interest adjustment dates) of variable-interest liabilities is around 5.4 months (prior year: 6.3 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€ 60,813 (prior year: T€ 18,928); these are exposed to an interest-related cash flow risk.

Of the liabilities to banks, a total of T€ 52,694 (prior year: T€ 68,269) is payable in BRL, T€ 314 (prior year: T€ 1,593) in CNY, T€ 346 (prior year: T€ 421) in CHF and T€ 320 (prior year: T€ 405) 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€ 523,843 (prior year: T€ 551,523). Credit/guarantee lines used at present amount to T€ 319,592 (prior year: T€ 361,809).

Credit lines with banks amounting to T€ 160,838 (prior year: T€ 196,821) are secured by various assets (intangible assets, movable tangible fixed assets, inventories, receivables, credit balances).

(21) Non-current and current other liabilities

	Remaining term			09/30/2009	Remaining term			09/30/2008
	up to 1 year	from 1 to 5 years	over 5 years	Total	up to 1 year	from 1 to 5 years	over 5 years	Total
	T€	T€	T€	T€	T€	T€	T€	T€
Payments on account received in respect of construction contracts (net)	68,192	0	0	68,192	66,777	0	0	66,777
Other payments on account received from customers	21,338	0	0	21,338	42,946	0	0	42,946
Liabilities in respect of staff benefits and compensation (incl. social security)	26,377	599	0	26,976	35,508	428	0	35,936
Liabilities from other taxes	11,767	0	0	11,767	10,567	0	0	10,567
Negative fair values of derivatives	1,395	3,416	0	4,812	5,377	1,111	0	6,488
Other liabilities	7,344	0	0	7,344	7,080	158	32	7,270
	136,414	**4,015**	**0**	**140,429**	**168,255**	**1,698**	**32**	**169,984**

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.

(22) 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€ 21,739 (prior year: T€ 22,848). This total includes employer contributions to the German state pension fund of T€ 21,021 (prior year: T€ 22,535).

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 expenses of domestic subsidiaries:

	2008/09	2007/08
Discount rate	6.70%	5.25%
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%

For the calculation of the present value of pension obligations as of the balance sheet date, the main discount rate amounts to 5.60% (prior year: 6.70%) and the expected long-term trend to 2.5% (prior year: 2.5%).

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 according to IAS 19.120A.

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

	2008/09 T€	2007/08 T€
Defined benefit obligation (DBO) as of Oct. 1	**85,852**	**99,458**
Disposal of die casting division	0	-279
Currency translation differences	-1	10
Current service cost	586	1,004
Interest cost of pension obligations	5,519	5,091
Contributions of plan participants	1,571	1,583
Actuarial gains/losses	8,576	-13,977
Pension payments made	-6,858	-7,038
Defined benefit obligation (DBO) as of Sep. 30	**95,245**	**85,852**

	2008/09 T€	2007/08 T€
Present value of plan assets as of Oct. 1	**21,860**	**23,614**
Disposal of die casting division	0	-207
Expected income from plan assets	1,188	842
Contributions of employers	524	0
Contributions of plan participants	744	893
Actuarial gains/losses	1,305	-1,928
Payments made	-2,030	-1,354
Present value of plan assets as of Sep. 30	**23,590**	**21,860**

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

	09/30/2009 T€	09/30/2008 T€
DBO of externally financed obligations	31,029	28,126
Fair value of plan assets	23,590	21,860
Deficit	7,439	6,266
DBO of internally financed obligations	64,216	57,726
Financial status	**71,654**	**63,993**
Unrecognized actuarial gains/losses	804	10,052
Pension provisions recognized in the statement of financial positions	**72,459**	**74,045**
– thereof carried as pension provisions	72,459	74,045

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

	2008/09 T€	2007/08 T€
Current service cost	586	1,004
Amortization of actuarial gains/losses	-1,999	-5
Interest cost of pension obligations	5,519	5,091
Expected income from plan assets	-1,188	-842
Net pension expense	**2,919**	**5,248**

The actual results of the plan assets amount to T€ 2,492 (prior year: T€ -1,088). 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€ 0 in the following fiscal year 2009/10.

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

	09/30/2009	**09/30/2008**	**09/30/2007**	**09/30/2006**	**09/30/2005**
	T€	T€	T€	T€	T€
Direct benefit obligations	-95,245	-85,852	-99,458	-53,239	-53,172
Fair value of the plan assets	23,590	21,860	23,614	5,506	5,743
Plan deficit	-71,654	-63,993	-75,844	-47,733	-47,429
Experience adjustments to DBO	-203	-843	448	-	-
Experience adjustments to plan assets	-119	-40	70	-	-

(23) 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, 2008	**817**	**74,378**	**31,376**	**15,354**	**121,925**
– of which current	817	72,497	9,658	11,529	94,501
Foreign exchange differences	-1	198	-19	117	295
Utilization	373	16,137	6,451	4,164	27,125
Reversals	91	9,213	291	1,460	11,054
Additions	124	14,331	24,982	8,016	47,453
Unwinding of discount	0	71	578	178	827
Interest rate changes	0	39	1,260	204	1,503
Balance at Sep. 30, 2009	**476**	**63,667**	**51,436**	**18,246**	**133,825**
– of which current	476	62,792	30,459	14,450	108,177

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.

In addition to personnel measures, 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 in-house agreements. Provisions for personnel measures (including redundancy pay, social plans, severance pay, etc.) amount to T€ 25,192 (prior year: T€ 5,308) as of the balance sheet date.

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€ 623 (prior year: T€ 781).

(24) Trade payables

	2008/09 T€	2007/08 T€
Trade payables to		
– third parties	39,613	76,880
– affiliated companies	2,903	3,711
Liabilities from outstanding invoices	8,785	11,524
	51,301	**92,115**

Trade payables with a remaining term of over one year amount to T€ 50 (prior year: T€ 0).

(25) Reporting on financial instruments

Carrying amount and fair value of financial instruments

The following table presents the carrying amount and fair value 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	09/30/2009
	T€	T€	T€	T€	T€
ASSETS					
Interests in affiliates and participations	1,741	1,741	-	-	1,741
Trade receivables	88,046	88,046	-	-	88,046
Future receivables from long-term construction contracts	156,557	156,557	-	-	156,557
Other receivables and financial assets	28,273	28,273	2,127	641	31,040
– thereof derivatives without hedging relationship	-	-	-	641	641
– thereof derivatives with cash flow hedging relationship	-	-	1,069	-	1,069
Cash and cash equivalents	51,489	51,489	-	-	51,489
LIABILITIES					
Financial liabilities	225,240	223,180	-	-	225,240
– thereof to banks	223,833	221,771	-	-	223,833
– thereof bills of exchange	2	2	-	-	2
– thereof from financial leases	1,389	1,390	-	-	1,389
– thereof other financial debts	17	17	-	-	17
Trade payables	51,301	51,301	-	-	51,301
Other financial liabilities	28,577	28,577	934	3,878	33,388
– thereof derivatives without hedging relationship	-	-	-	3,878	3,878
– thereof derivatives with cash flow hedging relationship	-	-	934	-	934

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	09/30/2009
	T€	T€	T€	T€	T€
Financial assets measured at fair value through profit or loss	-	-	-	641	641
Loans and receivables	324,365	324,365	-	-	324,365
Held-to-maturity financial investments	-	-	-	-	-
Available-for-sale financial assets	1,741	1,741	1,058	-	2,799
Financial liabilities measured at fair value through profit or loss	-	-	-	3,878	3,878
Financial liabilities measured at amortized cost	303,729	301,668	-	-	303,729

	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 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

The difference between the individual balance sheet items and the carrying amounts 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.

There are no liquid markets for loans and receivables. Financial instruments measured at amortized cost have mostly short terms, so that it can be assumed that their carrying amounts as at the closing date approximate their respective fair values.

No fair values based on stock exchange or market values could be calculated for 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 by using recognized 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. Wherever possible, these models use the relevant market prices and interest rates observed on the balance sheet date as acquired from recognized external sources.

Other financial assets include an amount of T€ 1,058 (prior year: T€ 803) 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 (excluding derivatives with a cash flow hedging relationship).

	2008/09 T€	**2007/08** T€
Financial assets at fair value through profit or loss	842	9,554
Loans and receivables	-2,867	4,907
Held-to-maturity investments	-	-
Available-for-sale financial assets	347	-687
Financial liabilities at fair value through profit or loss	-5,296	-128
Financial liabilities measured at amortized cost	-16,505	-18,199

The net results from financial instruments result from changes in fair value, impairments and reversals, results from investments, derecognitions, exchange rate changes and interest. Total interest income and expenses for financial instruments not carried at fair value through profit or loss amount to T€ 1,865 (prior year: T€ 5,387) and T€ 18,359 (prior year: T€ 19,712). Interest income from impaired assets was not recognized in the period under review, nor in the previous year.

Interest income and expenses from financial instruments are disclosed in the interest result. Qualitative descriptions as to the measurement and disclosure of financial instruments (including derivative financial instruments) are contained in the explanations to accounting principles and valuation methods in the financial instruments section. Valuation changes of derivative financial instruments with a cash flow hedging relationship recognized 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

(26) 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 directly compared with the corresponding changes compared with previous years on the basis of the published consolidated balance sheet. Due mainly to the negative consolidated result and the resulting strong deterioration in gross cash flow, cash flows from operating activities amounted to T€ -32,907 (prior year: T€ -17,087). Payments of interest and income taxes during the fiscal year are as follows:

	2008/09 T€	2007/08 T€
Interest received	2,987	6,030
Interest paid	25,567	24,536
Income taxes paid	1,344	2,919

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€ 2,595 (prior year: T€ 19,538). This figure does not include income from the sales of real estate belonging to the Group's Brazilian subsidiary as the cash flow had not been received as of the balance sheet date. Translated at the average spot rate of the balance sheet date, it amounts to T€ 19,198 and will be paid in several installments over the first six months of fiscal year 2009/10. In total, cash flows from investing activities amounted to T€ -7,907 compared with T€ -8,080 in the previous year.

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. Cash flows from financing activities amount to T€ 1,850 (prior year: T€ 10,760).

In summary, the various cash flows and the changes in value caused by exchange rate fluctuations resulted in a decrease in cash and cash equivalents in fiscal year 2008/09 of T€ 36,029 to T€ 51,489.

(27) 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 metalforming 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. 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 intersegment revenues).

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	
	2008/09 T€	2007/08 T€	2008/09 T€	2007/08 T€	2008/09 T€	2007/08 T€	2008/09 T€	2007/08 T€
Sales to third parties	712,718	825,862	110,399	140,258	0	0	823,117	966,120
Intercompany sales	9,908	8,722	39,282	46,814	-49,190	-55,536	0	0
Segment sales	**722,626**	**834,584**	**149,681**	**187,072**	**-49,190**	**-55,536**	**823,117**	**966,120**
EBIT	**-12,357**	**37,574**	**-20,965**	**7,196**	**-10,530**	**-8,023**	**-43,852**	**36,747**
Depreciation [1]	19,916	19,901	20,206	6,696	795	685	40,917	27,281
– of which non-scheduled	562	0	14,107	139	0	0	14,668	139
Other material noncash expenses	53,326	65,645	11,695	8,145	2,353	-1,476	67,374	72,315
Restructuring expenses acc. to IAS 1.87 (b) [2]	10,729	0	7,623	0	0	0	18,352	0
Segment assets at Sep. 30	591,382	633,306	98,723	135,848	-34,778	-27,869	655,327	741,285
Segment debts at Sep. 30	369,032	396,299	51,230	75,863	-22,248	-14,092	398,014	458,070
Capital expenditures [1]	10,545	15,771	1,313	5,075	368	2,140	12,226	22,986
Personnel [3]	3,999	4,067	1,091	1,142	28	23	5,118	5,232

[1] *without amortization of financial assets*
[2] *transfer of new machine business for hydraulic presses from Esslingen and of hydroforming business*
[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	
	2008/09 T€	2007/08 T€	09/30/2009 T€	09/30/2008 T€	2008/09 T€	2007/08 T€
Germany	323,360	382,613	561,606	627,299	9,929	17,104
Europe (excluding Germany)	166,429	193,962	15,711	20,942	165	312
America	197,117	215,404	144,036	153,787	1,727	4,847
Asia	135,117	169,437	13,850	14,146	404	723
Other	1,094	4,704	0	0	0	0
Consolidation	0	0	-79,875	-74,888	0	0
Schuler Group	**823,117**	**966,120**	**655,327**	**741,285**	**12,226**	**22,986**

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

	2008/09 T€	2007/08 T€
Segment result (EBIT)	**-43,852**	**36,747**
Interest result	-27,939	-25,805
Income taxes	6,888	-2,312
Group profit or loss	**-64,903**	**8,631**

Segment assets and segment debts disclosed in segment reporting are reconciled with the corresponding figures of the consolidated statement of financial positions as follows:

	09/30/2009 T€	09/30/2008 T€
Total segment assets of the Group	**655,327**	**741,285**
plus:		
– Financial assets	1,741	3,118
– Cash and cash equivalents	51,489	87,517
– Income tax claims	39,903	34,776
Gross assets acc. to the consolidated statement of financial positions	**748,460**	**866,696**

	09/30/2009 T€	09/30/2008 T€
Total segment debts of the Group	**398,014**	**458,070**
plus:		
– Financial liabilities	225,240	217,805
– Income tax debts	8,665	11,324
Gross debts acc. to the consolidated statement of financial positions	**631,919**	**687,199**

(28) Financial risk management and derivative financial instruments

Principles of risk management with regard to financial risks

Due to its international alignment and long-term project business, the Schuler Group is exposed in particular to interest, foreign currency, as well as credit and liquidity risks, which may adversely affect the net assets, financial position and earnings of the Group. The main task of financial risk management is to eliminate or limit such risks with its current operative and finance-oriented activities in order to secure the long-term value of the company.

Financial risks are continually monitored by the central cash and foreign currency management system of Schuler AG's corporate treasury department and limited with the aid of suitable hedging relationships based on corresponding guidelines adopted by the Board of Management. The responsibilities of all Group companies with regard to risk management are clearly and comprehensively regulated by binding group-wide guidelines. The hedging of financial transactions and business conducted by Group subsidiaries outside the Euro zone is closely coordinated with the Group's central treasury division. All companies of the Schuler Group 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 fluctuations in the fair value or future cash flows of a financial instrument (e.g. receivables or payables) due to changes in the market interest rate or exchange rate.

Currency risks result from the conversion of financial instruments whose values differ from the functional currency of the respective individual company and which are of a monetary nature. They mainly arise from Schuler's international activities, as a consequence of which the Group's operative business, financial results and cash flows are subject to exchange rate fluctuations. A related transaction risk results mainly from the operative business process, and in particular with regard to the exchange rate relationships between the US Dollar, the Brazilian Real and the Euro. In emerging nations, international orders of subsidiaries are generally concluded in USD or EUR. The economic exchange rate risk (competition risk) resulting from the volatility of the key currencies is primarily reduced by spreading Schuler's production facilities among several nations (natural hedging). Coverage against foreign currency orders is still provided by means of naturally closed positions, or netting, whereby the values or cash flows of originated financial instruments offset each other with regard to time or amount. Any remaining risks are reduced by the use of derivative financial instruments. Wherever possible, underlying transactions and hedges are summarized as hedging relationships which mostly compensate for subsequent changes in market values in the designated transactions. As of the balance sheet date, forward exchange positions referred mainly to the exchange rate parities EUR/USD, USD/BRL, EUR/BRL and EUR/GBP. Such derivatives are used solely for hedging purposes, which are tied to the corresponding existing underlying business or planned transactions. Schuler does not enter into trading positions with the aim of speculating. Hedging by means of financial derivatives comprises recognized, pending and anticipated transactions. Due to the typically long-term nature of Schuler's large-machine business, the Group generally hedges against currency risks according to individual orders (micro hedges).

Schuler holds various interest-sensitive, medium-term and long-term assets and liabilities in order to meet liquidity requirements. The Group's *interest rate risk* results from funding which is not in line with the respective maturities, as well as from various interest elasticities of certain assets and liabilities. Whereas liabilities with variable interest rates expose the Group to a cash flow interest rate risk, liabilities with fixed interest rates result in a fair value interest rate risk (see note (20)). Schuler is exposed to interest rate risks mainly in the EUR and BRL currency regions. In order to minimize these risks with regard to maturities and fixed interest rates, the company uses derivative interest instruments in the Euro zone. The cash flow interest rate risk is mainly hedged against centrally by the use of interest rate swaps. Such interest rate swaps have the economic purpose of converting variable-interest loans into fixed-interest loans. The treasury assesses interest risk positions by comparing the respective financial assets and liabilities with regard to maturities and in connection with the relevant interest derivatives. Wherever possible with reasonable effort, assets are refinanced in accordance with Group guidelines and in line with their respective maturities. In consideration of its hedging activities, the Schuler Group's management is of the opinion that the Group is not exposed to any significant interest rate risk with regard to its financing as of the balance sheet date.

In order to limit the above mentioned financial market risks, the Group uses forward exchange contracts and options, interest swaps and interest caps. All derivative financial instruments are recognized as assets or liabilities at those fair values valid 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.

	09/30/2009		09/30/2008	
	Notional value T€	Market value T€	Notional value T€	Market value T€
Forward exchange contracts and swaps	56,545	1,589	146,419	2,131
		-1,442		-5,922
Currency derivatives, net	56,545	147	146,419	-3,791
Interest swaps	56,500	119	108,074	585
		-3,369		-567
Interest options	6,630	2	22,836	154
		0		0
Interest derivatives, net	63,130	-3,249	130,910	173
	119,675	**-3,102**	**277,329**	**-3,618**

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.

Provided the strict requirements of hedge accounting are met, the disclosed derivative financial instruments are assigned directly to the underlying transactions in the form of cash flow hedges. The market value of these derivatives (cash flow hedges) amounts to T€ 135 (prior year: T€ -3,170) as of the balance sheet date.

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€ -3,237 (prior year: T€ -448). In the period under review, market value changes amounting to T€ -2,907 (prior year: T€ -193) were recognized immediately in the profit and loss account. This figure includes market value changes amounting to T€ -2,282 (prior year: T€ 0) recognized in the profit and loss account in the period under review due to the premature termination of cash flow hedging relationships (dedesignation) following the restructuring of the syndicated loan agreement. 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 income or other expenses (interest derivatives).

The effectiveness of a hedging relationship for cash flow hedges is determined prospectively using the critical terms match method according to IAS 39.AG108. An effectiveness test is carried out 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 profits of subsidiaries outside the Euro zone. However, there may be significant translation differences which may affect revenues, the segment result (EBIT) and Group profit or loss.

Credit risk (rating or default risks)

Credit risks result when one party of a financial instrument does not, or not fully, meet his contractual payment obligations. In addition to the arise of concentrations of risk, direct default risks can result in economic losses or impairment of receivables and other financial assets from the deterioration of customer credit ratings. 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 certain cases 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):

	09/30/2009		
	Car manu-facturers T€	Automotive suppliers T€	Non-automotive T€
Trade receivables	28,657	30,022	37,239
Future receivables from long-term construction contracts	337,585	105,603	58,229

	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

As at the closing date, there is no concentration of default risks from business relations with individual debtors.

Liquidity risks

Liquidity risk refers to the risk that a company cannot, or only insufficiently, meet its financial obligations which must be settled in cash or cash equivalents or with other financial assets. Amongst other things, payment obligations may result from interest and redemption payments for loans taken out or to serve liabilities due to suppliers. Liquidity risks result occur mainly from changed customer payment behavior, especially with regard to payments to be received on account, as well as from more restrictive bank lending or more restrictive cover behavior of credit insurers. Liquidity is safeguarded by rolling 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 individual 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. The Group's treasury department is responsible for the management and administration of the cash pool used for internal financing. By centralizing this finance function, Schuler ensures a uniform approach on the capital markets with the aim of strengthening its negotiating position with banks and other market participants. For special projects, local finance agreements are supported and monitored by the Group's treasury department. 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, the syndicated loan agreement concluded with a consortium of banks and credit insurance companies in the previous year was prematurely adjusted and prolonged. Further information on this topic can be found under note (20).

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 09/30/2009	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	225,240	116,494	108,631	29,262	254,387
– thereof to banks	223,833	115,690	107,968	29,262	252,920
– thereof promissory note loan	2	2	0	0	2
– thereof from finance leasing	1,389	785	663	0	1,449
– thereof other financial debt	17	17	0	0	17
Trade payables	51,301	50,781	63	0	50,845
Other financial liabilities	28,577	28,560	16	0	28,577
Derivative financial liabilities					
Currency derivatives without hedge relationship	1,202	939	263	0	1,202
Currency derivatives with cash flow hedge relationship	241	239	2	0	241
Interest derivatives without hedge relationship	2,676	218	2,459	0	2,676
Interest derivatives with cash flow hedge relationship	693	0	693	0	693

	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	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

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.

In the case of loan liabilities, there were no contractual breaches concerning redemption, interest payments or redemption terms as at the closing date. With regard to the existing syndicated loan agreement, compliance with the covenants was suspended during the renegotiation period until the adjusted syndicated loan agreement was signed in December 2009. There were also no other contract infringements which entitled the lender to demand accelerated repayment and which were not settled before the annual financial statements were approved for publication or the terms of the loans were not renegotiated prior to this time.

Sensitivity analyses

Simulation calculations are performed using different market scenarios in order to estimate the effects of different market conditions. They enable a suitable and easily comprehensible assessment for each market risk regarding the effects on Group profit or loss and equity of a hypothetical change in the relevant risk variables (e.g. exchange rates, interest rates) as at the closing date. The hypothetical change in risk variables is based on the amount of financial instruments as at the closing date and assumes that this is representative for the year as a whole. The limits selected for the sensitivity analyses reflect what Schuler believes to be the reasonably possible change in the relevant risk variables, which may occur over a period of one year on the assumption of suitable standards.

In the case of *currency risks,* a sensitivity analysis is conducted for those foreign currencies which represent a significant risk for the Group. Schuler has identified this risk in particular for the US Dollar 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 Group profit or loss or equity.

- Schuler is exposed to currency risks from derivatives which are tied to a cash flow hedging relationship aimed at hedging against currency fluctuations in cash flows pursuant to IAS 39. Exchange rate fluctuations in the underlying foreign currencies influence the unrealized gains from cash flow hedges recognized 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 decreased (increased) by € -0.3 million (€ 0.3 million) (prior year: € 1.9 million or € -1.9 million). In addition, the change in fair value of the cash flow hedge reserve in equity would have increased (decreased) by € 1.7 million (€ -1.7 million) (prior year: € 1.3 million or € -1.3 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 significantly impacted Group profit or loss or the hedging reserve in equity (prior year: € -3.4 million or € 3.4 million).

Interest risks can result above all from financial assets and liabilities bearing or owing interest with terms of over one year. Sensitivity analyses are used to estimate the effect of a change in market interest rates on interest payments, interest income and expenses, and equity capital. In order to assess the risk of interest rate changes, assets and liabilities are compared according to their maturities (natural hedge), together with interest derivatives. Schuler's significant interest positions are denominated in Euro and Brazilian Real. The calculated effects of a hypothetical change in the interest level are based on the following 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 hedge do not lead to interest risks, as the interest-related value changes between the underlying and hedging transactions always balance each other out in the 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 Group profit or loss and equity:

The analysis of interest sensitivity in the Euro zone was based on a parallel shift in the interest structure curve of +100/-30 base points (bp). In the previous year, the parallel shift amounted to +100/-100 base points. Due to the current low interest rate level in the Euro zone, the shift was reduced from -100 base points to -30 base points in order to avoid negative interest. The analysis of interest sensitivity in the Brazilian Real zone continued to be based on a parallel shift in the yield curve of +100/-100 base points. This results in the following effects on Group profit or loss and equity:

If as at September 30, 2009, the market interest level in the Euro currency zone had been 100 bp higher (30 bp lower), Group profit or loss at the end of the range would have increased (decreased) by € 0.5 million (€ -0.1 million) (prior year: € 1.0 million or in the case of a shift in the previous year of -100 bp € -0.9 million). The change in fair value would have led to an adjustment of the hedge reserve in equity of € 0.2 million (€ -0.1 million) (prior year: € 0.4 million or in the case of a shift in the previous year of -100 bp € -0.4 million).

If as at September 30, 2009, the market interest level in the Brazilian Real currency zone had been 100 bp higher (lower), Group profit or loss at the end of the range would have changed by € -0.3 million (€ 0.3 million) (prior year: € -0.1 million or € 0.1 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.

(29) Contingent liabilities

	09/30/2009 T€	09/30/2008 T€
Discounted bills	407	472
Debtor warrant	20,000	20,000
	20,407	**20,472**

Contingent liabilities are possible or existing obligations based on past events and for which either an outflow of funds is unlikely or the size of the current obligation cannot be determined with sufficient reliability. 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 in Müller Weingarten AG 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.

(30) Other financial obligations

	Payable			09/30/2009	09/30/2008
	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)	13,015	41,271	82,122	136,409	126,356
Purchase commitments (tangible assets)	4,040	0	0	4,040	8,035
Other obligations	1,182	426	8	1,615	2,274
	18,237	**41,697**	**82,130**	**142,064**	**136,665**

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 Group's Brazilian subsidiary Prensas Schuler S.A., São Paulo, sold its commercial real estate in late September 2009 and subsequently rented it back with a lease period of 10 years. The new rent obligations from this agreement amount to a total of T€ 22,697.

Future payments for these two leasing contracts represent the major share of other financial obligations shown above.

(31) Litigation

Former shareholders of Müller Weingarten AG filed a suit with the District Court of Stuttgart regarding a review of the cash settlement offered to shareholders of Müller Weingarten AG during the squeeze-out process. The District Court 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 claim. The other party launched an immediate appeal against the verdict. In early May 2009, the Regional Appeal Court of Stuttgart rejected all appeals of the claimants and decided that an administrative decision procedure was not permissible in this particular case.

(32) Significant events after the balance sheet date

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

In the course of the current restructuring program, the entire new machine business for hydraulic presses was pooled in Waghäusel, Germany, in October 2009. The Esslingen facility will focus in future on service activities. The service areas of the two companies at this location, Müller Weingarten AG and Schuler Hydrap GmbH & Co. KG, were merged at the beginning of the new fiscal year. Hydroforming technology, which was formerly based at the Wilnsdorf facility, was also moved to Waghäusel at the beginning of the new fiscal year.

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

(33) 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 (37) – 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:

	2008/09				2007/08			
– on Group basis –	Supplies and services rendered T€	Interest income T€	Supplies and services received T€	Interest expenses T€	Supplies and services rendered T€	Interest income T€	Supplies and services received T€	Interest expenses T€
Schuler-Beteiligungen GmbH	-	-	-	-	-	-	-	342
RSV Finanzdienst-leistungen Geschäftsführungs GmbH	-	-	72	-	-	-	71	-
Schuler AG subsidiaries	4,970	56	3,822	92	7,425	146	2,169	141

With regard to the 5,416,740 shares in MWAG purchased by Metzler Beteiligungsgesellschaft 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 –	09/30/2009 Receivables from T€	09/30/2009 Payables to T€	09/30/2008 Receivables from T€	09/30/2008 Payables to T€
Schuler AG subsidiaries/investments	1,142	2,903	3,770	3,711

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 WpHG, 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, Bahnhofstr. 41, 73033 Göppingen, Germany, rose above the threshold of 3%. On this day, the share of voting rights of Süddeutsche Beteiligung GmbH, Germany, 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, Bahnhofstr. 41, 73033 Göppingen, Germany, rose above the threshold of 3%. On this day, the share of voting rights of Süddeutsche Erste Verwaltungs GmbH, Germany, 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, subsequently informed us that the share of voting rights held by Süddeutsche Beteiligung GmbH in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, 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, Germany.

On June 19, 2008, the share of voting rights held by Süddeutsche Erste Verwaltungs GmbH in Schuler Aktiengesellschaft, Bahnhofstr. 41, 73033 Göppingen, Germany, 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, Bahnhofstr. 41, 73033 Göppingen, Germany, 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, Bahnhofstr. 41, 73033 Göppingen, Germany, 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 mbH 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, Bahnhofstr. 41, 73033 Göppingen, Germany, 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, Bahnhofstr. 41, 73033 Göppingen, Germany, 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.

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

On October 8, 2009, the Board of Management and Supervisory Board issued their eighth declaration of conformity acc. to § 161 AktG and made it permanently available to shareholders via the company's website.

(35) Auditor's fees

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

	2008/09 T€	2007/08 T€
Audits of financial statements	1,392	1,938
Tax advisory services	271	281
Other services for parent or subsidiary companies	298	361
	1,960	**2,580**

(36) 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€ 1,432 in fiscal year 2008/09 (prior year: T€ 2,021), of which T€ 0 (prior year: T€ 700) was in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 364 (prior year: T€ 227). With regard to compensation components of a long-term incentive nature, a total of 529,000 subscription rights (prior year: 0) of the Stock Option Program 2008 were granted to members of the Board of Management as part of total remuneration in fiscal year 2008/09. These rights had a weighted market value on their date of issuance of € 1.32 per subscription right, amounting to a total of T€ 698. As the exercise conditions had not been met, the options were not exercisable and no shares were subscribed for by members of the Board of Management as part of this program. Please refer to note (18) for further details on the stock option program.

On the basis of a resolution adopted by the Annual General 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€ 1,122 (prior year: T€ 1,315) in the year under review. The provisions formed by the Group for such current and future pensions amount to T€ 11,409 (prior year: T€ 11,640).

Supervisory Board

Dr. Robert Schuler-Voith	Chairman of the Supervisory Board Member of the Board of Management, Schuler-Beteiligungen GmbH, Göppingen
Thomas Bohlender [1]	Deputy Chairman of the Supervisory Board 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]	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 Member of the Board of Management of TUM.International GmbH, Munich
Heiko Maßfeller [1]	Chief Representative of the Metal Workers' Union (IG Metall), Bruchsal branch
Dieter Merkle [1]	Head of Highspeed/Minting division of Schuler Pressen GmbH & Co. KG, Göppingen
Dr. Hans Michael Schmidt-Dencker	Member of the Board of Management, 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
Helmut Zahn	Member of the Board of Management, Schuler-Beteiligungen GmbH, Göppingen
Prof. Dr. Dr. h.c. Walther Zügel	Former Chairman of the Board of Management, Landesgirokasse, Stuttgart

[1] *worker representatives*

Supervisory Board committees

Permanent Committee acc. to § 27 (3), Codetermination Act
Dr. Robert Schuler-Voith (Chairman)
Thomas Bohlender
Renate Gmoser
Prof. Dr. Dr. h.c. Walther Zügel

Personnel Committee
Dr. Robert Schuler-Voith (Chairman)
Renate Gmoser
Ingrid Wolfframm
Prof. Dr. Dr. h.c. Walther Zügel

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

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

Total remuneration of the Supervisory Board in fiscal year 2008/09 amounted to T€ 228 (prior year: T€ 302).

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	BCN Technical Services Inc., Hastings, MI, USA (Chairman) Müller Weingarten de México, S.A. de C.V., Puebla, Mexico (Chairman) Prensas Schuler S.A., São Paulo, Brazil Schuler Incorporated, Columbus, OH, USA (Chairman)
Dr. Wolfgang Baur	BCN Technical Services Inc., Hastings, MI, USA Competence Call Center AG, Vienna, Austria Müller Weingarten (Dalian) Forming Technologies Co., Ltd., Dalian, PR China Schuler Sales & Service Co., Ltd., Shanghai, PR China Prensas Schuler S.A., São Paulo, Brazil Schuler Incorporated, Columbus, OH, USA Schuler France S.A., Strasbourg, France Schuler Ibérica S.A., Barcelona, Spain SW Italia S.r.l., Turin, Italy
Joachim Beyer	Müller Weingarten (Dalian) Forming Technologies Co., Ltd., Dalian, PR China (Deputy Chairman) Schuler Sales & Service Co., Ltd., Shanghai, PR China (Deputy Chairman) Prensas Schuler S.A., São Paulo, Brazil Schuler Incorporated, Columbus, OH, USA Shanghai Schuler Presses Co., Ltd., Shanghai, PR China (Chairman)
Dr. Markus Ernst	Beutler Nova AG, Gettnau, Switzerland (Chairman since April 29, 2009) Schuler Incorporated, Columbus, OH, USA

Additional seats held by members of the Supervisory Board

Dr. Robert Schuler-Voith	Leifheit AG, Nassau Prensas Schuler S.A., São Paulo, Brazil (until September 16, 2009)
Prof. Dr. h.c. Roland Berger	FIAT S.p.A., Turin, Italy Fresenius SE, Bad Homburg Germany 1 Acquisition Limited, Guernsey, Great Britain (Chairman) Live Holding AG, Berlin (Chairman since April 1, 2009) Loyalty Partners Holdings S.A., Luxembourg Prime Office AG, Munich (Chairman) Senator Entertainment AG, Berlin Telecom Italia S.p.A., Milan, Italy Wilhelm von Finck AG, Grasbrunn (Deputy Chairman) WMP EuroCom AG, Berlin (Chairman)
Dieter Merkle	Schuler India Pvt. Ltd., Mumbai, India (Chairman since October 1, 2009)
Dr. Hans Michael Schmidt-Dencker	Dürr AG, Stuttgart (until October 21, 2009) LOBA GmbH & Co. KG, Ditzingen (Chairman) Südwestbank AG, Stuttgart Schwäbische Werkzeugmaschinen GmbH, Schramberg-Waldmössingen (Chairman)
Helmut Zahn	Leifheit AG, Nassau (Chairman) Flossbach & von Storch AG, Cologne (Deputy Chairman since November 17, 2009) Müller Weingarten AG, Weingarten (Chairman)
Prof. Dr. Dr. h.c. Walther Zügel	capiton AG, Berlin Berthold Leibinger GmbH, Ditzingen Stihl AG, Waiblingen (Deputy Chairman)

(37) Fully consolidated Group companies as of September 30, 2009

	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 [1]	Pöcking, Germany	100.00

	Location	Equity interest %
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	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

[1] Companies making use of the relief afforded by § 264 b HGB
[2] Companies making use of the relief afforded by § 264 (3) HGB

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

Göppingen, December 23, 2009

Schuler AG

The Board of Management

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

We have audited the consolidated financial statements – comprising the statement of financial positions, 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, 2008, to September 30, 2009, 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. Should the agreement be terminated and a follow-up loan not be raised immediately on the market, the continued existence of Schuler Aktiengesellschaft may be endangered.

Stuttgart, December 30, 2009

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, 2009

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

info@schulergroup.com
www.schulergroup.com

Forming Systems

Schuler Pressen GmbH & Co. KG
Postfach 929
73009 Göppingen
Germany

Schuler SMG GmbH & Co. KG
Werk Waghäusel
Louis-Schuler-Str. 1
68753 Waghäusel
Germany

Werk Esslingen
Röntgenstr. 16–18
73730 Esslingen
Germany

Gräbener Pressensysteme GmbH & Co. KG
Wetzlarer Str. 1
57250 Netphen
Germany

Schuler Guß GmbH & Co. KG
Postfach 1309
73013 Göppingen
Germany

Schuler Systems & Services GmbH & Co. KG
Postfach 1289
73012 Göppingen
Germany

Müller Weingarten AG
Werk Weingarten
Postfach 1363
88242 Weingarten
Germany

Niederlassung Umformtechnik Erfurt
Postfach 800252
99028 Erfurt
Germany

Werkservice
Am Weidenbroich 1A
Industriegebiet Bergisch-Born
42897 Remscheid
Germany

Prensas Schuler S.A.
Caixa Postal 136
09901-970 Diadema-São Paulo
Brazil

Müller Weingarten de México, S.A. de C.V.
Via Atlixcayotl 5208 T-1 1603
Col. Emiliano Zapata
CP 72810 Puebla
Mexico

Schuler Incorporated
7145 Commerce Boulevard
Canton, Michigan 48187
USA

BCN Technical Services, Inc.
1004 East State Street
Hastings, Michigan 49058
USA

Shanghai Schuler Presses Co., Ltd.
750/8 Luo Chuan Zhong Road
Shanghai 200072
PR China

Müller Weingarten (Dalian)
Forming Technologies Co., Ltd.
No. 1 Weingarten Road
Dalianwan
Ganjingzi District
Dalian 116113
PR China

Schuler Sales & Service Co., Ltd.
750/8 Luo Chuan Zhong Road
Shanghai 200072
PR China

Schuler AG
Beijing Representative Office
Room 1012
Talent International Building
No. 80, Guangqumennei Dajie
Chongwen District
Beijing 100062
PR China

Schuler India Pvt. Ltd.
401–403 Keshava, Bandra-Kurla Complex
Bandra (East)
400051 Mumbai
India

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

Müller Weingarten AG
Moskau Representative Office
Prospekt Wernadskowo 103
Korpus 1, Office 085
119526 Moscow
Russia

Schuler Slovakia Services, s.r.o.
L´ Štúra 1
01841 Dubnica nad Váhom
Slovakia

Beutler Nova AG
Hofmatt 2
6142 Gettnau
Switzerland

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

Schuler France S.A.
BP 26
67023 Strasbourg Cedex 1
France

SW Italia S.r.l.
Via Erasmo da Rotterdam 4
10134 Turin
Italy

Schuler Presses UK Ltd.
Brineton Street
Quayside Drive
Walsall, West Midlands WS2 9LA
Great Britain

Vögtle Service GmbH & Co. KG
Friedhofstr. 115
73054 Eislingen
Germany

TRAVIS Handelsgesellschaft mbH
Postfach 1363
88242 Weingarten
Germany

Automation and Production Systems

Schuler Automation GmbH & Co. KG
Werk Hessdorf
Louis-Schuler-Str. 1
91093 Hessdorf
Germany

Werk Gemmingen
Louis-Schuler-Str. 9
75050 Gemmingen
Germany

Schuler Cartec GmbH & Co. KG
Werk Göppingen
Postfach 1129
73011 Göppingen
Germany

Werk Weingarten
Gartenstr. 54
88250 Weingarten
Germany

Schuler Cartec Engineering GmbH & Co. KG
Heinrich-Hertz-Str. 6
88250 Weingarten
Germany

UmformCenter Erfurt GmbH
Schwerborner Str. 1
99086 Erfurt
Germany

Müller Weingarten Česká Republica s.r.o.
Životice u Nového Jičína čp. 118
74272 Mořkov
Czech Republic

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.com

CONCEPT & DESIGN

Impacct GmbH, Hamburg, Germany

PRINTED BY

W. Zertani, Druckerei und Verlag,
Bremen, Germany

FINANCIAL CALENDAR

Annual press conference 2008/09	**January 28, 2010, Stuttgart**
Analysts' meeting	**January 29, 2010, Frankfurt/Main**
Interim report of the Board of Management within the 1st half of fiscal 2009/10	**February 16, 2010**
Annual General Meeting	**April 15, 2010, Municipal Hall (Stadthalle) Göppingen**
Six months' report (October 2009 – March 2010)	**May 28, 2010**
Interim report of the Board of Management within the 2nd half of fiscal 2009/10	**August 18, 2010**
Annual press conference 2009/10	**January 26, 2011, Stuttgart**
Analysts' meeting	**January 27, 2011, Frankfurt/Main**
Annual General Meeting	**April 14, 2011, Municipal Hall (Stadthalle) Göppingen**

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

and DIRK Deutscher Investor Relations Verband e.V.

Schuler AG

Bahnhofstr. 41
73033 Göppingen
Germany

www.schulergroup.com