SCHULER

Annual Report 2009/10

Forming the future

SCHULER GROUP AT A GLANCE

IFRS		2005/06	2006/07 [1]	2007/08 [2]	2008/09 [2]	2009/10 [2]
Sales	(€ million)	563.4	725.0	966.1	823.1	650.3
– of which outside Germany	(%)	71.4	63.7	60.4	60.7	65.5
New orders	(€ million)	515.7	835.8	1,006.2	590.5	818.4
Order backlog	(as of 09/30, € million)	330.0	699.6	739.7	507.1	675.3
EBITDA	(€ million)	19.3	74.4	64.7	-2.9	30.0
EBIT	(€ million)	-1.1	45.9	36.7	-43.9	17.1
Group profit or loss	(€ million)	-9.5	13.9	8.6	-64.9	-11.8
Personnel incl. apprentices	(as of 09/30)	3,606	5,710	5,634	5,332	4,969
Personnel expenses	(€ million)	211.4	264.3	323.6	327.6	262.8
Balance sheet total	(as of 09/30, € million)	516.1	852.4	866.7	748.5	726.8
Shareholders' equity	(as of 09/30, € million)	97.1	148.3	179.5	116.5	116.8
Equity ratio	(%)	18.8	17.4	20.7	15.6	16.1
Gross cash flow	(€ million)	12.5	43.0	36.9	-25.5	1.4
Capital expenditures excl. financial investments	(€ million)	10.1	16.4	23.0	12.2	16.7
Depreciation excl. financial investments	(€ million)	20.3	28.1	27.3	40.9	21.5

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

CONTENTS

Cover: Entrance to the administration building of Schuler AG in Göppingen

SCHULER

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

from left to right: Joachim Beyer, Dr. Markus Ernst, Stefan Klebert (Chairman), Dr. Wolfgang Baur

Dear shareholders, customers and friends

The global economic crisis and its aftermath made fiscal 2009/10 a very difficult year for Schuler AG. The strong decline in new orders in the previous year led to a significant fall in sales and a net loss in this financial year.

In early 2009, Schuler reacted swiftly and comprehensively to the economic crisis with a catalogue of measures which will also have long-term benefits for the company. The past fiscal year was dominated by the implementation of these measures: the Hydraulic Presses division, and thus its new machine business, was pooled at the Waghäusel facility as of October 1, 2009. At the same time, the service activities of Müller Weingarten and Schuler Hydrap were merged at the Esslingen facility. The hydroforming product range was also transferred to Waghäusel, while our location in Wilnsdorf was closed and the property sold. Due to the strong local currency and its adverse effect on exports, capacities at our Brazilian facility were adapted to the market volume of the South American region.

In view of the reduced workload, a supplementary collective bargaining agreement was concluded in November 2009 for the fiscal year 2009/10. Schuler made use of short-time work programs throughout the Group. Employees not included in the short-time work program had their working hours and pay deducted by 10%. Holiday pay for 2010 was reduced to a third of the normal amount.

The good news is that we have now turned the corner. Although the first three quarters of the past fiscal year were still dominated by the effects of the economic crisis, Schuler was able to benefit from the emerging recovery in the fourth quarter – especially in the automotive sector.

At the end of the past fiscal year, new orders reached € 818 million and have thus returned to their pre-crisis level; the order backlog rose to € 675 million.

The global automotive industry is profiting from the current upturn – especially in the fast growing regions. As the global market leader in metalforming technology and traditional partner of the automotive sector, Schuler will benefit from this trend in the current fiscal year 2010/11.

We were also able to secure a firm financial footing for the future in the past year: 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. The agreement runs until the end of September 2012.

All in all, Schuler reacted swiftly and comprehensively to the economic crisis and has laid a firm foundation for profitable growth. We would like to thank our employees for their tireless efforts and willingness to help the company through the economic crisis. We can now look optimistically into the future and feel well positioned on our markets with a broad range of innovative products. We expect further growth in new orders in fiscal year 2010/11, as well as significantly higher sales revenue and positive earnings figures.

Stefan Klebert
(Chairman)

Innovative forming systems for the materials of the future

Schuler's composites presses make production of fiber-reinforced plastic car parts more economically viable

Many of the cars currently being built already include an increasing number of parts made from fiber-reinforced plastic, a composite material comprising reinforcing fibers and a plastic matrix. Use of this material makes cars lighter and reduces fuel consumption. Further possibilities are offered by the use of plastics with reinforcing fibers made of carbon (CFRP): according to estimates made by the Research Association for Automotive Technology, weight savings of up to 50% per part can be achieved using CFRPs as opposed to conventional construction methods. Schuler developed the first presses for processing fiber-reinforced plastics as far back as 1998.

These Schuler lines have since been successfully used, for example, to produce roofs for sports cars. Schuler has now also begun the production of presses for the mass manufacturing of CFRP parts. The success of this press technology has been underlined by a major order for several composites presses which Schuler recently received from a premium car manufacturer. The first lines will be installed on the customer's premises in spring 2011.

Removing a carbon roof from the composites press

Forming Systems

Back on track for growth with integrated solutions

Schuler's Forming Systems segment comprises all activities in the field of metalforming. This includes large-scale lines, mechanical and hydraulic press systems, forging lines and high-speed presses. Car manufacturers and their suppliers are the major clients of this business segment. With the aid of technology transfer, Schuler is now increasingly targeting new application fields, for example in the packaging industry and the aerospace sector.

Schuler cupping press for the packaging industry: the welded monoblock body with play-free preloaded slide guidance system ensures precise slide movement

High-speed presses – growing demand from packaging industry

The new developments in high-speed presses started in 2008 are now bearing fruit. One of the world's largest beverage can manufacturers, US-based Crown, is due to launch production on a new cupping press at its recently opened Asian production facility in early 2011.

ServoDirect technology – on its way to becoming the industry standard

Unveiled in 2007, ServoDirect technology (SDT) has since successfully established itself in the market and has the potential to develop into the industry standard. Schuler has so far placed 100 SDT systems on the market. The new technology is vastly superior to presses with conventional flywheel drives and enables faster, more flexible, more energy-efficient and thus more economic manufacturing. The new technology offers further growth prospects through its ability to integrate automation and transfer solutions, as well as additional process stages such as welding and joining operations. Industry experts have already recognized the tremendous innovation potential. In October 2010, Schuler received the Euroblech Award for its integration of downstream processes in connection with SDT.

Tie rod construction servo press
with coil line and blankloader from Schuler

Large Mechanical Presses: world's fastest servo press lines at BMW

ServoDirect technology also enables users to achieve measurable performance increases and efficiency gains when it comes to mass manufacturing. In fall 2009, BMW's facilities in Leipzig and Regensburg launched production on the first Schuler press lines with ServoDirect technology. The lines are equipped with Schuler automation solutions, such as a blankloader and Schuler Crossbar Feeders for part transport. In Leipzig, BMW produces over 40 different parts on the line for its BMW 1 series; in Regensburg, the line mainly produces parts for the BMW Z4. On June 30, 2010, the line in Regensburg produced over 1,000 large parts per hour for the first time ever. One day later, BMW's night shift reached a new shift record of around 8,200 parts. BMW will launch production on a third servo press line at its Munich facility in mid 2011.

The BMW Group has also enlisted Schuler's support for the expansion of its manufacturing capacities in Asia. In 2012, BMW plans to open a completely new factory at its facility in Shenyang, in Northeast China, and has asked Schuler to supply a further servo press line – the first outside Europe.

Forging – grasping opportunities in future markets

In the field of solid forming, or forging, it is Chinese customers who are currently driving business. Schuler has supplied two new forging presses to Shandong Shantui Construction, one of China's largest manufacturers of construction machines. A major car and commercial vehicle manufacturer has also ordered a forging press line, which will go into operation in 2011. In October 2010, a German customer launched production on a screw press for drop forging aluminum parts. Schuler recently expanded its range of solid forming applications with an innovative process for the production of cylinders. Instead of forging cylinders or shear forming them from precision-engineered tubes, Schuler combines deep drawing with an ironing process in a single die concept. In this way, the cylinder achieves the required length with minimal material usage and minimal weight.

Schuler's Crossbar Feeder guarantees safe part transport along BMW's servo press lines

New energy – Schuler develops next-generation wind turbines

As part of its long-term diversification strategy, Schuler began to examine new application fields for its existing technologies and competencies three years ago. It was discovered that next-generation wind turbines offered considerable potential. As the systematic establishment of a nationwide renewable energy network also involves the use of locations with medium wind speeds, there is likely to be a shift in the prevailing technology toward gearless turbines. These efficient, low-maintenance turbines are also optimized for use in intelligent power networks. Entering this market will enable Schuler to utilize its expertise in the construction of large-scale machinery. The first prototype will go into operation in spring 2011. In the course of its further development and market launch, Schuler aims to seek a partner for this business – in particular with a view to securing finance for its further growth.

Automation

Key technology for more flexible production processes

Schuler's Automation segment develops and installs solutions for automating machine tools. These include control systems for linked production lines and systems for the manufacturing and transporting of blanks, workpieces and tools. Thanks to their seamless integration with Schuler's ServoDirect technology, these automation solutions play a major role in enhancing the performance and flexibility of manufacturing processes.

New Schuler cutting line with ServoDirect technology for optimizing coil preparation at BMW

New blanking presses – integration with ServoDirect technology boosts output

In early 2010, Schuler unveiled a new generation of blanking presses which are perfectly tailored to Schuler's ServoDirect technology (SDT). As SDT enables freely programmable forming processes, the new lines can be quickly and flexibly adapted to changing production series. It also enables users to freely adapt blanking speeds to the material's properties and the cutting dies used. As a result, the new lines can increase blanking performance by up to 50%. The market was quick to spot this potential: shortly after unveiling the new press generation, Schuler sold several of the systems to car manufacturers and major part suppliers in South Africa and China.

Automation of upstream and downstream processes raises press shop productivity

Press shops are the heart of the car manufacturing process. Just as important as the actual stamping, however, are the ancillary processes – in other words, what happens before and after the body panels and structural parts are formed. Only the perfect integration of all parts ensures efficient production. The potential of modern automation solutions is particularly apparent in the case of production processes with frequent material changes and high outputs, such as in the automotive industry. This is clearly exemplified by two cutting lines which Schuler installed for car manufacturers in 2009. At its facility in Regensburg, BMW uses a combination of external pre-cropping station and dual decoiler on its Schuler cutting line with ServoDirect technology in order to optimize coil preparation. Audi in Neckarsulm uses an external pre-cropping station and a coil storage cart with support rollers on its Schuler cutting line. Both companies were able to reduce their coil changing times by around 60 minutes per day, compared to conventional methods.

Less downtime, more flexibility – LoadMaster storage and loading system

A project for Voith Turbo in Germany underlines the power of Schuler's LoadMaster storage and loading system. At its facility in Mergelstetten, near Heidenheim, Voith Turbo produces transmission parts for railcars. A total of 45 machine tools are used to produce axle drives for railcars and helical gears for high-speed trains. The company's production range comprises around 40 different parts, each in several variants, which have to be delivered just in time to the assembly lines. In order to reduce downtime, Voith Turbo equipped three machining centers with the LoadMaster pallet storage system last year. The LoadMaster system enables the user to continue production during the set-up and clamping process. Faster part flow also means shorter delivery times. Voith Turbo is now planning to retrofit further machining centers with Schuler's LoadMaster.

The Schuler LoadMaster shortens part throughfeed times and significantly reduces downtime

Tools

Innovations for tools and processes

The Tools segment handles complex development tasks in the field of die and process technology. As a general contractor, Schuler supplies prototypes and dies for complete vehicle sub-assemblies and transmission components. The segment's core competencies include the development, planning, production and tryout of models, molds and tools for metalforming technology.

Schuler's new die concept simplifies production of gear wheels

At the interface of machine and workpiece, forming tools play a key role in the ongoing development of production processes. A new Schuler development provides a clear example of the innovation potential which die technology offers. At the Euroblech fair in 2010, Schuler presented an innovative process which could greatly simplify the production of thin-walled gear wheels, such as starter wheels. Such gear wheels are traditionally manufactured from several parts in 16 separate production steps. The new Schuler concept would greatly reduce the number of steps. With the aid of a progressive die, comparable gear wheels with a diameter of 40 to 400 millimeters and wall thicknesses of 1 to 10 millimeters could be produced in future in an integrated hot forming process. Different outer and inner gearings are just as possible as the use of different materials, such as steel, brass, copper and aluminum. Schuler has filed a patent application and will begin initial test runs in 2011.

Share in focus

Following months of oscillation with comparatively small fluctuations, the stock exchanges were somewhat more buoyant in the last months of 2010. Consistently positive company reports and dwindling fears of a cooling down in the Asian boom regions – of such importance now for the global economy – led many institutional investors to make a slight strategic adjustment in favor of equities. Several key indices, including the German DAX, reached new year-highs and triggered chart-based purchase signals.

Schuler share price up 64% on previous year-end

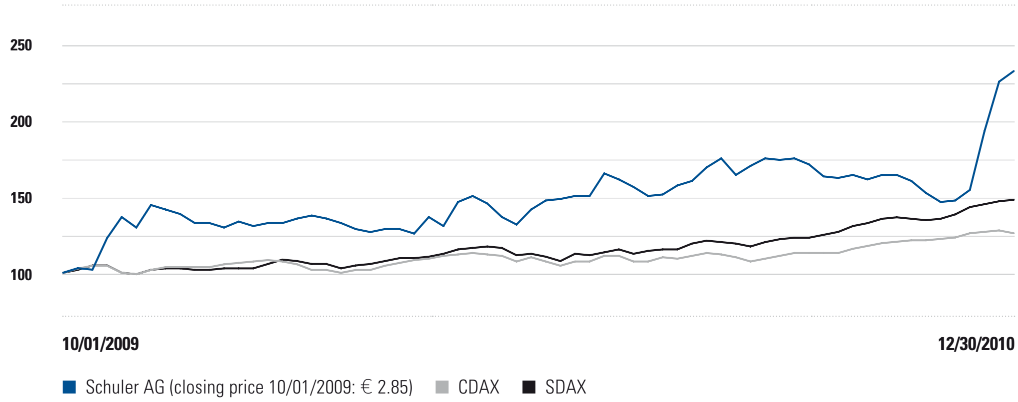
The Schuler share started the fiscal year 2009/10 at a price of € 2.85 on October 1, 2009. Following strong growth, the share reached its highest price of fiscal year 2009/10 on September 1, 2010 at € 5.40. At the end of the fiscal year, Schuler shares were trading at € 4.67 – representing growth of 64% within the year. Over the same period, the small-cap index SDAX index grew by 27% and the engineering index CDAX by 13% (all figures based on XETRA electronic trading).

The number of Schuler shares traded at all stock exchanges amounted to an average of 6,890 per day during the period under review, and was thus virtually unchanged compared with the prior-year figure.

Schuler AG successfully completes share offering

In July 2010, Schuler AG successfully placed new shares with qualified institutional investors by means of an accelerated bookbuilding process. The company was presented to potential investors during roadshows in Zürich and Frankfurt by means of non-transaction-based presentations. A total of 1,750,000 no-par-value common shares made out to the bearer were issued at a price of € 4.20 each. The company's capital stock was increased by € 4,550,000.00 to € 59,150,000.00. Subscription rights of shareholders were excluded on the basis of the authorization in § 4 (3) of the company's articles.

Schuler share performance (weekly average prices) in %



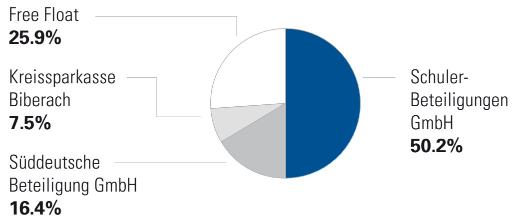
Share data

ISIN	DE 000A0V9A22 new common no-par value stock (derived from the preferred no-par value stock DE 0007210635 and DE 000A0SMUN6 and from a capital increase conducted in 2010 (875,000 common no-par value stock)) DE 0007210601 »old« common no-par value stock (including 875,000 common no-par value stock from the capital increase 2010)
Stock exchange code	SCU/SCUN
Number of shares	22,750,000 (11,375,000 each of »old« and new common no-par value stock)
Market segment	General Standard
Index	CDAX
Capital stock	€ 59,150,000
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		**2007/08**	**2008/09**	**2009/10**
Earnings	(€)	0.43	-3.12	-0.60
Dividend	(€)	0	0	0
Dividend yield	(%)	0	0	0
Year-high	(€)	12.00	7.00	5.40
Year-low	(€)	6.88	1.77	2.85
Year-end price	(September 30, €)	6.88	2.99	4.67
Carrying amount	(€)	8.45	5.43	4.99

Shareholder structure

in %



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.

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.

On May 26, 2010, the Government Commission adopted several amendments to the German Corporate Governance Code which came into force on July 2, 2010. In addition to changes in the presentation section necessitated by legislative amendments, the new version includes additions and changes which mainly concern the selection of management and the composition of the Supervisory Board. Companies are encouraged to promote diversity and above all to provide suitable representation of women.

According to § 161 of the German Stock Corporation Law (AktG), the Supervisory Board and Board of Management of listed companies are obliged to publish a declaration of conformity once a year, in which they declare which of the Code's recommendations are being observed and which have not been applied, 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 32 fully consolidated companies and is divided into three business segments, »Forming Systems« and »Automation« and »Tools«, which operate through legally independent companies responsible for their own business and profitability. The Board of Management of Schuler AG is in regular contact with the management teams of these subsidiaries. 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 2009/10, the Board of Management of Schuler AG consisted of four members. Jürgen Tonn was Chief Executive Officer (CEO) until September 30, 2010. The newly appointed Stefan Klebert took over this position as of October 1, 2010. The responsibilities of the various members of the Board of Management are regulated by a document detailing the division of tasks. Stefan Klebert, the Chief Executive Officer (CEO), is responsible for strategic corporate development, corporate communication and the business segments »Automation« and »Tools«. Dr. Wolfgang Baur is responsible for finance, controlling, human resources, information technology, internal audit and investor relations. He is also the Labor Director. Joachim Beyer and Dr. Markus Ernst are jointly responsible for the business segment »Forming Systems«. In addition, Dr. Markus Ernst is responsible for Group Procurement. The Board of Management carefully coordinates its activities and meets at regular intervals. As in the previous year, current remuneration of the Board of Management did not contain any performance-related components in fiscal 2009/10.

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.

In accordance with the new version of item 5.4.1 of the German Corporate Governance Code, the Supervisory Board is to specify concrete objectives for its composition under consideration of the company's specific situation. At a meeting held on October 7, 2010, the Supervisory Board of Schuler AG unanimously adopted the following objectives. All objectives for the composition of the Supervisory Board are already met at present.

I. General requirements for all members of the Supervisory Board

1. Each member of the Supervisory Board must meet the legal and statutory requirements for membership of a supervisory board (see in particular § 100 (1 to 4) AktG).
2. Each member of the Supervisory Board must have the requisite knowledge and skills to fulfill the legal and statutory duties incumbent on them.

II. Concrete objectives for the composition of the Supervisory Board

Ideally, the members of the Supervisory Board as a whole should have the following qualifications and characteristics, whereby one person may have an accumulation of several qualifications and characteristics:

1. The Supervisory Board should include at least one independent member with specialist knowledge of accounting or the auditing of financial statements (§ 100 (5) AktG).
2. The Supervisory Board should include at least one member with specialist knowledge of legal affairs, preferably with additional (former) experience as a lawyer or in-house counsel.
3. The Supervisory Board should include at least one member with specialist knowledge of metalforming technology.
4. The Supervisory Board should include at least one member with specialist knowledge of business administration.
5. In order to ensure a wide representation of practical experience, there should be an age difference of at least 15 years between the youngest and oldest Supervisory Board members.
6. The Supervisory Board of Schuler AG should include at least two women.

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 past Directors' Dealings announcements are published online at www.dgap.de or www.schulergroup.com (Investor Relations/Corporate Governance). No Directors' Dealings announcements were received in the past fiscal year.

The following transactions with shares of Schuler AG or related financial instruments were conducted in the new fiscal year 2010/11 by members of the Board of Management and Supervisory Board (as well as related persons as defined by the German Securities Trading Act): Mr. Helmut Zahn, a member of the Supervisory Board of Schuler AG, informed the company that on December 8, 2010 he purchased 1,500 new common no-par value shares (DE 000A0V9A22) at a price of € 4.639 (total volume: € 6,958.50) via the XETRA trading system, that on December 10, 2010 he purchased 140 and 860 new common no-par value shares (DE 000A0V9A22) at a price of € 4.60 and € 4.62, respectively (total volume: € 644.00 and € 3,973.20), via the XETRA trading system, and that on December 13, 2010 he purchased 1,000 new common no-par value shares (DE 000A0V9A22) at a price of € 5.25 (total volume: € 5,250.00) via the Stuttgart stock exchange.

Schuler AG publishes such transactions immediately after they have been communicated to the company. The latest information in this respect is available online at www.schulergroup.com (Investor Relations/Corporate Governance/Director's Dealings).

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.

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 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. No earnings-related components were paid in fiscal year 2009/10. 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€ 1,472 in fiscal year 2009/10 (prior year: T€ 1,432), of which T€ 0 (prior year: T€ 0) were in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 323 (prior year: T€ 364).

With regard to compensation components of a long-term incentive nature, a total of 132,250 subscription rights (prior year: 529,000) of the Stock Option Program 2008 were granted to members of the Board of Management as part of total remuneration in fiscal year 2009/10. These rights had a weighted market value on their date of issuance of € 2.29 per subscription right (prior year: € 1.32), amounting to a total of T€ 303 (prior year: 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 (19) 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 provides for a deductible as defined by § 93 (2) AktG. No payments were promised or granted in fiscal year 2009/10 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 or management and their surviving dependants amounted to T€ 1,914 (prior year: T€ 1,122) in the year under review. The provisions formed by the Group for such current and future pensions amount to € 11,039 (prior year: T€ 11,409).

Remuneration of the Supervisory Board

§ 10 of the company's articles regulates the remuneration paid to members of the Supervisory Board. There is no variable component. Chairmanship and deputy chairmanship of the Supervisory Board and membership and chairmanship of its committees qualify for higher remuneration. In addition, the members of the Supervisory Board are paid meeting attendance fees and their expenses are reimbursed. In the past fiscal year, Supervisory Board remuneration amounted to T€ 304 (prior year: T€ 228). As part of the restructuring program in the previous year, the Supervisory Board had waived its right to 25% of remuneration.

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 2010 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 October 8, 2009. For the period from October 9, 2009 to July 1, 2010, the following declaration refers to the recommendations of the German Corporate Governance Code (»GCGC«) in the version dated June 18, 2009 and as published in the electronic Federal Gazette on August 5, 2009 (»2009 version«). For the period as of July 2, 2010, the following declaration refers to the recommendations of the Code in its version dated May 26, 2010 and as published in the electronic Federal Gazette on July 2, 2010 (»2010 version«).

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

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

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

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

Section 4.2.2 of the Code 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. 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.

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 7, 2010

Schuler AG

For the Board of Management	For the Supervisory Board
Stefan Klebert	*Dr. Robert Schuler-Voith*

Report of the Supervisory Board

In the past fiscal year, the Supervisory Board once again performed with due care the supervisory and advisory duties assigned to it by law, the company's articles and its own rules of procedure. The Board of Management provided the Supervisory Board with prompt and detailed information on the company's current situation and progress, on all business transactions requiring approval, on risk management and on corporate planning. The Supervisory Board was involved directly in all key decisions from an early stage and adopted all resolutions after careful examination and on the basis of the written proposals presented. In exceptional cases, the urgency of the project required a decision by circular resolution.

A total of five meetings were held in the fiscal year 2009/10. 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 Law was not convened during the year under review. The Audit Committee met three times to deal with questions of accounting, risk management and the auditing of the annual financial statements.

At its meetings, the Board of Management and Supervisory Board discussed the development of new orders and sales to date, the assets, liabilities, financial position and profit or loss of the Group and its main subsidiaries, as well as the planned future development of the company.

The first meeting of the reporting period was held on October 8, 2009. The topics included a report by the Board of Management on the development of business and the status of the restructuring program.

At the balance sheet meeting on January 27, 2010, the Supervisory Board also adopted the annual financial statements for 2008/09 and the agenda for the Annual General Meeting. The results of the efficiency examination of the Supervisory Board were also discussed at this meeting. The examination had been conducted for fiscal year 2008/09 as part of a self-evaluation process. During the meeting, the risk report was also discussed and a resolution adopted concerning an amendment of the Supervisory Board's rules of procedure.

At its meeting on April 15, 2010, the Supervisory Board approved the sale of two plots of land belonging to Schuler Cartec in Weingarten and the sale of real estate in Wilnsdorf.

On July 7, 2010, the Supervisory Board received a status report on partial strategies for the whole Group and discussed the planned capital increase.

In a circular resolution on July 14 and 15, 2010, the Supervisory Board unanimously voted in favor of raising the company's capital stock by € 4,550,000 to € 59,150,000 in exchange for cash contributions. A total of 1,750,000 no-par-value common shares made out to the bearer were issued with a par value of € 2.60 per share and with full dividend entitlement as of October 1, 2009. Subscription rights of shareholders were excluded on the basis of the authorization in § 4 (3) subsection aa) of the company's articles. The Board of Management set an offering price of € 4.20 per share.

The topic of the meeting held on August 4, 2010 was the ending of Jürgen Tonn's term of office – he left the company on September 30, 2010 – and the appointment of Stefan Klebert as a member of the Board of Management and as Chief Executive Officer for the period October 1, 2010 to September 30, 2013.

At its first meeting of the current fiscal year 2010/11 on October 7, 2010, the Supervisory Board dealt in detail with corporate planning for the fiscal years 2010/11 to 2012/13. In accordance with the German Corporate Governance Code, a resolution was also adopted concerning objectives for the composition of the Supervisory Board and the Declaration of Conformity 2010 was issued.

At the balance sheet meeting on January 25, 2011, the Supervisory Board discussed and analyzed in detail the figures and key learnings from the past fiscal year. The Supervisory Board also discussed the results of the efficiency examination, conducted as part of a self-evaluation process. A further topic was the agenda for the Annual General Meeting. The annual financial statements were described as below:

The annual financial statements prepared by the Board of Management as of September 30, 2010, 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 and finance – by the Audit Committee at its meeting on January 20, 2011. It gave a detailed report at the Supervisory Board's meeting on January 25, 2011. At the meetings of the Audit Committee and the full Supervisory Board, the chief auditors were on hand to report on the result of the audit and to answer questions. The audit result was accepted without objections by the Supervisory Board.

The Supervisory Board has examined the annual financial statements of Schuler AG and the Schuler Group, the management reports for Schuler AG and the consolidated group, as well as the proposed appropriation of profit, and raises no objections.

The annual financial statements of Schuler AG and the Schuler Group were approved by the Supervisory Board; the annual financial statements are thus adopted in accordance with § 172 of the German Stock Corporation Law (AktG).

The 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.

The Supervisory Board would like to express its particular gratitude to the company's former Chief Executive Officer, Jürgen Tonn, who led the company from 2006 onward. Mr. Tonn's outstanding management of the merger between Schuler and Müller Weingarten laid the foundation for a competitive and prosperous future. Moreover, his shrewd decisions successfully guided the company through the global economic crisis.

Göppingen, January 25, 2011

Dr. Robert Schuler-Voith
Chairman of the Supervisory Board

Group management report

CONTENTS

Business activities and operating environment

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 the leading international supplier of metalforming equipment and has been trading for over 170 years. As a technological group, we focus on our core activities in the field of development, production and installation of press lines, systems, dies and services in the field of metalforming technology. Our most important sales markets include Germany, the rest of Europe, Asia and the Americas. Our strengths are our technological systems expertise, our many years of experience and outstanding performance in the handling of large-scale projects, and our international alignment. We provide our customers with intelligent solutions for the production of top-quality goods. To this end, we offer them an innovative range of products and services for all areas of activity. It comprises both 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 machine and press line business, our range also includes a variety of services for our products. For example, we produce feasibility studies and offer start-up assistance for the production launch of forming lines. In addition, we help customers optimize and relocate their press shops. We also offer product training and preventive maintenance measures. In the past fiscal year, we generated around 66% of sales with car manufacturers and their suppliers who use our lines, for example, to produce car body parts. Around 34% of sales originated from other manufacturing industries, such as the electrical industry, the household equipment industry, the forging industry and national mints. Services (including second-hand machine trading) generally account for around 25% of our sales.

Corporate structure

Our business activities are conducted by legally independent subsidiaries, which – insofar as they can be allocated – we have grouped into three business segments. The Forming Systems segment consists of manufacturing companies in the press business. The Automation segment comprises automation and laser technology. The manufacturing companies in the field of die construction are comprised in the Tools segment. Companies which cannot be allocated are grouped under the heading »Other Segments«, which mainly comprises the Sales & Service companies and special purpose entities.

The overwhelming majority of production equipment is manufactured in Germany. The Forming Systems segment makes use of its international manufacturing network with further production facilities in Brazil, China and Switzerland. In addition, there are sales or service centers in the USA, France, the UK, Mexico, India, Russia, Slovakia, Spain and Italy. An overview of all shareholdings and their locations is provided in note (38) of the consolidated financial statements.

Corporate structure

SCHULER AG

Forming Systems	Automation	Tools
Mechanical and hydraulic metalforming systems	Automation systems Laser technology	Die construction Car body technology

In April 2010, Theta-Centaurus-Vermögensverwaltungs-GmbH and Müller Weingarten Technologie Verwaltungs-GmbH were retroactively merged with Müller Weingarten AG as of October 1, 2009, in order to streamline the Group's structure. As a legal consequence of the merger of its general partner, the assets and liabilities of Müller Weingarten Technologie GmbH & Co. KG were transferred on the same date to Müller Weingarten AG. The resulting changes to the consolidated group from these transactions have no effect on the current consolidated financial statements.

Legal structure

The consolidated Schuler Group comprises 32 companies (prior year: 34). 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, legal affairs, insurance and communication.

Pooling of hydraulic press business in Waghäusel

Due to the economic and financial crisis, a number of measures designed to raise efficiency were introduced as part of a restructuring program. In October 2009, the entire new machine business for hydraulic presses was pooled in Waghäusel, Germany. The Esslingen facility has since focused on service activities. The service business of the two companies at this location, Müller Weingarten and Schuler Hydrap, were merged. Hydroforming technology, which was formerly based at Wilnsdorf, was transferred to Waghäusel and the Wilnsdorf facility closed.

Key performance indicators

Our aim is to systematically and continually raise the value of the Schuler Group. Strengthening our competitive standing as the market and technological leader is thus a major component of our company strategy. In order to achieve this, we focus on generating permanent, value-enhancing growth in all our business segments. To this end, we have defined various key performance indicators for the management of our business activities. These performance indicators are also used to determine the variable remuneration components for our managers.

For the measurement of profitability, we focus on earnings before interest and taxes (EBIT) and earnings before taxes (EBT); both figures are disclosed in our consolidated financial statements. The ability to translate sales into earnings is measured by the return on sales, which is defined as the ratio of EBT to sales. Our medium-term target for return on sales is around 5.0%.

Return on Capital Employed (ROCE) is used to measure the efficiency of our capital employed. This ratio compares EBIT from continued operations with the average of capital employed on the balance sheet date of the previous year and the current year. Capital employed comprises property, plant and equipment, inventories including payments on account, trade receivables and receivables from long-term construction contracts, less trade payables and payments on account received from customers. All performance indicators are based on the figures disclosed in the consolidated financial statements and the notes to the consolidated financial statements. We aim to achieve an ROCE of 12.0% in the medium term.

Economic environment

Global economic development

Whereas the global economy was still completely dominated by recession in fiscal year 2008/09, the first signs of a turnaround were already visible in the last quarter of 2009 thanks to billion-dollar stimulus programs introduced in several countries. This trend was buoyed by the comparatively low oil price and consistently strong economies of the Asian growth regions and emerging nations. As a result, many areas of the global economy were soon able to pull out of recession. Global GDP (gross domestic product) fell by just 0.6% in 2009. Due to its strong emphasis on exports, the German economy was hit particularly hard by the recession: although the lowest point had already been reached during the course of 2009, German GDP fell by 4.7% in 2009.

GDP development	**2009** %	**2010** %
World	-0.6	+4.8
USA	-2.6	+2.6
Euro zone	-4.1	+1.7
Germany	-4.7	+3.3
Japan	-5.2	+2.8
China	+9.1	+10.5

Source: IMF forecast (October 2010)

All key indicators continue to suggest that the global economy reached widespread recovery during the course of 2010: the International Monetary Fund (IMF) currently forecasts global growth of 4.8% for the calendar year 2010. Global forecasts have been repeatedly upgraded during the year: the latest IMF forecast for Germany indicates that German GDP will have grown by 3.3% in 2010. This makes Germany the powerhouse of the Euro zone, which achieved much more moderate growth. Following the onset of growth in 2009, the world's largest economy, the USA, began to slow down during the course of 2010. This was due to subdued consumer spending in an economy dominated by its domestic demand, coupled with weak exports. According to the IMF, however, countries such as China, which depend too heavily on exports, should try to encourage more consumer spending. Once these two imbalances are settled, the IMF believes there is a firm basis for sustainable global economic growth.

Automotive sector development

The global automotive industry reported a fall in sales in 2009, which was cushioned somewhat by state-financed incentive programs. In early 2009, there was already a fall in new car registrations of 15 to 20%. Over the year as a whole, this decline was reduced to just 4%. Due to a strong reduction of inventories, however, there was a significant decline in global car production during 2009: a total of 60 million vehicles were produced in 2009 – 13% fewer than in the previous year. Global car production fell by as much as 14%. In the new EU states, output was reduced by 9% to 3 million vehicles in 2009, and in Eastern Europe by almost half. In Europe as a whole, output fell by 18%. Only Asia was able to report year-on-year growth with output of around 30 million vehicles (plus 1%). As a result, Asia's share of global vehicle production rose to 50% in 2009. However, there were strong regional variations: in Japan, output fell by one third to 6.9 million, while car production in China rose by 48% to 8.4 million in 2009. In Germany, vehicle output fell by 10% to 5 million. Nevertheless, Germany still occupies fourth place in vehicle production, behind China, Japan and the USA.

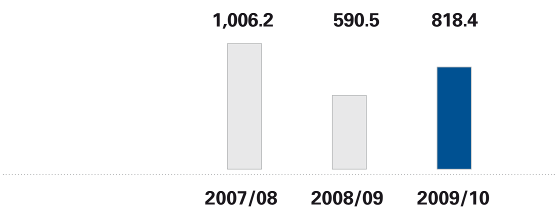
As of early 2010, vehicle production in Germany began to pick up again and had reached strong growth of 11% (5.1 million vehicles) by November. Output in the first eleven months was thus just 2% below the previous record of 2008.

Sales of German cars benefited above all from strong foreign demand in early 2010. Due to the end of the so-called »scrappage scheme«, domestic demand was actually down on the previous year. In the first eleven months of 2010, around 2.7 million new vehicles were registered: 25% fewer than in the period January to November 2009. Over the same period, approximately 3.9 million cars were exported: 25% more than in the previous year.

Global car sales recovered in 2010, especially in the Asian markets. In India, car sales from January to November were up by one third, compared to the previous year, while in China there was growth of 37% over the same period. Sales of new cars in Russia were also strong: from January to November, a total of 1.7 million new cars were sold (+28% compared to the previous year). Growth in car sales was also much firmer in the USA, reaching 10.4 million over the same period (+11%). In Europe, however, growth was more modest. In the new EU states, there was a return to growth in the second half of the year, following falling sales, which resulted in an overall decline of 5% in the first eleven months. In Western Europe, new vehicle registrations were down 5% to just over 12 million in the first eleven months of 2010 – although prior-year sales were bolstered by state incentive programs.

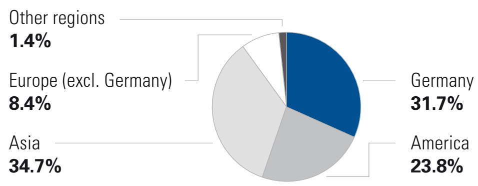
New orders

in € million



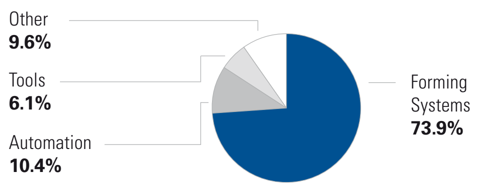
New orders by region 2009/10

in %



New orders by business segments 2009/10

in %



Business development

Order situation

In fiscal 2009/10, consolidated new orders amounted to € 818.4 million and were thus 38.6% up on the corresponding prior-year figure of € 590.5 million. New orders from America reached € 195.3 million, compared with € 70.7 million in the previous year (+176.1%). Orders received from Asian customers totaled € 283.7 million (+79.1%; prior year: € 158.4 million). In Germany, the value of new orders received reached € 259.0 million (+17.1%; prior year: € 221.2 million). Orders from other European nations amounted to € 69.1 million in the period under review (-49.7%; prior year: € 137.4 million). The proportion of new orders received from outside Germany amounted to 68.3%, compared with 62.5% in the previous year.

New orders received by the Forming Systems segment in fiscal year 2009/10 amounted to € 681.6 million and were thus up 45.1% on the previous year (€ 469.7 million). The Automation segment received new orders worth € 96.0 million (+125.5%; prior year: € 42.6 million). New orders received by the Tools segment amounted to € 56.7 million (+14.0%; prior year: € 49.7 million). The Other Segments business recorded new orders of € 87.7 million (-13.0%, prior year: € 100.9 million).

As of the balance sheet date (September 30, 2010), the Group's order backlog amounted to € 675.3 million (+33.2%; prior year: € 507.1 million).

Sales

Consolidated sales of the Schuler Group in fiscal year 2009/10 amounted to € 650.3 million and were thus 21.0% down on the prior-year figure of € 823.1 million. Sales in America reached € 154.7 million (-21.5%; prior year: € 197.1 million) and in Asia € 155.8 million (+15.3%; prior year: € 135.1 million). In Germany, we generated sales of € 224.0 million (-30.8%; prior year: € 323.4 million) and in the rest of Europe € 106.6 million (-35.9%; prior year: € 166.4 million). The total proportion of consolidated sales generated outside Germany amounted to 65.5% (prior year: 60.7%).

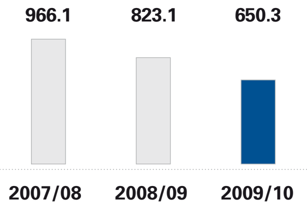
In fiscal year 2009/10 the Forming Systems segment achieved sales of € 509.0 million with third parties and the Group's other segments (-21.4%; prior year: € 647.6 million). This corresponds to 70.0% of the Group's total sales (including intersegment sales).

The corresponding sales of the Automation segment amounted to € 65.7 million (-8.0%; prior year: € 71.4 million). This segment accounted for 9.0% of total Group sales. The Tools segment generated sales of € 49.3 million (-15.2%; prior year: € 58.1 million). Its share of total Group sales amounted to 6.8%.

In the past fiscal year, Other Segments achieved sales of € 103.6 million (-38.0%; prior year: € 167.2 million). This segment accounted for 14.2% of total Group sales.

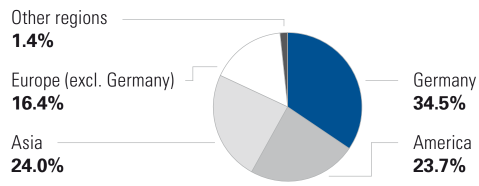
Consolidated sales

in € million



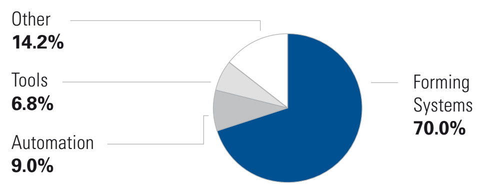
Sales by region 2009/10

in %



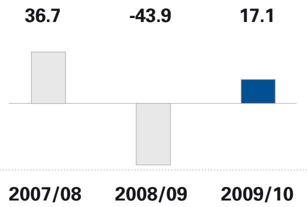
Sales by business segments 2009/10

in %



EBIT

in € million



Earnings, financial position and net assets

For a better understanding of the presentation of earnings, financial position and net assets, please refer to the principles of consolidation and the accounting principles and valuation methods explained in the notes to these consolidated financial statements.

Earnings position

In fiscal year 2009/10, the Schuler Group posted an EBIT result of € 17.1 million (prior year: € -43.9 million) despite a fall of almost 17% in total performance. Whereas earnings were bolstered in the period under review by writeups of € 8.6 million on property, plant and equipment due to increased value in use, the previous year was dominated by high non-recurring expenses of € 55.5 million and extraordinary income of around € 6.5 million from selling commercial real estate of Prensas Schuler S.A. in São Paulo, Brazil. Consolidated ROCE for the period under review amounted to 4.1%.

After deducting net financial expenses of € 32.9 million (up € 5.0 million on the previous year), the EBT result amounted to € -15.8 million (prior year: € -71.8 million). Adjusted for special items, EBT totaled € -24.5 million (prior year: € -21.8 million). As a result, adjusted return on sales in fiscal year 2009/10 amounted to -3.8%, compared to -2.6% in the previous year.

Due to the greatly improved profit situation and the increased possibility of using tax loss carryforwards, income tax relief on negative EBT from the capitalization of deferred taxes increased from 9.6% to 25.3%. This resulted in earnings for the Group of € -11.8 million in fiscal year 2009/10, compared to € -64.9 million in the previous year.

Considerably aided by the implementation of extensive cost reductions, the Group's business segments were able to post a positive EBIT result (with the exception of the Automation segment) in fiscal year 2009/10: despite a 21% fall in sales, the Forming Systems segment generated earnings before interest and taxes of € 12.5 million (prior year: € -11.1 million, of which special expenses/income: € 20.8 million). The Automation segment posted EBIT of € -0.8 million (prior year: € -0.6 million, of which special expenses: € 3.1 million). In addition to falling sales, earnings were also burdened in particular by unsatisfactory price levels in the segment's main markets. Despite a similar fall in business activity, EBIT in the Tools segment improved from € -8.0 million (of which special expenses: € 7.9 million) to € 5.1 million. This figure includes writeups on property, plant and equipment of € 5.6 million. Earnings before interest and taxes of the Other Segments business amounted to € 8.5 million, following € -14.0 million in the previous year (of which special expenses: € 13.3 million). This development is due mainly to the changed business models of Schuler Hydroforming GmbH & Co. KG, Wilnsdorf, and Schuler Hydrap GmbH & Co. KG, Esslingen, which no longer had any operations of note in the period under review after leasing business operations to their parent company. Moreover, the Sales & Service companies performed much more strongly than in the previous year.

Schuler completes restructuring program

In 2009, Schuler rose to the challenge of the global financial crisis by adopting an extensive catalogue of measures. Launched in the previous fiscal year, the program had two main objectives: to achieve more flexible cost structures and utilize all available potential for raising efficiency. As a result of these measures, the Schuler Group reduced its global work force by around 11%. The restructuring program was completed in fiscal year 2009/10.

Supplementary collective bargaining agreement completed

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 employee benefit in personnel expenses included in this program were finally negotiated with the German metalworkers' union (IG-Metall) in early November 2009, resulting in the formulation of a supplementary collective bargaining agreement. Schuler continued to use short-time work programs throughout the Group. The working hours and pay of those employees not involved in the short-time work program were reduced by 10%. Holiday pay for 2010 was reduced to a third of the normal amount. The supplementary collective bargaining agreement was valid for fiscal year 2009/10.

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 surplus funds from the Group's subsidiaries and in turn provides them with liquidity where required. This guarantees a united appearance on the capital markets and reduces the need for external finance, thus reducing debt financing costs and especially short-term finance. In addition, credit lines and bilateral finance is agreed with local banks in order to account for legal or other circumstances. In fiscal year 2009/10, the main focus was placed on securing liquidity and assets, as well as reducing and optimizing our financial debts. For more details on the principles and aims of our financial management system, please refer to note (29) of the consolidated financial statements.

With the approval of the Supervisory Board, the Board of Management resolved on July 15, 2010 to increase the capital stock of Schuler AG, under partial utilization of authorized capital, by € 4,550,000.00 to € 59,150,000.00 in exchange for cash contributions. A total of 1,750,000 no-par value common shares made out to the bearer and with full dividend entitlement as of fiscal year 2009/10 were placed on the same day with qualified institutional investors by means of an accelerated bookbuilding process at a price of € 4.20 each. The subscription rights of shareholders were excluded. The company's gross cash proceeds amounted to € 7,350,000.00. The capital increase was entered into the Commercial Register of the District Court of Ulm on July 22, 2010.

A syndicated loan agreement of € 450 million is used to meet borrowing needs and secure liquidity. Due to the effects of the financial and economic crisis on Schuler AG, this agreement was adapted prematurely. The amended syndicated loan agreement with an unchanged total amount was signed in December 2009. Compliance with the agreed financial covenants was suspended for the duration of these talks until the new agreement was signed. The amended syndicated loan agreement comprises an increase in the cash tranches 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). Of the total proceeds from the capital increase conducted in July 2010, an amount of € 3.5 million was used to reduce the cash tranches. As a result, they now amount to € 196.5 million. In addition to a prolongation of the term until September 30, 2012 and increased financing costs, the terms of the syndicated loan agreement 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. The collateral for the syndicated loan agreement includes shares in subsidiaries, property, plant and equipment, and current assets. 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 financial covenants (order backlog, equity, EBITDA, debt ratio). According to our planning, the financial 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 67.

All other loans are mainly in EUR and BRL (Brazilian Real). Insofar as variable-interest loans were negotiated, these are mostly hedged against by interest hedging instruments or opposing positions. The average term of the fixed-interest loans is 3.3 years (prior year: 7.3 years) and that of the variable-interest loans 4.5 months (prior year: 5.4 months). The reduction of average terms for fixed-interest loans results from an increase and change of the term loan within the syndicated loan agreement and the resulting increased weighting. For further details on the possible consequences of changes in interest levels, please refer to note (29) of the consolidated financial statements.

In total, the Schuler Group has credit and guarantee facilities with various credit institutes and credit insurance partners amounting to € 525.6 million (prior year: € 523.8 million), of which € 209.6 million (prior year: € 204.3 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, no receivables (prior year: € 3.2 million) were sold. As of September 30, 2010, payment obligations from operating leases amounted to € 128.4 million (prior year: € 136.4 million). Further details are provided in note (31) of the consolidated financial statements.

The statement of cash flows presents the separate cash proceeds and disbursements 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. Despite negative earnings, cash flow from operating activities improved substantially in the period under review from € -32.9 million to € 54.3 million. This was mainly due to a significant decline in capital tied up in current assets – especially trade receivables and receivables from long-term construction contracts – which was strongly reduced due to the lower level of business activity and strict capital management. Cash flow from investing activities amounted to € 11.4 million, compared to € -7.9 million in the previous year. This positive value is mainly a result of cash received from the purchase price receivable booked in the previous year for the sale of commercial real estate belonging to Prensas Schuler S.A., São Paulo, Brazil, amounting to € 19.2 million. Cash flow from financing activities fell from € 1.9 million in the previous year to € -20.1 million – mainly as a result of bank liabilities redeemed in the period under review. Including changes due to exchange rate fluctuations, the three cash flows resulted in an increase in cash and cash equivalents of € 47.3 million to € 98.8 million. Over the same period, net financial debt fell from € 173.8 million to € 106.3 million. The debt ratio (defined as the ratio of net financial debt to EBITDA) amounted to 3.5 (prior year: n.a.) at the end of the fiscal year.

Assets position

Compared with the prior-year figure, the total of the statement of financial position decreased again from € 748.5 million to € 726.8 million as of September 30, 2010. The development of non-current and current assets varied: whereas non-current assets grew from € 279.1 million to € 299.5 million, mainly due to the subsequent addition of goodwill from the Müller Weingarten acquisition, current assets fell from € 469.4 million to € 427.3 million. Although there was a slight increase in inventories (€ +3.5 million) and a strong rise in cash and cash equivalents (€ +47.3 million), there was a fall in trade receivables due to reduced business activity (€ -12.5 million), a strong fall in future receivables from long-term construction contracts (€ -60.8 million), and also a decrease in other receivables and financial assets (€ -22.7 million). The decline in other receivables resulted mainly from the receipt of payment from the sale of commercial real estate belonging to Prensas Schuler S.A., São Paulo, Brazil, which accounted for approximately € 19.2 million of the prior-year figure.

With regard to the source of funds, equity capital remained stable at € 116.8 million (prior year: € 116.5 million), despite the net loss in fiscal year 2009/10. This was due to the capital increase of Schuler AG during the period under review, as well as the weakness of the euro compared to the previous year. The latter led to positive currency differences in the translation of financial statements for the Group's foreign subsidiaries. Due to the fall in the total of the statement of financial position, there was a slight increase in the equity ratio from 15.6% to 16.1%. Following the prematurely extended syndicated loan agreement in December 2009 with an increased medium-term cash tranche and the repayment of short-term bank liabilities, there was a marked improvement in the maturity profile of financial liabilities: whereas long-term liabilities accounted for just 36.2% of total debt as of September 30, 2009, this ratio increased to 47.7% by the end of the fiscal year 2009/10. The proportion of non-current assets covered by non-current capital was raised from 123.6% to 136.2% in the same period. Other provisions under non-current liabilities as of September 30, 2010 included the purchase price obligation from the debtor warrant which had been agreed with the seller on the purchase of shares in Müller Weingarten AG, Weingarten. The present value of this debt amounted to € 19.0 million. In absolute figures, non-current liabilities rose by € 62.4 million to € 290.9 million, while current liabilities were reduced by € 84.4 million to € 319.0 million.

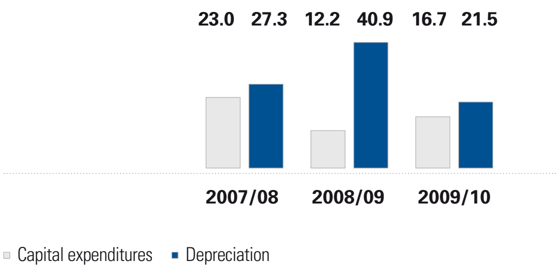
Capital expenditures and depreciation

Capital expenditures of the Schuler Group remained at a low level in the period under review, as the company continued its cost savings measures from the previous year. A total of € 16.7 million (prior year: € 12.2 million) was invested in intangible assets and property, plant and equipment. With regard to capitalized development costs (€ 4.0 million), the main development focus was once again placed on direct generator wind turbines. Due to subsequently recognized acquisition costs for shares in Müller Weingarten AG, Weingarten, consolidated goodwill increased by € 19.4 million. The addition is mainly due to the initial recognition in the statement of financial position of the debtor warrant agreed with the seller on acquisition (see note (30) of the consolidated financial statements).

At € 21.5 million (prior year: € 40.9 million), depreciation and amortization allowances in fiscal year 2009/10 were once again above capital expenditures. This greatly reduced amount is mainly due to the decrease in non-scheduled additions to valuation allowances, which fell from € 14.7 million to € 1.0 million. In the period under review, they mainly concerned corrections of the carrying amounts for premises in Weingarten which are only partially used.

Capital expenditures and depreciation

in € million



Overall assessment of economic position

The financial and economic crisis continued to have a significant impact on the Schuler Group's development in fiscal year 2009/10. After the global downturn had reached its lowest point in the first half of 2009, the world economy began to return to stability during the course of fiscal year 2009/10. Bolstered by expansionary monetary and fiscal policies, the economic situation began to improve in many regions. However, a general weakness in industrial output meant that our markets remained very difficult. A low order backlog from the previous year in connection with a delayed improvement in the order position led to a strong fall in sales in our business segments, which could no longer be offset by new orders received in the past year. With the exception of Asia, where sales increased 14.6% over the previous year, we suffered falling sales in all other regions as a result of the economic situation. We already reacted to this development in the previous year and strictly pursued the measures we introduced to adapt capacities. In the first half of the period under review there was still a marked reluctance of our customers to invest in new plant and machinery. Nevertheless, there are already initial signs of an improvement in project activities. This ultimately led to an increase in new orders in the second half of the year. As a result, new orders exceeded the prior-year figure by 38.6%. The development of earnings was not satisfactory, and as expected we had to close fiscal year 2009/10 with a strongly negative consolidated EBT result.

The development of liquidity was dominated by high customer pre-payments. The current syndicated loan agreement provides Schuler with a reliable financial structure for the period up to September 2012.

Research and development

In the fiscal year 2009/10, a total of € 8.5 million (prior year: € 7.0 million) was invested in ongoing research and development activities (R&D expenses), of which € 4.0 million (prior year: € 3.1 million) fulfilled the IFRS capitalization criteria. After consideration of amortization on capitalized development costs of € 0.7 million (prior year: € 1.1 million), the total expense charged to profit and loss amounted to € 5.2 million (prior year: € 5.0 million). As of the balance sheet date, the carrying amount of capitalized development costs amounted to € 8.5 million (prior year: € 5.2 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. Companies responsible for specific areas of technology (e.g. mechanical and hydraulic presses, press linkage, blank loaders) drive new developments at their respective locations. 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.

Significant research and development projects

Forming Systems

Measurement of forming line energy consumption

The rising cost of energy has made part-specific energy consumption an increasingly important competitive factor. In order to systematically document energy consumption Schuler has therefore launched a development project which can both measure the amount of energy used and evaluate it according to various parameters.

Knuckle-joint press with servo drive – new application area for Schuler's ServoDirect technology

In the past fiscal year, Schuler applied its ServoDirect technology to a knuckle-joint press for the first time. The new press concept was developed by the Blanking and Forming Systems division at our facility in Netphen, Germany. Production has already been launched on a first line for a German manufacturer of exhaust components. The machine concept combines the knuckle-joint's precision with the output performance and flexibility offered by servo technology. Schuler has used this drive concept to create a new press series, marketed as the MSK range, which is particularly well suited to the production of parts requiring high degrees of accuracy. Several presses of this new line have already been sold.

Integration of servo drive technology in the field of solid forming

Schuler has initiated a project to systematically examine possible applications for ServoDirect technology in the field of solid forming. In addition to the press drive itself, the project also aims to develop new solutions for the integration of automation and die changing systems.

Coins for tomorrow

The introduction of the euro made twin-color coins a common sight in Germany. Coins whose circumference is not round, however, are still quite rare in Europe. Such »shaped coins« have long been common tender in other countries, though. Their main advantage is that consumers can quickly and reliably identify them. In close cooperation with two leading European mints and a German manufacturer of coin blanks, Schuler has succeeded in producing the first-ever bi-color coins with a non-round circumference in combination with a non-round inner section. The result was presented to industry experts at the Mint Directors' Conference in Canberra, Australia, in October 2010 and was very warmly received.

The specimen coin manufactured under production-like conditions has eleven sides on the outside, while the inner section has a wave form with eleven crowns – known as a shell or cord border design. This complex geometry not only looks spectacular, it can also only be produced on Schuler machines and is thus almost impossible to fake at present. Schuler's new technology provides the world's central banks with fascinating new possibilities to raise the attractiveness, user friendliness and security of high-quality circulation coins.

Onshore wind turbine SDD100

The development and construction of Schuler's prototype onshore wind turbine SDD100 (SchulerDirectDrive with 100m rotor diameter and a rated power of 2.7 MW) is now complete. Following a hall test in late 2010, Schuler plans to put the prototype into operation in early 2011 and test it at a location in the direct vicinity of the company's headquarters. In addition to the possibility of continuous reengineering, the tests are aimed at gaining certification for the prototype.

Carbon fiber materials

The growing use of carbon fiber and other composite materials is changing the requirements placed upon the forming of metals and alloys. The aerospace industry, for example, is now using an increasing number of functional parts made from titanium. At correspondingly high temperatures, titanium displays »superplastic behavior«, i.e. it can stretch by several hundred percent without breaking. However, such parts must be formed at specific temperatures and relatively low speeds. In order to examine this application field, Schuler has developed a forming press with integrated heating technology. The market potential for such lines is mainly in the aerospace industry as well as for lightweight construction applications.

Automation

New tri-axis twin feeder

Schuler has responded to the requirements of its customers to raise the output of hot-formed, high-strength parts by developing a tri-axis twin feeder for the loading and unloading of its hot forming press. The tri-axis twin feeder consists of a left and right unit, each with three NC servo axes. This enables speeds of up to 7.5 m/s and accelerations of up to 17 m/s². The twin feeder works inside the press, like a transfer, and can reduce loading and unloading times by up to 30%.

Tools

New die and production concept

At the Euroblech fair in October 2010, Schuler unveiled a completely new process in which an innovative progressive die greatly simplifies the production of thin-walled gear wheels. With the concept, the part can be reliably produced within a single run of the transfer press. The component quality of the gear wheels also increases during the hot rimming process. Different outer and inner gearings are just as possible as the use of different materials, such as steel, brass, copper and aluminum. As a consequence, the concept can be used for a wide range of technologies – from general machine construction to other industrial sectors. Schuler has filed a patent application for the process and will begin initial test runs in 2011.

Personnel

As of September 30, 2010, the Schuler Group employed a total of 4,969 people (including apprentices) – a reduction of 363 compared to the previous year. The decline resulted from the implementation of the restructuring program launched in May 2009 aimed at equipping the Group for the future, which was made necessary by the economic and financial crisis. As of September 30, 2010, around 79.3% of the Group's total work force (or 3,940) is employed at the Group's German subsidiaries. The number of staff employed by the Group's foreign subsidiaries amounted to 1,029 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. Employee benefit expenses in fiscal year 2009/10 amounted to € 262.8 million (prior year: € 327.6 million).

Employees	09/30/2010	09/30/2009
Schuler Group in total	**4,969**	**5,332**
Forming Systems business segment	3,491	3,636
Automation business segment	487	529
Tools business segment	403	443
Other segments, incl. Schuler AG	588	724

Practically oriented training concept

Schuler is already taking the appropriate steps to meet its future personnel needs. One key instrument in this strategy is to offer young people apprenticeships. Schuler regards such apprenticeships as an important investment in the future. As of September 30, 2010, the Schuler Group employed a total of 332 apprentices (prior year: 359). This corresponds to a global ratio of apprentices to full-time staff of 6.7%, and of even 7.9% in Germany. The apprenticeships provided at the Group's various locations play a major role in securing our future needs for skilled technical and commercial staff.

Schuler's training concept is based on practical relevance. For example, apprentices accompany staff to assembly sites as an integral part of their training program. This enables them to experience at first hand the interaction with customers as well as working in an international environment. 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. However, Schuler not only offers apprenticeships, but also cooperative university courses. After the formal education period has been completed, Schuler offers a variety of career possibilities and development prospects as well as encouraging staff to benefit from its in-service training activities.

Excellence in education

The Schuler Group's commitment to top-quality education and training is widely recognized and was honored in fiscal year 2009/10 with numerous prizes and awards. The subsidiary Umformtechnik Erfurt in Germany was recognized by Erfurt's Chamber of Commerce and Industry (CCI) as an »Outstanding Training Facility«. The CCI praised our efforts in the field of training – such as our stands at education fairs, the participation of our trainees in various championships and the skills training provided to our apprentices during and after their training periods.

As of March 2010, the apprentices at Umformtechnik Erfurt also include two German champions. The two mechatronics trainees took first place in the German »Mobile Robotics« championships after impressing the jury with the programming, installation and operation launch of their robot. The team then traveled to Lisbon for the European Championships, where the two apprentices once again took first prize in December 2010 – making them now the European champions.

In June 2010, Schuler Automation in Gemmingen, Germany, received the Initiative Award of the Heilbronn-Franken Chamber of Commerce and Industry (CCI) for the best company sponsorship of schools. Activities included talks given by our apprentices at schools and the creation of a film, which received the separate prize »Initiative Award Training 2010«.

Active search for young employees

Cooperation projects between schools and companies have been leading increasingly to so-called education partnerships. The main focus of such projects is to generate enthusiasm for technology among school children. Examples include the cooperation project between Müller Weingarten and the Talschule school in Weingarten, Germany, or the Pupil-Engineer Academy of Schuler Presses in Göppingen, Germany, in cooperation with Esslingen University/Göppingen Branch and local high schools.

Schuler is not only active in the field of apprenticeships, but also regularly appears at so-called job exchanges and university job fairs, in order to make targeted and personal contact with future graduates. The range of possibilities includes internships and support with degree theses, as well as trainee programs aimed at familiarizing young graduates with the company. Internships at Schuler's overseas facilities in the USA, Brazil or China provide an excellent opportunity to get to know the company and the international cooperation within the Group.

The Schuler Group's various companies are in regular contact with universities and also stage their own events to attract young professionals. We are available to universities as excursion partners, offer projects, take part in symposia and provide institutes with technical equipment. In late May 2010, for example, Beutler Nova presented a C-frame press to HTL Vöcklabruck, a secondary college for engineering in Austria. The press will help future die makers acquire important knowledge about forming processes which will stand them in good stead in their later careers.

Louis Schuler Fund

The »Louis Schuler Fonds für Bildung and Wissenschaft e.V.« was set up to support the development of young people and promote educational institutes in the field of technology. In the past fiscal year, the fund awarded 41 scholarships for technical courses and apprenticeships. It also supports university projects and awards prizes to high schools. Moreover, the Louis Schuler Fund supports activities for kindergartens aimed at fostering an interest in science and technology by means of games.

In summer 2010, the Louis Schuler Fund honored four outstanding bachelor theses at the graduation ceremony for students of mechatronics at Esslingen University/Göppingen Branch. One of the theses was by a graduate who had completed his cooperative degree course (»MechatronikPlus«) in cooperation with Schuler. The development he worked on during his thesis has since been implemented by Schuler.

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 the past fiscal year, an extensive catalogue of training courses offered for staff on short-time work programs was very warmly received. Some 79 events with 459 participants were held in Göppingen alone.

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 earnings of the respective fiscal year. No performance-based components were paid in fiscal year 2009/10. 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€ 1,472 in fiscal year 2009/10 (prior year: T€ 1,432). The current service cost included in pension obligations amounted to T€ 323 (prior year: T€ 364). With regard to compensation components of a long-term incentive nature, a total of 132,250 subscription rights (prior year: 529,000) of the Stock Option Program 2008 were granted to members of the Board of Management as part of total remuneration in fiscal year 2009/10. These rights had a weighted market value on their date of issuance of € 2.29 per subscription right (prior year: € 1.32), amounting to a total of T€ 303 (prior year: T€ 698). As the exercise conditions had not been met, the options were not exercisable and no shares were subscribed by members of the Board of Management as part of this program. Please refer to section (19) of the notes to the 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 provides for a deductible as defined by § 93 (2) of the AktG. In fiscal year 2009/10, no payments were promised or granted 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 or management and their surviving dependants amounted to T€ 1,914 (prior year: T€ 1,122) in the year under review. The provisions formed by the Group for such current and future pensions amount to € 11,039 (prior year: T€ 11,409).

Remuneration of the Supervisory Board

§ 10 of the company's articles regulates the remuneration paid to members of the Supervisory Board. There is no variable component. Chairmanship and deputy chairmanship of the Supervisory Board and membership and chairmanship of its committees qualify for higher remuneration. In addition, the members of the Supervisory Board are paid meeting attendance fees and their expenses are reimbursed. In the past fiscal year, Supervisory Board remuneration amounted to T€ 304 (prior year: T€ 228). As part of the restructuring program in the previous year, the Supervisory Board had waived 25% of its remuneration.

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

As an internationally operating company, Schuler is exposed to a wide variety of 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. The system is fully integrated into corporate management and is used to identify, assess and control risks. 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

All members of the Schuler Group are integrated into the risk management system. Its central element are the monthly risk reports to the Board of Management. In close coordination with the managers of the respective divisions, the management boards of our subsidiaries highlight, classify and assess possible risks in these reports. They explain which measures have been taken to counter such risks, monitor their effectiveness and regularly report on them. Further detailed reports are given to the Board of Management at the scheduled quarterly meetings. The Board of Management is notified immediately of any unexpected risks. Our current risk reporting system is subject to constant improvements and is optimized by the Group's central risk management team.

Our risk management system begins before risks arise. We already conduct permanent risk monitoring based on set criteria during the offer phase for our projects so that we can avoid taking inappropriate risks before the contract is signed. Any deviation from these criteria requires the Board of Management's approval. In the case of inappropriate risks, it is forbidden to conclude the contract.

A regular risk inventory is conducted during which reported risks are critically examined and analyzed by central risk management according to their classification, assessment, and degree of measure implementation. An opportunity-and-risk report based on this analysis is provided to the Board of Management, which in turn informs the Supervisory Board.

The Supervisory Board's Audit Committee monitors the appropriateness and effectiveness of the internal control and risk management system. Internal Audit checks compliance with the legal framework, as well as with the Group's internal guidelines for the entire control and risk management system of the Group. Where necessary, it develops measures to be implemented by local management.

Internal control and risk management systems in relation to the financial reporting process

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

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

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

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

The development of individual risks which have a material impact on the financial statements is regularly reported in writing and at scheduled meetings. This includes an assessment of accruals and contingent liabilities, any impairment of non-current assets and inventories, an evaluation of dubious receivables, capital management or the cost development of current manufacturing orders. Current financial planning and the use of credit lines are stated in the monthly treasury report, while open positions are presented in the foreign exchange report. All deviations are discussed and monitored.

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

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

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

Business environment and sector risks

The business development of the Schuler Group depends to a large extent on the prevailing macroeconomic situation, the economic cycle and the investment climate. Despite our increased activities in the non-automotive sector, the investment behavior of car manufacturers and their suppliers plays a significant role. In addition to the automotive sector's output and sales figures, we carefully analyze the current situation and order behavior of our customers. As is typical for the capital goods industry, there is often a time delay before we notice changes in their propensity to invest.

Higher sales figures in the automotive sector and the general economic recovery meant that the Schuler Group also felt the effects of the upturn in the third quarter of the fiscal year. There was a particularly strong increase in capital spending in China. Based on our analyses and project lists, we expect this demand to continue.

The risk of payment default and insolvencies among our customers has fallen strongly.

We will maintain the intensified checks for creditworthiness and instruments to limit risks which we introduced during the economic crisis.

Operating risks

Our business is generally dominated by contract manufacturing. During the order acquisition phase, we conduct feasibility studies as part of the project planning process and make extensive cost calculations. Project management is used for the processing of orders. In the case of major contracts, it is particularly important that experience and know-how gained in past projects is utilized during order processing. Staff from different departments are allocated to the project and report directly to the project manager. In addition to ongoing project controlling, claim management deals with customer amendments during the order processing phase. The increase in standardized modular products reduces risks during assembly and production launch. Tested and compatible standard components also reduce interface problems and the danger of technical errors. Nevertheless, risks can occur if deadlines and other agreements are not met, for example. We aim to limit as many risks as possible by carefully formulating the respective contracts. Risks arising from damage and liability claims are also covered as far as possible by insurance policies.

The economic crisis and the resulting low order level in the first half of fiscal year 2009/10 mean that certain areas of production are not yet fully utilized in the first quarter of fiscal year 2010/11, due to our long lead times. We reacted to this situation by implementing appropriate flexible work measures and are still using targeted short-time work in these areas.

The strong increase in new orders in the third and especially fourth quarter of fiscal year 2009/10 resulted mainly from orders received from Asian customers. Further major orders are also expected from this region. Our facilities in China no longer have sufficient capacity to fully meet their local share of production themselves. We can react to this situation by employing our international manufacturing network. In the field of mechanical presses, we have introduced a global capacity planning system. This enables us to plan any shifts in capacity between sites during the offer phase. Moreover, in the case of capacity shifts within China, we can prepare the necessary support and thus ensure that deadlines, costs and quality standards are all met. Despite all these measures, however, there is still a risk that deadlines cannot be met for certain orders due to capacity bottlenecks – especially as a result of the current very high level of new orders.

The risk of order cancellation due to the economic climate has fallen significantly and is judged as being low.

Procurement risks

Raw materials, and especially steel, account for a significant proportion of our costs. The high demand for steel from emerging nations, and above all from China, has led to significant price volatility over the past few years. Following a decline in the second half of 2009, prices are currently at the level of early 2008 again. International economic developments will have a significant impact on future prices. In general, Schuler attempts to pass increased costs on to its customers.

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, we have increased our supplier monitoring activities. Contracts for larger order volumes are only concluded if the supplier has a good credit rating.

As part of our strategic alignment, we continue to expand our supplier portfolio in order to reduce the risk of dependency on individual suppliers. Another major focus area is global sourcing. This provides us with new international procurement possibilities which also guarantee the punctual delivery of lower priced materials of the required quality for our local subsidiaries.

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 the economic upturn, there is a general risk of losing personnel – and thus expertise and market advantages. At the same time, we expect a growing shortage of skilled staff, and especially engineers. We therefore endeavor to maintain 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. Further measures are explained in the »Personnel« section. Our personnel development system is an important component of 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 filing for protection due to 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 is currently no recognizable risk of legal proceedings concerning fair trading, anti-trust or patent laws.

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.

Product risks

Schuler conducts extensive research and development work in order to improve its existing products, but also to develop its expertise in new areas. Although we can draw on our core competencies, investments in new product areas always involve the risk that such products might fail. In order to reduce this risk, serial products are only marketed after the prototype has been put into operation.

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, as well as interest swaps and caps. 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, 2010, currency risks were covered by forward exchange contracts and foreign currency swaps with a nominal value of € 75.5 million (prior year: € 56.5 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 € 25.4 million as of the balance sheet date (prior year: € 63.1 million). The proportion of interest hedge notional amounts not recognized as a cash flow hedge as of September 30, 2010, due to the dedesignation or non-fulfillment of the strict requirements of hedge accounting, amounted to € 16.0 million (prior year: € 53.1 million). This resulted in net market values of € -1.0 million as of the balance sheet date (prior year: € -2.6 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 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 existing syndicated loan agreement of € 450 million was amended in December 2009 and adapted to the new situation. The syndicated loan agreement can be terminated prematurely by the lenders if there is an infringement of certain financial covenants. In the case of a breach of covenant, additional financing costs are generally charged if the loans are to be granted further. On the other hand, greatly improved business performance offers the possibility of reducing interest margins and commissions in future. In view of the current economic development and according to our business planning, the financial covenants will all be met during the term of the syndicated loan agreement. Further details are provided in the »Financial position« section. Further details on financial risk management, the use of derivative financial instruments and the scope of financial risks are provided in note (29) of the consolidated financial statements.

In the field of wind energy, the planned start of serial production may result in additional capital needs in the medium term. The exact volume will depend on the extent to which this technology is used alone or together with partners.

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

Our risk management system is well suited to discovering, assessing and controlling significant potential risks. Sector and economic environment risks have been considerably reduced in the second half of fiscal year 2009/10. Strict implementation of our restructuring program has enabled us to emerge safely from the difficult period of the financial and economic crisis. Due in particular to the strong renewed growth in new orders, which continues to increase in the new fiscal year, and the renegotiation of the syndicated loan agreement in 2009, there are no recognizable risks at present which might threaten the company's continued existence.

Opportunity management

On the basis of our corporate strategy and internal information systems, we have identified the following opportunities and growth areas for the Schuler Group:

ServoDirect technology

The first two fully automatic servo press lines are in production. The new generation of blanking lines based on ServoDirect technology is also already being used by a stamping plant.

Small to mid-size companies can also benefit from the high output levels and variability of servo presses and the respective, specially developed automation systems. In addition to a variety of parts and output volumes, such downstream operations as welding can be integrated into the forming process. This results in a significant shortening of the process chain.

The range has been expanded by the addition of a servo knuckle-joint press. The new press combines the precision of knuckle-joint technology with the high output performance and flexibility of servo technology.

We expect to achieve considerable growth by establishing this technology in a wide variety of application fields.

Systems supplier

With the integration of Müller Weingarten, the Schuler Group has established itself as the leading systems supplier of cold, warm and hot forming equipment and can offer one-stop solutions – from method planning and die construction, to the production launch of highly efficient production lines. The range is rounded out by the possibility of horizontal forming with the Form Master series. The Schuler Group can therefore offer a wide spectrum of equipment for the production of screws, construction machines, turbine blades, brake disks for high-speed trains, and complete railcar wheels. We see further opportunities above all in the global growth market of transport technology.

Further diversification

The automotive industry will remain a key market for us in future. However, new business fields enable the Schuler Group to reduce its dependency on the auto sector's business cycles.

In our Highspeed division, we have developed a complete cupping press system for the production of beverage cans, as well as a system solution for producing aluminum containers. With the aid of these products, we expect further market opportunities to present themselves in the packaging industry.

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. With the development of a direct drive wind turbine, Schuler is breaking new ground. Based on our many years of experience in drive technology, we have designed a powerful wind turbine in the 2.7 megawatt class. The next step is to construct a prototype in spring 2011 and begin test operation. In the course of its further development and market launch, Schuler aims to find a partner – in particular to secure joint finance for further growth.

Growth market China

It is important to have a strong local presence in the fast-growing Chinese market. In addition to the local content requirements for new machines, the ability to provide extensive on-site support during production launch, as well as subsequent local service, plays an increasingly important role in investment decisions. With our production facility in Shanghai, where we have been on site for 15 years now, and further service locations around China, we have been able to acquire extensive know-how of local requirements. Our second production facility in Dalian offers us a further opportunity to benefit from China's tremendous growth potential.

Declaration on company management acc. to § 289a HGB

Schuler AG has submitted its declaration on company management as specified by § 289a of the German Commercial Code (HGB). It is available online at www.schulergroup.com (in the section Investor Relations/Corporate Governance/Declaration on Company Management).

Disclosures acc. to § 315 (4) German Commercial Code (HGB) and their explanations acc. to § 176 (1) Sentence 1 German Stock Corporation Law (AktG)

As of the balance sheet date on September 30, 2010, the capital stock of Schuler AG amounts to € 59,150,000 and is divided into 22,750,000 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, Germany	50.2%
Süddeutsche Beteiligung GmbH, Stuttgart, Germany	16.4%

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

Pursuant to § 4 (3) of the articles, the Board of Management is authorized until March 31, 2013, with the approval of the Supervisory Board, to raise the company's capital stock by up to a total of € 22,750,000.00 (in words: twenty-two million seven hundred and fifty thousand euros) for contribution in cash or in kind, either in one or several new issues of new common no-par value shares made out to the bearer and/or preferred shares (Authorized Capital). With the approval of the Supervisory Board, the Board of Management can 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. The Board of Management is authorized, with the approval of the Supervisory Board, to determine the further details of capital increases from authorized capital. The Supervisory Board is authorized to adapt the articles if the authorized capital is used.

Pursuant to § 4 (5) of the articles, the company's capital stock has been raised conditionally (Conditional Capital) by up to € 1,820,000.00 (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 under letter a), (7). The Supervisory Board is authorized to determine the further details of the conditional capital increase and its implementation.

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

The syndicated loan agreement includes a standard change-of-control provision, according to which 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

New Chief Executive Officer (CEO)

As of October 1, 2010, Mr. Stefan Klebert took over as CEO of Schuler AG, Göppingen, Germany. The former CEO, Mr. Jürgen Tonn retired as of the same date at his own request.

Organizational structure adapted

With a shareholder resolution of December 21, 2010, Schuler Systems & Services GmbH & Co. KG was retroactively merged with Schuler Pressen GmbH & Co. KG as of October 1, 2010. The merger is in line with ongoing efforts to streamline Group structures and reduce costs.

Outlook

Global economy

The global economy recovered surprisingly quickly during the course of 2010, albeit with strong regional variations. Only a few economies are still mired in recession, including Greece and Spain. The global recovery has been driven above all by the emerging economies of Asia. Most industrialized nations are still feeling the effects of the financial and economic crisis and can only boast moderate growth rates.

The recovery is still fragile, however: imbalances in public and private demand, as well as in foreign trade, have still to be settled. Moreover, the reduction of public debt with the aid of spending cuts is hampering the short-term economic recovery. As of year-end, therefore, global economic growth may falter somewhat but pick up in mid 2011. The global economy is not expected to slip into recession again.

GDP development	**2010** %	**2011** %
World	+4.8	+4.2
USA	+2.6	+2.3
Euro zone	+1.7	+1.5
Germany	+3.3	+2.0
Japan	+2.8	+1.5
China	+10.5	+9.6

Source: IMF forecast (October 2010)

In its forecasts, the IMF expects slightly weaker global growth of 4.2% in 2011 (prior year: 4.8%). According to the IMF, the fastest growth rates will be in the developing and emerging nations of Africa and Asia with an average increase in GDP of 6.4%. In China, for example, the IMF expects further growth of 9.6% in 2011, while growth of 8.4% is forecast for the Indian economy and growth of 4.1% for the Brazilian economy. The developed economies (Euro zone, USA, Japan) are expected to reach average growth of just 2.2%. For Germany, the IMF forecasts growth of 2.0%, which once again exceeds the average expected growth of the Euro zone as a whole (1.5%) and underlines Germany's role as Europe's economic powerhouse.

Automotive sector: slow recovery

The global automotive market recovered in 2010 and has already exceeded its pre-crisis level. As expected, sales in Western Europe fell short of the high subsidized levels reached in the previous year. As of November 2010, the German Association of the Automotive Industry (Verband der Automobilindustrie - VDA) reported 2.7 million newly registered cars, representing a fall of 25% compared with the same period last year. The turnaround was reached in September, however, and orders have since been picking up again. The VDA expects the number of newly registered cars in Germany to reach 2.9 million by year-end. In contrast to this, however, exports in the first eleven months of 2010 increased by 25% to 3.9 million vehicles. Domestic new orders have been rising steadily since September and are approximately 100,000 above the long-term average at the end of the year. The commercial vehicles sector is also making encouraging progress: domestic sales were up 15% and exports by as much as 52%, as of November.

The VDA expects global demand for cars to grow by a further 8% to 64.5 million in 2011. Once again, the sector is pinning its hopes on the markets of China, India and Russia. The global car market will continue to shift toward China and away from the USA and Western Europe – even though the stricken US market is likely to recover somewhat. Sales growth in Western Europe, however, is not expected to be anything but moderate, as the markets already regained stability in summer 2009 with the aid of state incentive schemes and the basis for comparison is therefore more challenging now. The VDA predicts a record year for German manufacturers, though: new domestic vehicle registrations are expected to exceed the 2008 level, while exports and domestic production are likely to set new records of 4.4 million and 5.8 million vehicles, respectively.

According to forecasts of the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau – VDMA), the entire engineering sector can look forward to a good year with global growth of 11% – although the rapid growth of 2010 will probably return to more normal levels, as a large proportion of growth forecast for 2011 results from a statistical overhang from 2010. If the VDMA forecast of 8% growth for the engineering sector is met, output would still be 14% below the exceptionally good level of 2008.

The global economy and its broad-based recovery which is now also boosting consumer spending gives the automotive sector the opportunity to extend its upward trend. However, the global economic risks also apply to this sector: the precarious budget situation in certain EU nations may have a noticeable impact on consumer behavior, the development of energy and raw material prices (such as iron ore) is critical for production costs, and stable exchange rates are essential for reliable and profitable international trading.

Outlook – Group

We are currently optimistic about the future. With our broad spectrum of innovative products, we feel well prepared to meet current and future customer and market requirements. In view of the current forecasts of further macroeconomic recovery, we expect significant improvements in sales and earnings in fiscal year 2010/11. All in all, we are confident and expect a positive consolidated result. In the case of new orders, we expect the upward trend of the past year to continue. We will focus our efforts strongly on the automotive sector in fiscal year 2010/11, in order to participate in its recovery. At the same time, however, we are expanding new business fields with products such as our presses for the packaging industry. Based on forecasts of a further positive development in new orders, together with an improved cost situation, we also expect further improvements in sales and earnings in the following year.

Göppingen, December 23, 2010

Schuler AG

The Board of Management

Consolidated financial statements (IFRS)

for the fiscal year 2009/10
of Schuler Aktiengesellschaft, Göppingen

CONTENTS

CONSOLIDATED INCOME STATEMENT OF THE SCHULER GROUP

for the period October 1, 2009, to September 30, 2010

		Notes	2009/10 T€	T€	2008/09 T€	T€
1.	Sales	(1)	650,261		823,117	
2.	Changes in inventories of finished goods and work in progress		9,213		-29,642	
3.	Work performed by the entity and capitalized		4,398		3,739	
4.	Other income	(2)	26,770	690,642	37,399	834,613
5.	Raw material and consumable used	(3)	265,732		378,172	
6.	Employee benefit expenses	(4)	262,842		327,570	
7.	Depreciation and amortization of intangible and tangible assets	(5)	21,529		40,917	
8.	Other expenses	(6)	123,872	673,975	131,871	878,530
9.	**Operating result**			**16,667**		**-43,917**
10.	Interest income		3,033		3,195	
11.	Interest expense		35,952		31,134	
12.	Other financial result		405		65	
13.	**Financial result**	(7)		**-32,513**		**-27,874**
14.	**Profit or loss before tax**			**-15,847**		**-71,790**
15.	Income taxes	(8)		-4,014		-6,888
16.	**Consolidated profit or loss for the year**			**-11,833**		**-64,903**
	– of which attributable to shareholders of Schuler AG			-12,789		-65,591
	– of which attributable to minority interests			956		689
	Earnings per share in € (basic and diluted)	(9)				
	Earnings per common share			-0.60		-3.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE SCHULER GROUP

for the period October 1, 2009, to September 30, 2010

	2009/10 T€	2008/09 T€
Consolidated profit or loss for the year	**-11,833**	**-64,903**
Exchange differences on translating foreign operations	5,092	-509
Cash flow hedges:		
– valuation changes recognized directly in equity	480	268
– recognized in profit and loss	-480	3,290
Profit/loss from available-for-sale financial assets	-6	-13
Income tax relating to components of other comprehensive income	11	-1,145
Other comprehensive income for the year, net of tax	**5,097**	**1,892**
Total comprehensive income for the year	**-6,736**	**-63,011**
– of which attributable to shareholders of Schuler AG	-7,961	-63,621
– of which attributable to minority interests	1,225	610

The allocation of tax effects to individual components of »Other comprehensive income for the year, net of tax« is presented in note (19).

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS OF THE SCHULER GROUP

as at September 30, 2010

	Notes	09/30/2010 T€	09/30/2009 T€
ASSETS			
A. Non-current assets			
1. Intangible assets	(10)	92,748	72,794
2. Property, plant and equipment	(11)	154,525	157,652
3. Interests in affiliates and participations	(12)	1,716	1,741
4. Income tax receivables		3,111	3,153
5. Other financial and non-financial assets	(13)	10,877	10,660
6. Deferred tax assets	(8)	36,489	33,081
		299,466	**279,082**
B. Current assets			
1. Inventories	(14)	109,536	106,044
2. Trade receivables	(15)	75,571	88,046
3. Future receivables from long-term construction contracts	(16)	95,746	156,557
4. Income tax receivables		3,933	3,669
5. Other financial and non-financial assets	(13)	40,832	63,573
6. Cash and cash equivalents	(17)	98,823	51,489
		424,441	**469,378**
7. Non-current assets and disposal groups held for sale	(18)	2,871	0
		427,312	**469,378**
		726,778	**748,460**

	Notes	09/30/2010 T€	09/30/2009 T€
LIABILITIES			
A. Equity	(19)		
1. Share capital		59,150	54,600
2. Capital reserves		76,056	92,223
3. Retained earnings		-28,933	-35,231
4. Accumulated other comprehensive income		7,210	2,382
Equity attributable to shareholders of Schuler AG		**113,483**	**113,974**
5. Minority interests	(20)	3,320	2,567
		116,803	**116,541**
B. Non-current liabilities			
1. Financial liabilities	(21)	169,629	118,378
2. Other liabilities	(22)	2,343	4,015
3. Pension provisions	(23)	72,777	72,459
4. Other provisions	(24)	43,295	25,648
5. Deferred tax liabilities	(8)	2,883	7,993
		290,927	**228,494**
C. Current liabilities			
1. Financial liabilities	(21)	35,464	106,863
2. Trade payables	(25)	64,569	51,301
3. Income tax liabilities		146	265
4. Other liabilities	(22)	117,240	136,414
5. Income tax provisions		1,171	406
6. Other provisions	(24)	100,458	108,177
		319,047	**403,425**
		726,778	**748,460**

STATEMENT OF CHANGES IN EQUITY OF THE SCHULER GROUP

for the period October 1, 2009, to September 30, 2010

	Shareholders of Schuler AG							Minority interests	**Total**
				Accumulated other comprehensive income					
	Share capital	Capital reserves	Retained earnings	Currency translation differences	Unrealized profits and losses from cash flow hedges	Unrealized profits and losses from available-for-sale financial assets	Equity capital	Equity capital	Consolida-ted equity capital
	T€	T€	T€	T€	T€	T€	T€	T€	T€
as at October 1, 2008	**54,600**	**92,169**	**30,360**	**3,238**	**-2,840**	**13**	**177,541**	**1,957**	**179,498**
Consolidated profit or loss for the year	-	-	-65,591	-	-	-	-65,591	689	-64,903
Other comprehensive income for the year, net of tax	-	-	-	-431	2,410	-9	1,970	-79	1,892
Total comprehensive income for the year	-	-	-65,591	-431	2,410	-9	-63,621	610	-63,011
Share-based payment	-	54	-	-	-	-	54	-	54
as at September 30, 2009	**54,600**	**92,223**	**-35,231**	**2,808**	**-430**	**5**	**113,974**	**2,567**	**116,541**
Consolidated profit or loss for the year	-	-	-12,789	-	-	-	-12,789	956	-11,833
Other comprehensive income for the year, net of tax	-	-	-	4,822	11	-5	4,828	269	5,097
Total comprehensive income for the year	-	-	-12,789	4,822	11	-5	-7,961	1,225	-6,736
Capital increase Schuler AG	4,550	2,669	-	-	-	-	7,219	-	7,219
Withdrawal from capital reserves Schuler AG	-	-19,087	19,087	-	-	-	-	-	-
Share-based payment	-	252	-	-	-	-	252	-	252
Dividend payment to minority interests	-	-	-	-	-	-	-	-473	-473
as at September 30, 2010	**59,150**	**76,057**	**-28,933**	**7,630**	**-420**	**-**	**113,483**	**3,320**	**116,803**

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

STATEMENT OF CASH FLOWS OF THE SCHULER GROUP

for the period October 1, 2009, to September 30, 2010

		2009/10 T€	2008/09 T€
	Consolidated profit or loss for the year	-11,833	-64,903
+/-	Depreciation, amortization and impairments/impairment reversals of non-current assets	12,910	40,943
+/-	Increase/decrease in provisions (less indemnity claims)	297	-1,579
Gross cash flow		**1,374**	**-25,539**
+	Share-based payment	252	54
-/+	Profit/loss from disposal of non-current assets	-2,362	-8,602
-/+	Increase/decrease in inventories	-1,450	41,410
-/+	Increase/decrease in receivables and other assets not relating to investing or financing activities	86,734	22,900
-/+	Decrease/increase in provisions (excluding pension provisions)	-9,740	10,734
-/+	Decrease/increase in liabilities not relating to investing or financing activities	-20,550	-73,863
Cash flow from operating activities		**54,258**	**-32,907**
	Proceeds from disposals of tangible and intangible assets	28,050	2,595
-	Additions from capitalized development costs	-3,976	-3,047
-	Investments in other tangible and intangible assets	-12,691	-9,179
+	Proceeds from the disposal of financial assets	25	1,734
-	Investments in financial assets	0	-10
Cash flow from investing activities		**11,409**	**-7,907**
	Increase in capital of Schuler AG	7,219	0
-	Dividend payment to minority interests	-473	0
+	Proceeds from non-current financial liabilities	102,591	357
-	Redemption of non-current financial liabilities	-51,903	-26,467
+/-	Proceeds from/redemption of current financial liabilities	-76,732	28,460
-	Repayment of financial leases	-824	-500
Cash flow from financing activities		**-20,121**	**1,850**
Change in cash and cash equivalents		45,546	-38,964
+/-	Change in cash and cash equivalents due to exchange rate fluctuations	1,788	2,936
Net change in cash and cash equivalents		**47,334**	**-36,029**
+	Cash and cash equivalents at beginning of period	51,489	87,517
Cash and cash equivalents at end of period		**98,823**	**51,489**
Cash flow from operating activities includes:			
Interest received		2,484	2,987
Interest paid		36,226	25,567
Income taxes paid		1,914	1,344

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

General

Schuler Aktiengesellschaft (»Schuler AG«) is the management holding company of the Schuler Group; its registered office is located in Bahnhofstrasse 41, 73033 Göppingen, Germany. The Group's ultimate holding company is Schuler-Beteiligungen GmbH with registered office at the same address. 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, forging and electrical industry, the household equipment industry and national mints.

The consolidated financial statements of Schuler AG as of September 30, 2010, 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, 2009 were observed – insofar as they were relevant for Schuler:

- 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«
- IFRS 1 »First-time Adoption of International Financial Reporting Standards« (revised)
- IFRS 2 »Share-based Payment« – Amendment »Vesting Conditions and Cancellations«
- IFRS 3 »Business Combinations« (revised)
- IFRS 7 »Financial Instruments: Disclosures« – Amendments »Improving Disclosures about Financial Instruments«
- IFRS 8 »Operating Segments«
- IAS 1 »Presentation of Financial Statements« – Amendments »A Revised Presentation«
- IAS 23 »Borrowing Costs« (revised)
- IAS 27 »Consolidated and Separate Financial Statements« (revised)
- IAS 32 »Financial Instruments: Presentation« and IAS 1 »Presentation of Financial Statements« – Amendments »Puttable Financial Instruments and Obligations Arising on Liquidation«

- IAS 39 »Financial Instruments: Recognition and Measurement« – Amendment »Eligible Hedged Items«
- IFRIC 9 »Reassessment of Embedded Derivatives« and IAS 39 »Financial Instruments: Recognition and Measurement« – Amendments »Embedded Derivatives«
- IFRIC 15 »Agreement for the Construction of Real Estate«
- IFRIC 17 »Distributions of Non-Cash Assets to Owners«
- IFRIC 18 »Transfer of Assets from Customers«
- Improvements to IFRS (annual amendment procedure, released by the IASB in May 2008)

The amendment to IFRS 7 included the introduction of a three-level hierarchy for reporting the fair value of financial instruments. The levels differ according to the input parameters used for fair value measurement and highlight the level of availability of observable market data for calculating fair value.

As part of the initial adoption of IFRS 8, the mandatory management approach in respect of the criteria for forming business segments as defined in IFRS 8.12 ff. led to a revision and adaptation of the number of reporting segments. Moreover, the presentation of financial information for business segments was adapted as a result of revised disclosure regulations.

In accordance with the amendment of IAS 23, the Schuler Group capitalizes for the first time as of October 1, 2009 borrowing costs for those assets contained in acquisition or construction costs whose completion lasts a considerable period until their useful or saleable condition. The comparative period was not adjusted.

In connection with the changed presentation of certain components of the annual financial statements pursuant to IAS 1, selective disclosures of prior-year data have been adjusted to the current disclosure regulations in order to aid comparison.

The other amended standards and new interpretations had no effect on the consolidated annual financial statements as of September 30, 2010 as there are no relevant areas of application.

As part of its initial adoption of IFRS 8, Schuler already took account of the changes from the »Improvements to IFRS« (annual amendment process, published by the IASB in April 2009) in the past fiscal year (mandatory application for fiscal years starting on January 1, 2010). The changes involved new regulations for the goodwill impairment test, which is now to be made on the level of the cash-generating units prior to segment aggregation.

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 1 »First-time Adoption of International Financial Reporting Standards« – Amendments »Additional Exemptions for First-time Adopters«
- IFRS 1 »First-time Adoption of International Financial Reporting Standards« – Amendment »Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters«
- IFRS 2 »Share-based Payment« – Amendments »Group Cash-settled Share-based Payment Transactions«
- IAS 24 »Related Party Disclosures« (revised)
- IAS 32 »Financial Instruments: Presentation« – Amendment »Classification of Rights Issues«
- IFRIC 14 »IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction« – Amendments »Prepayments of a Minimum Funding Requirement«
- IFRIC 19 »Extinguishing Financial Liabilities with Equity Instruments«

The mandatory application of these revised standards and interpretations as of fiscal year 2010/11 (amendments to IFRIC 14 and IAS 24: as of fiscal year 2011/12) is not expected to have any significant impact on the whole on the consolidated annual financial statements.

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

For the purposes of clarity, various items of the statement of financial position and income statement have been combined. These items are listed separately and explained in the notes. The income statement was prepared according to the total cost method. Items in the statement of financial position are presented according to maturity. Assets and liabilities are classed as current if they are due or sold either within twelve months of the balance sheet date or within a longer business cycle. Consequently, inventories, trade receivables and payables, and receivables from long-term construction contracts are disclosed as current items. However, deferred tax assets and liabilities, and pension provisions are always disclosed as non-current items.

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

The Group's shareholdings are listed separately in note (38) of the consolidated financial statements as specified by § 313 (4) HGB. 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 expected to be approved by the Board of Management on December 30, 2010, for submission to the Supervisory Board. Following the Supervisory Board's inspection and approval, they are expected to be published on January 25, 2011.

Consolidated group

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

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

As of October 1, 2009, Theta-Centaurus-Vermögensverwaltungs-GmbH, Weingarten, and Müller Weingarten Technologie Verwaltungs-GmbH were retroactively merged with Müller Weingarten AG, Weingarten. As a consequence of the merger of its general partner, the assets and liabilities of Müller Weingarten Technologie GmbH & Co. KG, Weingarten, were transferred on the same date to the sole limited partner Müller Weingarten AG. The resulting changes to the consolidated group from these legal transactions have no effect on the consolidated financial statements as of September 30, 2010.

The non-consolidated Group companies Müller Weingarten France SARL, Ostwald, France, and Müller Weingarten UK Limited, Tamworth, UK, which were already inactive in the previous year were wound up and liquidated in the period under review.

The Schuler Group now comprises the following number of companies:

	09/30/2010	09/30/2009
Schuler AG and fully consolidated subsidiaries		
– Domestic	22	24
– Foreign	10	10
Subsidiaries at amortized cost		
– Domestic	13	14
– Foreign	7	9
	52	**57**

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 (2004), 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. As of the balance sheet date, there are no new business combinations which would have to be carried according to IFRS 3 (rev. 2008).

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 with limited useful lives and newly recognized at their respective fair values are depreciated in scheduled amounts.

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 income statement has been adjusted for dividend payments and loss acceptances from consolidated companies. Intercompany profits from sales and services are eliminated from non-current assets and inventories, insofar as they are not minor. Consolidation processes with an effect on the income statement 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 statement of financial position 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 income statement.

Foreign companies belonging to the Schuler Group are generally treated as financially, economically and organizationally independent units. Their annual financial statements are thus translated from the respective local currency into the Group reporting currency (euro) in accordance with the functional currency concept, pursuant to IAS 21. With the exception of equity, items of statement of financial position 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 income statement are translated into euros at average annual exchange rates.

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

		Closing rate		Average rate	
		09/30/2010	**09/30/2009**	**2009/10**	**2008/09**
Currency	1 € =				
UK	GBP	0.8666	0.9140	0.8687	0.8804
Switzerland	CHF	1.3338	1.5169	1.4191	1.5083
Czech Republic	CZK	24.5713	25.3163	25.6539	26.2253
USA	USD	1.3655	1.4619	1.3536	1.3564
Mexico	MXN	17.1084	19.7463	17.3192	18.4773
Brazil	BRL	2.3152	2.6045	2.3977	2.8661
PR China	CNY	9.1345	9.9802	9.2137	9.2838

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, can be realized with regard to technology, economic efficiency and production capacity, and is intended for the company's own use or for sale. Moreover, there must be a reasonable degree of certainty that the assignable expenses of the intangible asset can be reliably assessed during its development period and recovered after completion by future cash flows. Development expenses which fulfill these criteria are capitalized at the cost of conversion, 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. As of October 1, 2009, financing costs are capitalized providing the intangible assets meet the criteria prescribed by IAS 23. Should there be no earlier indication of impairment, capitalized costs are checked annually for impairment until a development project is completed. After completion, capitalized development costs are amortized 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. Against the backdrop of the initial adoption of IFRS 8 in connection with the »Improvements to IFRS« (April 2009), as of fiscal year 2009/10 goodwill is assigned to company level (prior year: reporting segment level) as the cash generating unit when measuring impairment. The total amount of T€ 45,182 as of the balance sheet date (September 30, 2010) is divided among the main cash generating units – according to the value in use of the participating units – as follows: Müller Weingarten AG T€ 20,252, Schuler Pressen GmbH & Co. KG T€ 13,318 and Schuler SMG GmbH & Co. KG T€ 7,098. The remaining amount of T€ 4,514 is attributable to three further companies. In the case of assignment at segment level, the entire amount of T€ 25,826 was attributable to the Forming Systems segment as of the balance sheet date of the previous year. The increase in the period under review was due to subsequent acquisition costs for Müller Weingarten AG – mainly in connection with the debtor warrant agreed with the seller on acquisition of the shares (see note (30)).

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. Free cash flows after this detailed planning period are always extrapolated on the basis of the last planning year, without consideration of any growth rate. Historic values based on experience and management assessment of the long-term relevant economic conditions for the Group companies are also taken into account. The main assumptions for determining fair value are based on the development of sales and costs, especially in the large-scale machine business, as well as the sector and economic cycles, and the discount rate. The forecasts are based on past experience and expectations of future market developments, which are also validated by external sources.

Discounting is based on the weighted average cost of capital (WACC) after tax, taking into account the risk class assigned to the respective company. The cost of equity is based on the interest rate for long-term, risk-free securities (government bonds), calculated using the published figures of the German central bank (Deutsche Bundesbank) by means of the Svensson method, plus a risk premium. For the calculation of the cost of debt, the claim to interest of the debt creditors is used. The cost for pension obligations is based on the IFRS discount rates. The cost of capital after tax is the weighted average of these individual required rates of return. In the period under review, these rates ranged from 6.4% to 9.7% (prior year: 7.4% to 7.6%). 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. If the required impairment need of a cash generating unit exceeds the amount of goodwill allocated to it, the carrying value of its non-current assets is reduced by the remaining amount. Should the reason for amortization no longer apply, it is not permissible to revalue goodwill. For the other non-current assets, however, write-ups are made up to the amount of the carrying value which would have resulted without the non-scheduled value adjustments of previous periods.

The annual goodwill impairment review revealed that value in use was above the carrying values for the relevant Group companies. As a result, no impairment need was identified (prior year: non-scheduled goodwill write-downs of T€ 688 in the Automation and Production Systems segment).

Moreover, in accordance with IAS 36.104 (b), the non-current assets of the Automation and Production Systems segment were written down by a further T€ 10,000 in the previous year in order to adapt them to their reduced value in use as a result of the recession. These write-downs mainly affected the categories »Technical equipment and machinery« and »Other equipment, factory and office equipment«. In the period under review, however, there were write-ups of the same assets of T€ 8,619 as a result of increased value in use following the end of the economic crisis. They mainly concerned Umformcenter Erfurt GmbH (T€ 2,672), Schuler Cartec GmbH & Co. KG (T€ 2,271) and Müller Weingarten Werkzeuge GmbH (T€ 1,435) of the Tools segment, and Schuler Automation GmbH & Co. KG (T€ 1,098) of the Automation segment. The remaining amount of T€ 1,143 was divided among three further Group companies.

In order to calculate the impairment need, key parameters of the impairment test were altered to a reasonable degree as part of a possible development. Increasing the WACC by 25 base points did not result in any impairment need for goodwill in a sensitivity analysis.

Property, plant and equipment

Property, plant and equipment are carried at acquisition or conversion cost less scheduled and – where necessary – non-scheduled depreciation. Investment grants received are generally deducted from the acquisition or conversion cost of the subsidized asset. Current maintenance and repair costs are recognized immediately in profit and loss when incurred. The cost of conversion comprises individual direct costs as well as prorated material and production overheads including depreciation and production-related administrative costs. Borrowing costs for qualified assets are capitalized for the first time as of October 1, 2009 if the requirements are met. Property, plant and equipment are depreciated using the straight-line method according to the asset's standard useful life. The assumptions for determining economic benefit, residual value and remaining useful life are reviewed and adjusted where necessary on each balance sheet date. Items belonging to property, plant and equipment are derecognized at the time of disposal, due to sale or decommissioning, or when no further economic benefit is expected from their usage.

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, or is likely to do so in the near future. The recoverable amount is the higher of net realizable value and the asset's value in use. The value in use is calculated on the basis of current planning, as approved by the Board of Management and valid at the time of the impairment test. Forecasts are based on past experience and expectations of the market's future development. Should the reasons for non-scheduled depreciation carried out in previous years no longer apply, a reversal of impairment loss for the asset is undertaken in an amount no higher than total non-scheduled impairment recognized so far.

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 and are no longer written down in scheduled amounts.

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

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

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 income statement 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 income statement, transaction costs directly attributable to the acquisition are accrued in the statement of financial position. In accordance with IAS 39, current and non-current financial assets and liabilities are divided into the following categories:

- Financial assets measured at fair value through profit and loss
- Loans and receivables 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, specific country risks, the risk structure of financial transactions, experience from receivables already derecognized, customer credit ratings and noticeable changes in payment behavior. The size of a value adjustment is set at the difference between the carrying amount of an asset and the discounted expected future cash flows used to determine present value with the original effective interest rate of the financial asset, which is then recognized in profit and loss. If the amount of the value adjustment is reduced in one of the following reporting periods and the underlying circumstances can be objectively traced to an event which occurred after the value adjustment was recognized, then the previously recognized value adjustment is reversed through profit and loss. The impairment of trade receivables, and part of other assets, is included in allowance accounts. Receivables are derecognized if the contractual rights to payments no longer exist, the respective opportunities and risks are mostly transferred or if they are classified as uncollectible. The degree of risk assessment reliability is an indication of whether a default risk should be covered by an allowance account or via a direct receivable adjustment. Expenses from the value adjustment and derecognition of receivables are disclosed under other expenses, while reversals of valuation allowances and incoming payments for derecognized receivables are disclosed as other income.

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

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

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

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

Originated financial instruments

The amount of originated financial instruments can be seen in the consolidated statement of financial position and the notes to the annual financial statements. As no general netting agreements are made with customers, the total amount disclosed under assets is also the maximum credit risk – irrespective of existing collateral. In the case of all underlying performance relations in respect of 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 statement of financial position items and future cash flows from operations, as well as financial transactions and investments against interest and foreign currency risks, the Schuler Group uses derivative financial instruments (e.g. forward exchange transactions, currency swaps, interest swaps and options) whose efficiency is examined in regular effectiveness tests. The Schuler Group neither holds nor issues derivative financial instruments for speculation purposes. Derivative financial instruments are measured at fair value, both on initial recognition and on every subsequent balance sheet date. Measurement is based on the exchange rates (average rates), interest rates and credit ratings of the contract partners at the closing date. The fair value of listed derivatives corresponds to the positive or negative market value at the closing date. If there are no market values, however, fair values are calculated using recognized actuarial models (e.g. using the present value method or Black-Scholes option pricing model). Derivatives with positive fair values are disclosed as financial assets and derivatives with negative fair values as financial liabilities. Financial instruments which represent an effective hedging relationship pursuant to IAS 39 (Hedge Accounting) are classified from this moment onward as fair value hedges or as cash flow hedges.

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

Cash flow hedges serve to hedge against future cash flow fluctuations in connection with a recognized asset, a recognized liability or a highly probable future cash flow. Schuler uses this instrument primarily to hedge against future cash flows from expected payments, which are mainly based on existing orders. The hedging instruments are again carried at fair value. 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 income statement. They are not transferred to the income statement 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. To this end, the type of financial instrument used, the underlying transaction, the hedged risk and an assessment of the degree of effectiveness of the hedging instruments are all documented. In order to judge the effectiveness of the hedging relationship with regard to compensating for risks from changes in cash flows related to the hedged risk, its effectiveness is examined at the closing date. If the conditions for hedge accounting purposes are no longer met, or Schuler decides not to continue the designation, the hedging relationship is reversed with an effect on the income statement.

Construction contracts

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

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

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

Inventories

Inventories are measured at the cost of acquisition or conversion, or at the lower net realizable value. The cost of conversion comprises individual direct costs as well as a reasonable proportion of material and production overheads, including production-related depreciation which can be directly attributed to the manufacturing process. Administrative and social costs are capitalized insofar as they can be allocated to production. Calculation rates are measured on the basis of normal capacity utilization. Borrowing costs are included in the conversion costs of those inventory assets which require a considerable time to convert into a saleable condition. In the period under review, borrowing costs of T€ 198 (prior year: T€ 0) were capitalized for qualified inventory assets whose conversion began after October 1, 2009. A weighted average borrowing cost rate of 8.2% was used to measure those borrowing costs requiring capitalization. Current customer contracts are carried without loss. Risks arising from storage duration, reduced usability or similar occurrences are accounted for by value reductions. If the reasons leading to a value reduction of inventories no longer exist, then the value reduction is reversed. Similar inventory objects are generally valued using the average cost method.

Deferred taxes

Deferred tax assets and liabilities are 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 income statement.

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

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

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

Pension provisions

Actuarial valuation of pension provisions is based on the projected unit credit method in respect of post-employment benefits in accordance with IAS 19. The valuation is not only based on pension payments as known at the balance sheet date, but also includes future increases in salary and pensions. Actuarial gains and losses are recognized in the income statement 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 measurement of provisions is based mainly on internal as well as external data sources, such as actual warranty costs incurred in the past, technical information about the design of products and process technology, as well as internal statistics and experience reports from damage cases or test set-ups, individual contract commitments, the expertise of external assessors and actuaries, or management's assessment of individual issues, such as environmental risks or legal disputes with the involvement of external lawyers. Especially in the case of impending losses, subsequent costs and warranties, all cost elements are considered which are capitalized in inventories.

Provisions not resulting directly in an outflow of resources in the following year are always recognized at their settlement value discounted to the balance sheet date. The relevant market interest rates are used in each case. Provisions are not offset against claims for reimbursement.

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

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

Liabilities

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

Liabilities under finance leases are carried at the present value of the future minimum lease payments, 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 in the fiscal years 2008/09 and 2009/10. The fair value of these non-cash compensation components was measured on the grant dates during the year in accordance with IFRS 2.16. It is expensed over the vesting period in the consolidated income statement using the straight-line method and weighted according to the exercise probability.

Income and expense recognition

Sales revenue and other income is only recognized when the relevant delivery or service has been performed and the risk has thereby passed to the customer (transfer of significant risks and opportunities). This generally presupposes that all major contract components – depending on the agreement, not just delivery but also services, such as construction and assembly – must be completed on the balance sheet date. If a transaction consists of several delivery or service components, it is divided into several accounting units. Total compensation is allocated pro rata to the respective components according to their relative fair values. The customer's compensation for a measurement unit must not depend, however, on the provision of further services. If acceptance agreements were concluded with the customers, revenue is not recognized in the income statement until after acceptance. The exception to this principle are customer-based, long-term construction contracts, where the respective revenue is measured and disclosed according to the percentage-of-completion method. Revenues are recognized after deduction of sales rebates, sales taxes and other taxes charged by the customer. Royalties are measured according to the economic content of the relevant agreements and capitalized pro rata temporis. Income and expenses are capitalized pro rata temporis using the effective interest method; dividend income is recognized at the time it comes into legal existence. State subsidies are deducted from the acquisition costs of the subsidized assets. Public sector expense grants are recognized at the time of the incurred expense as other 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 requires management to make certain assumptions and estimates in order to judge and evaluate the effects of uncertain future events. They reflect the current state of available knowledge at the time of financial reporting and may have a material impact on the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosure of contingent assets and liabilities of the reporting period. Such estimates relate primarily to the assessment of the recoverability of intangible assets, and especially of goodwill, assumptions concerning the technical and economic ability to realize development projects, the economic useful lives of intangible assets and property, plant and equipment, the measurement of fair value for non-current assets, the sales and profit recognition of long-term construction contracts, the suitability of value adjustments for dubious receivables, the amount of expenses for pension benefits and expected income from plan assets, the future use of deferred tax assets depending on expected taxable income, the probability of fulfilling the conditions of the debtor warrant and the recognition and measurement of provisions. Key individual factors include discount rates, cost increases, tax rates, cash flows or biometric assumptions – e.g. life expectancy –, 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 the case of such diverging developments, the estimates and, where necessary, the carrying amounts of the assets and liabilities affected are adjusted.

Further explanations are provided where necessary in the respective notes.

Consolidated income statement disclosures

(1) Sales

For segment reporting purposes, consolidated sales revenue is presented by the Group's business segments and regions. Sales from long-term construction contracts calculated according to the PoC method amounts to T€ 358,995 (prior year: T€ 473,444).

(2) Other income

	2009/10 T€	2008/09 T€
Income from write-ups of non-current assets	8,619	0
Cost refunds/compensation from third parties (incl. insurance payments)	3,168	4,150
Income from rent and leases	3,025	2,740
Reversal/usage of provisions	2,824	11,816
Income from the disposal of fixed assets	2,798	9,105
Other income	6,336	9,588
	26,770	**37,399**

The write-ups of the reporting year concern the reversal of non-scheduled depreciation made in the previous period for segment assets of the former Automation and Production Systems segment in order to reflect reduced value in use.

In the previous year, income from the disposal of fixed assets included profit from the sale of commercial real estate of Group subsidiary Prensas Schuler S.A. in São Paulo, Brazil, amounting to T€ 6,506.

Other income includes currency gains of T€ 1,355 (prior year: T€ 1,906).

(3) Raw materials and consumables used

	2009/10 T€	2008/09 T€
Expenses for raw materials, supplies and goods purchased	234,589	327,330
Expenses for services purchased	31,143	50,842
	265,732	**378,172**

(4) Employee benefit expenses

	2009/10 T€	2008/09 T€
Wages and salaries	213,463	276,865
Social security expenses	49,379	50,705
	262,842	**327,570**
of which for pensions	1,766	93

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

The annual average number of employees developed as follows:

	2009/10	2008/09
Direct employees	2,887	3,135
Indirect employees	1,831	1,983
	4,718	**5,118**
Apprentices	322	337
	5,040	**5,455**

(5) Depreciation and amortization of intangible and tangible assets

	2009/10 T€	2008/09 T€
Intangible assets	5,311	7,914
Tangible assets	16,219	33,002
	21,529	**40,917**

In the fiscal year 2009/10, tangible assets were subject to non-scheduled depreciation of T€ 1,041. This mainly concerns value adjustments on partially used premises in Weingarten. In the previous year, non-scheduled write-downs were made on tangible and intangible assets amounting to T€ 14,668, mainly as a result of reduced value in use caused by the economic crisis.

(6) Other expenses

	2009/10 T€	2008/09 T€
Rent and leasing	17,012	14,567
Advertising, trade fair and exhibition costs, commissions	16,266	14,027
Travel costs for machine assembly, other travel expenses	16,178	17,753
Repairs, servicing, maintenance	14,204	16,790
Packaging, outgoing freight costs, duties	12,190	17,716
Other expenses	48,022	51,018
	123,872	**131,871**

Currency losses included in other expenses amount to T€ 1,283 (prior year: T€ 3,155).

(7) Financial result

	2009/10 T€	2008/09 T€
Interest income	3,033	3,195
– of which from affiliated companies	7	56
Interest expense	35,952	31,134
– of which to affiliated companies	63	92
Interest result	**-32,919**	**-27,939**
Income from investments	405	91
– of which from affiliated companies	64	0
Amortization of financial assets	0	26
– of which for affiliated companies	0	26
Other financial result	**405**	**65**
Financial result	**-32,513**	**-27,874**

(8) Income taxes

	2009/10 T€	2008/09 T€
Current tax expense, Germany	1,234	961
Current tax expense, abroad	2,012	148
Current income taxes	**3,247**	**1,109**
– of which relating to other periods	686	-116
Deferred taxes		
Creation and reversal of temporary differences	**-7,260**	**-7,997**
Total tax income/expense	**-4,014**	**-6,888**

As of the balance sheet date, there were domestic corporate tax loss carryforwards amounting to T€ 253,258 (prior year: T€ 226,428) and trade tax carryforwards of T€ 298,145 (prior year: T€ 270,592). Tax loss carryforwards of non-German Group companies amount to the equivalent of T€ 40,964 (prior year: T€ 44,539). The total amount includes loss carryforwards of T€ 329,157 (prior year: T€ 346,898) deemed non-usable (corporate tax T€ 153,452 (prior year: T€ 141,925), trade tax T€ 173,322 (prior year: T€ 204,500), foreign income taxes T€ 2,383 (prior year: T€ 473)). Of this amount, T€ 327,357 (prior year: T€ 346,718) can be carried forward indefinitely, while T€ 956 of foreign Group companies (prior year: T€ 0) can be used to reduce tax within a period of up to five years and T€ 843 (prior year: T€ 180) can be used within the next ten fiscal years.

In order to calculate expected income taxes, profit or loss for the year before taxes is multiplied by a tax rate of 30.0% (prior year: 30.0%). This figure comprises corporation tax (15.0%), the solidarity surcharge (5.5% of corporation tax) and trade tax (14.0%). Following the introduction of the German Corporation Tax Reform 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 taxes are presented in the following reconciliation calculation:

	2009/10 T€	2008/09 T€
Profit or loss for the year before taxes	-15,847	-71,790
Income tax rate	30.0%	30.0%
Expected income taxes	**-4,754**	**-21,537**
Tax-free income	-804	-275
Non-deductible expenses, incl. foreign withholding tax	3,115	3,533
Current income taxes relating to other periods	686	-116
Subsequent capitalization of deferred taxes for temporary differences and tax loss carryforwards	-14,218	-206
Non-capitalized deferred taxes for temporary differences and tax loss carryforwards	12,951	12,411
Deviation from foreign tax rates	-1,054	-796
Effects from tax rate changes	-45	71
Other	109	27
Disclosed income taxes	**-4,014**	**-6,888**
Effective tax rate	25.3%	9.6%

In addition to the deferred taxes included in the income statement with an effect on earnings, deferred tax liabilities of T€ -194 (prior year: T€ -183) in connection with the market valuation of cash flow hedges 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 position refer to recognition and valuation differences between tax statement of financial position and the statement of financial position for individual items and to capitalized tax carryforwards:

	Deferred tax assets		Deferred tax liabilities	
	09/30/2010	09/30/2009	09/30/2010	09/30/2009
	T€	T€	T€	T€
Non-current assets	2,363	6,057	14,450	13,218
Inventories and receivables	2,674	595	29,965	32,626
Tax loss carryforwards	91,844	83,415	-	-
Other assets	5,150	4,050	615	491
Pension provisions	4,081	3,843	889	919
Other provisions	2,662	7,828	947	1,035
Liabilities	23,672	21,917	2,550	2,858
Gross value	**132,447**	**127,705**	**49,416**	**51,147**
Non-capitalized deferred tax assets	-49,425	-51,470	-	-
Offsetting	-46,533	-43,154	-46,533	-43,154
Recognition in the statement of financial position	**36,489**	**33,081**	**2,883**	**7,993**

Despite the virtual completion of the restructuring measures and greatly improved order position since the third quarter of the reporting year, deferred tax assets are not expected to be fully utilized in the foreseeable future and were therefore partially adjusted. In accordance with IAS 12, unused tax loss carryforwards are only recognized to the extent that there is likely to be a taxable income in future which can be offset against unused tax losses. Account was taken of tax plans based on corporate planning and covering a period of five years as well as the long-term economic conditions relevant to Schuler.

The above value adjustments are based exclusively on tax loss carryforwards as of the balance sheet date.

In the period under review, an amount of T€ 11 (prior year: T€ -1,145) was recognized directly in equity from changes in deferred taxes without an effect on consolidated profit or loss for the year. Moreover, deferred taxes of T€ 56 (prior year: T€ 0) were recognized in capital reserves due to the tax deductibility of capital increase costs. Currency translation differences without effect on profit or loss in connection with deferred taxes of foreign subsidiaries amounted to T€ 1,191 (prior year: T€ 353). All other changes were recognized in the income statement.

(9) Earnings per share

Earnings per share are calculated as the ratio of consolidated profit for the year attributable to shareholders of Schuler AG and the weighted average number of no-par value shares outstanding during the fiscal year. The capital increase of 1,750,000 no-par value shares conducted in the period under review is recognized pro rata temporis as of the completed placement date for the calculation of the average number of outstanding shares. 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 three tranches of the Stock Option Program 2008, potentially diluting shares were created 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 basic earnings per share. The conditional capital adopted by the Annual General Meeting is explained in note (19).

	2009/10 T€	2008/09 T€
Consolidated profit or loss for the year	-11,833	-64,903
Profit attributable to minority interests	956	689
Profit attributable to shareholders of Schuler AG	**-12,789**	**-65,591**
Weighted number of shares outstanding:		
Common shares (number)	21,369,178	21,000,000
Earnings per common share (€)	**-0.60**	**-3.12**

(10) Intangible assets

Changes in intangible assets between October 1, 2009, and September 30, 2010

	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, 2009	**24,863**	**18,236**	**11,906**	**35,631**	**38,309**	**128,945**
Foreign exchange differences	-	2	384	611	-	998
Additions	465	-	3,976	607	19,356	24,404
Transfers	-	9	-	372	-	381
Disposals	-	-	263	1,828	-	2,091
Balance at September 30, 2010	**25,328**	**18,248**	**16,003**	**35,394**	**57,665**	**152,638**
Amortization and impairment						
Balance at October 1, 2009	**3,415**	**3,608**	**6,681**	**29,964**	**12,484**	**56,151**
Foreign exchange differences	-	-	235	442	-	677
Additions	1,889	965	675	1,782	-	5,311
Transfers	-	7	-	-7	-	-
Disposals	-	-	110	1,779	-	1,889
Write-ups	-	-283	-	-78	-	-361
Balance at September 30, 2010	**5,304**	**4,297**	**7,481**	**30,324**	**12,484**	**59,889**
Carrying amounts						
Balance at October 1, 2009	**21,448**	**14,628**	**5,225**	**5,667**	**25,826**	**72,794**
Balance at September 30, 2010	**20,024**	**13,951**	**8,522**	**5,070**	**45,182**	**92,748**

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

	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, 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
– thereof 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**

On March 14, 2008, Schuler AG negotiated a syndicated loan agreement with a consortium of banks and credit insurers. 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 values in the statement of financial position 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€ 41,400 (prior year: T€ 38,802).

Due to the greatly improved earnings prospects and the respective probability of reaching the targets defined in the debtor warrant signed on acquisition of Müller Weingarten AG, Weingarten, Schuler formed a provision of T€ 19,014 in the period under review for a subsequent purchase price payment. Under consideration of the valid accounting regulations at the time of purchase, these subsequent acquisition costs and the additional provisions for property transfer tax from the transaction were recognized as an addition to goodwill (see note (30)).

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

	2009/10 T€	2008/09 T€
Research costs and non-capitalized development costs	4,568	3,965
Amortization of capitalized development costs	675	1,057
R&D costs recognized in the income statement	**5,242**	**5,023**

In addition to the amortization of capitalized development costs, the research and development costs recognized in the income statement in the period under review comprise mainly staff and material costs, as well as depreciation and amortization of tangible and intangible assets used for these activities. In total, development costs incurred in fiscal year 2009/10 amounting to T€ 3,976 (prior year: T€ 3,047) fulfilled the conditions for capitalization pursuant to IAS 38.

In fiscal year 2009/10, government grants of T€ 107 (prior year: T€ 1,185) were received for research and development activities and T€ 283 for investment in plant and machinery (prior year: T€ 0) and offset from acquisition costs. They will be reversed in line with the useful life of the respective asset. Other government grants amounting to T€ 32 (prior year: T€ 55) were carried directly in the income statement.

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

(11) Property, plant and equipment

Changes in property, plant and equipment between October 1, 2009, and September 30, 2010

	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, 2009	**187,596**	**233,573**	**94,756**	**1,749**	**517,674**
Foreign exchange differences	2,133	3,866	1,241	119	7,359
Additions	35	3,441	2,429	5,714	11,618
Transfers	-	2,763	-18	-3,126	-381
Disposals	5,000	14,737	8,335	28	28,101
Reclassification as held for sale assets	-11,186	-5,655	-	-	-16,841
Balance at September 30, 2010	**173,578**	**223,252**	**90,073**	**4,426**	**491,329**
Amortization and impairment					
Balance at October 1, 2009	**84,881**	**193,685**	**81,455**	**-**	**360,021**
Foreign exchange differences	697	2,871	1,036	-	4,605
Additions	6,282	6,643	3,294	-	16,219
– of which non-scheduled	1,000	41	-	-	1,041
Transfers	-	75	-75	-	-
Disposals	2,407	11,319	8,086	-	21,813
Write-ups	-	-7,077	-1,182	-	-8,259
Reclassification as held for sale assets	-8,326	-5,644	-	-	-13,970
Balance at September 30, 2010	**81,127**	**179,234**	**76,443**	**-**	**336,804**
Carrying amounts					
Balance at October 1, 2009	**102,714**	**39,888**	**13,301**	**1,749**	**157,652**
– of which leased assets	-	3,266	-	-	3,266
Balance at September 30, 2010	**92,451**	**44,017**	**13,630**	**4,426**	**154,525**
– of which leased assets	-	1,341	-	-	1,341

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 T€	Technical equip-ment and machinery T€	Other equip-ment, factory and office equipment T€	Assets under construction T€	**Total** 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	-	3,266	-	-	3,266

Restricted right of use regarding property, plant and equipment amounts to T€ 103,333 (prior year: T€ 109,373).

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 third-party real estate assets at the Göppingen and São Paulo facilities – as well as vehicles and of IT hardware and software. At the end of these lease terms there are no purchase or prolongation options at terms better than the expected market conditions or residual value guarantees.

Future lease payments due are shown as of the balance sheet date in the table below:

	Due			**09/30/2010**
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Future payments for finance leases	629	0	0	629
Interest component	15	0	0	15
Carrying/present value	**614**	**0**	**0**	**614**
Future minimum payments for operating leases	12,913	40,725	74,726	128,364

	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

In the period under review, payments recognized in the income statement for operating leases amount to T€ 17,012 (prior year: T€ 14,567). This figure comprises minimum leasing payments of T€ 16,859 (prior year: T€ 14,422) and contingent rents of T€ 153 (prior year: T€ 145), which are based on contractually agreed annual adjustments of rent payments to consumer price indices.

The Group leases a minor amount of self-produced machines and other assets to third parties under operating lease agreements. Straight-line depreciation is applied with useful lives of ten to forty years. Acquisition and conversion costs – converted using average rates on the balance sheet date – amount to T€ 24,648 (prior year: T€ 24,447) as of September 30, 2010; depreciation amounts converted at the annual average rate in the period under review totaled T€ 1,611 (prior year: T€ 1,631, accumulated T€ 22,487, prior year: T€ 20,747). After accounting for currency translation differences belonging to annual depreciation (T€ 0, prior year: T€ 5), the carrying amount as of September 30, 2010, amounts to T€ 2,161 (prior year: T€ 3,704). The following payments are expected to be received from these operating leases with third parties over the coming years:

	Due			**09/30/2010**
	up to 1 year	from 1 to 5 years	over 5 years	Total
	T€	T€	T€	T€
Future payments received from operating leases	1,836	91	0	1,927

	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

(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 2009/10, there was no impairment of a permanent or significant nature. As a result, no amortization with an effect on the income statement was recognized (prior year: T€ 26).

Interests in non-consolidated affiliated companies include restricted right of use amounting to T€ 494 (prior year: T€ 519).

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

	Remaining term		09/30/2010	Remaining term		09/30/2009
	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	22,250	5,547	27,797	20,796	6,265	27,060
Positive fair values of derivatives	1,637	49	1,686	1,465	245	1,709
Payments on account	4,414	0	4,414	4,475	0	4,475
Other non-financial assets	8,126	3,074	11,200	10,208	1,450	11,657
Other financial assets	4,406	2,207	6,613	26,630	2,701	29,331
	40,832	**10,877**	**51,709**	**63,573**	**10,660**	**74,233**

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

Default risks are accounted for by means of valuation allowances, which amount to T€ 2,834 as of the balance sheet date (prior year: T€ 3,499).

The purchase price receivable of T€ 19,198 resulting from the sale of commercial real estate assets of Prensas Schuler S.A. in São Paulo, Brazil, which was recognized under other financial assets in the previous year was settled in full during the period under review.

Valuation allowances for other financial assets developed as follows:

	2009/10 T€	2008/09 T€
Valuation allowances as at Oct. 1	**3,499**	**638**
Additions	132	2,861
Utilization	328	0
Reversals	469	0
Valuation allowances as at Sep. 30	**2,834**	**3,499**

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

	09/30/2010 T€	09/30/2009 T€
Neither impaired nor past due as at the closing date	7,500	29,118
Not impaired at the closing date and past due in the following time periods:		
– less than 3 months	504	1,114
– between 3 and 6 months	2	343
– between 6 and 9 months	95	256
– between 9 and 12 months	0	41
– over 12 months	31	33
	633	1,786
Valuation allowances to individual other receivables and other financial assets, net	166	137
Carrying amount, net	**8,299**	**31,040**

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

The carrying amounts of disclosed financial and non-financial assets mainly correspond to their fair values: foreign exchange receivables are generally translated at the exchange rate valid 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

	09/30/2010 T€	09/30/2009 T€
Raw materials, consumables and supplies	25,910	31,103
Work in progress	73,419	64,555
Finished goods and purchased merchandise	10,207	10,386
	109,536	**106,044**

In the period under review, valuation allowances for raw materials, consumables and supplies amounting to T€ 724 (prior year: T€ 7,126), as well as reversals of valuation allowances amounting to T€ 2,092 (prior year: T€ 109) as a result of increased fair values, were recognized as material expenses in the income statement. The devaluation of unfinished and finished goods booked as a reduction in inventories amounts to T€ 16,357 (prior year: T€ 10,367). Of the total inventories, a volume of T€ 30,855 (prior year: T€ 46,156) is recognized at net realizable value.

Restricted right of use from the provision of collateral amounts to T€ 84,256 (prior year: T€ 74,475).

(15) Trade receivables

	09/30/2010 T€	09/30/2009 T€
Trade receivables from		
– third parties	73,704	86,903
– affiliated companies	1,783	1,083
– companies in which an investment is held	83	59
	75,571	**88,046**

Trade receivables contain an amount of T€ 0 (prior year: T€ 3,360) with a remaining term of over one year.

Valuation allowances for trade receivables developed as follows:

	2009/10 T€	2008/09 T€
Valuation allowances as at Oct. 1	**7,872**	**6,856**
Additions	920	2,774
Utilization	1,443	493
Reversals	2,244	1,298
Exchange rate effects and other changes	48	33
Valuation allowances as at Sep. 30	**5,153**	**7,872**

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

	09/30/2010 T€	09/30/2009 T€
Neither impaired nor past due as at the closing date	43,528	51,952
Not impaired at the closing date and past due in the following time periods:		
– less than 3 months	23,923	23,538
– between 3 and 6 months	5,641	9,280
– between 6 and 9 months	939	480
– between 9 and 12 months	145	656
– over 12 months	760	696
	31,407	34,649
Valuation allowances to individual trade receivables, net	636	1,445
Carrying amount, net	**75,571**	**88,046**

An amount of T€ 1,940 (prior year: T€ 4,095) was charged to the income statement in the period under review for impairment and derecognition of trade receivables. As at the closing date there were no trade receivables with renegotiated conditions which would otherwise have been past due or impaired. On the basis of experience and often long-standing customer relationships, Schuler judges those trade receivables which are neither adjusted nor past due to be generally creditworthy and without significant risk of default.

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

Restricted right of use from the provision of collateral amounts to T€ 55,390 (prior year: T€ 65,279). The parties concerned have no rights to sell or pledge the collateral provided.

(16) Future receivables from long-term construction contracts

	09/30/2010 T€	09/30/2009 T€
Contract costs incurred, including partial profits	382,641	500,471
Payments received on account for construction contracts not yet invoiced	-335,776	-412,105
Impending loss provisions	-7,088	-5,435
Future receivables from long-term construction contracts, net	**39,777**	**82,930**
– of which contracts with net receivables	95,746	156,557
– of which contracts with net payables	55,969	73,627

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€ 84,432 (prior year: T€ 140,581). 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€ 98,823 (prior year: T€ 51,489) include bank balances (T€ 98,725, prior year: T€ 51,382), as well as checks and cash in hand (T€ 98, prior year: T€ 107). As of the balance sheet date, the average effective interest rate for short-term bank deposits amounted to 0.75% (prior year: 0.35%) in EUR, to 0.00% (prior year: 0.00%) in USD, to 10.81% (prior year: 8.75%) in BRL, to 2.06% (prior year: 2.11%) in CNY, to 0.13% (prior year: 0.13%) in CHF, and to 0.05% (prior year: 0.05%) in GBP. These deposits have terms of between one and 95 days and are subject to only minor value fluctuations. As of the balance sheet date, account balances totaling T€ 74,363 (prior year: T€ 29,029) were provided as collateral for obligations from semi-retirement agreements, as well as in connection with the syndicated loan agreement.

(18) Assets and liabilities of a disposal group

On September 30, 2010, Schuler Hydroforming GmbH & Co. KG sold its entire commercial real estate in Wilnsdorf, Germany, two hydroforming presses and other accessories (mainly cranes, camera system, transformer stations). Recognition of the disposal is conditional on the fulfillment of the purchase contract and the passing of risk.

The following table provides a breakdown of the available-for-sale assets and liabilities:

	09/30/2010 T€
Land and buildings	2,860
Technical plant and machinery	11
Non-current assets and disposal groups held for sale	**2,871**

The disclosures correspond to the lower residual carrying amounts as at the balance sheet date. There was no impairment charge following valuation pursuant to IFRS 5.15.

(19) Equity

Share capital

Share capital amounts to € 59,150,000.00 (prior year: € 54,600,000.00); it is divided into 22,750,000 (prior year: 21,000,000) no-par-value common shares. Each share thus has a notional share of nominal capital amounting to € 2.60. The shares are made out to the bearer, the capital is paid up in full.

Authorized capital

On the basis of a resolution adopted by the 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.

With the approval of the Supervisory Board, the Board of Management resolved on July 15, 2010 to increase the capital stock of Schuler AG, under partial utilization of authorized capital, by € 4,550,000.00 to € 59,150,000.00 in exchange for cash contributions. A total of 1,750,000 no-par value common shares made out to the bearer and with full dividend entitlement as of fiscal year 2009/10 were placed on the same day with qualified institutional investors by means of an accelerated bookbuilding process at a price of € 4.20 each. The subscription rights of shareholders were excluded. The capital increase was entered into the Commercial Register of the District Court of Ulm on July 22, 2010.

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.

Convertible bonds, bonds with warrants, profit participation rights, income bonds or combinations of such instruments

The Annual General Meeting of Schuler AG on April 15, 2010 resolved to form additional conditional capital. The company's capital stock was raised conditionally (Conditional Capital II) by up to € 25,480,000.00 by issuing up to 9,800,000 new no-par value bearer shares (common stock). Issue can also be made for cash contribution. The conditional capital increase will only be conducted to the extent that the bearers of the conversion or option rights from convertible bonds, bonds with warrants, profit participation rights, income bonds or combinations of such instruments (collectively referred to as the »bonds«), with or without maturity date, with a total nominal value of up to € 98,000,000.00 and issued by the company or a group subsidiary in the period from April 15, 2010 to April 14, 2015, utilize their conversion or option rights, or that the bearers of convertible bonds with a conversion obligation issued by the company or a group subsidiary fulfill their duty to convert and the company does not use treasury shares to satisfy such rights. The new shares used for issuance participate in profits from the beginning of the fiscal year in which they were created by exercising conversion rights. The Supervisory Board is authorized to adapt the articles in accordance with the scale of the capital increase from Conditional Capital II.

The bond issuance conditions can determine that the company does not grant no-par value shares to the bearers of conversion or option rights, or those obliged to convert, but instead pays their value in cash. Insofar as convertible bonds or bonds with warrants are issued for cash contribution, the Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of shareholders to convertible bonds with a total nominal value of up to € 21,000,000.00, providing the issuance price is not significantly lower than the theoretical market value of the convertible bonds or bonds with warrants as calculated according to recognized actuarial methods. This authorization to exclude subscription rights, however, is only valid in analogous application of § 186 (3) sentence 4 AktG insofar as the no-par value shares issued, or to be issued, to settle conversion or option rights do not exceed ten percent of share capital – neither at the time of effectiveness nor at the time this authorization is exercised. Moreover, the Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe for bonds, insofar as these are issued for cash contribution for the purpose of acquiring companies, parts of companies or investments in companies and the value of the non-cash consideration is reasonably proportionate to the value of the bond. In the case of convertible bonds or bonds with warrants, the theoretical market value as calculated according to recognized actuarial methods is decisive.

The Board of Management is authorized to determine the further details of the issuance and details of the bonds, in particular their interest rate, term and denomination.

No bonds were issued in the period under review.

Stock Option Program 2008

The Annual General Meeting of Schuler AG of April 10, 2008 authorized the Supervisory Board to issue up to 700,000 share options in the period up to December 31, 2012, each with a subscription right for one common share of Schuler AG, however not before the adopted conditional capital of € 1,820,000.00 had become effective through entry in the Commercial Register and after specifying the following key provisions of the Stock Option Program 2008.

The Stock Option Program 2008 has the following key provisions:

- Only the members of the Board of Management of Schuler AG 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 third tranche was offered and accepted in fiscal year 2009/10. Details regarding the development of outstanding options can be seen from the following table:

Stock Option Program 2008	Number of stock options Units	(Remaining) contractual term Years	Exercise price/ option €	Initial Schuler share price [1] €	Fair value/ option [1]
As of October 1, 2008	**-**	**-**	**-**	**-**	**-**
Tranche 1 (01/30/2009)	264,500	4.0	2.60	3.45	1.62
Tranche 2 (04/03/2009)	264,500	4.0	2.60	2.60	1.01
As of September 30, 2009	**529,000**	**3.4**	**2.60**	**3.02**	**1.32**
Tranche 3 (02/05/2010)	132,250	4.0	2.60	4.05	2.29
As of September 30, 2010	**661,250**	**2.6**	**2.60**	**3.23**	**1.51**

[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 further model assumptions for the valuation of stock options issued in the period under review (Tranche 3) were based on a risk-free interest rate of 2.23%, a term of four years, an expected volatility of 53.79%, 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 2009/10 amounts to T€ 252 (prior year: T€ 54).

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 decreased by T€ 16,167 in fiscal year 2009/10. This amount results from the capital increase conducted in fiscal year 2009/10 (net T€ 2,669) and the Stock Option Program 2008 (T€ 252) less a withdrawal of T€ 19,087 to settle the statement of financial position loss of Schuler AG.

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«.

The following table shows changes in the components of accumulated other comprehensive income with separate disclosure of the respective tax effects:

	2009/10			2008/09		
	Before tax amount T€	Tax expense benefit T€	Net-of-tax amount T€	Before tax amount T€	Tax expense benefit T€	Net-of-tax amount T€
Exchange differences on translating foreign operation	5,092	0	5,092	-509	0	-509
Cash flow hedges:						
– valuation changes recognized directly in equity	480	-135	345	268	-80	188
– recognized in profit and loss	-480	144	-336	3,290	-1,069	2,221
Profit/loss from available-for-sale financial assets	-6	2	-5	-13	4	-9
Other comprehensive income for the year	**5,087**	**11**	**5,097**	**3,036**	**-1,145**	**1,892**

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 statement of financial position losses – the amount of interest is not based on the size of the profit for the year, 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

The primary aim of capital management is 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. This also involves the creation of sufficient liquidity reserves to ensure financial solvency at all times. The equity ratio is measured on the basis of equity capital disclosed in the statement of financial position. In the period under review, capital was increased by a gross amount of T€ 7,350 in order to strengthen the company's equity base.

	09/30/2010 T€	09/30/2009 T€
Equity capital	116,803	116,541
Total of statement of financial positions	726,778	748,460
Equity ratio in %	16.1	15.6

As part of the syndicated loan agreement, Schuler AG committed itself to meeting certain financial covenants. In the period under review, the capital measures included achieving a minimum level of equity capital. According to our calculations, the terms of the agreement – amended in December 2009 – were met at all times throughout fiscal year 2009/10.

Proposed appropriation of profit

The dividend available for distribution of Schuler AG is based on its disclosed (HGB) statement of financial position profit. An amount of € 19,087,406.32 was withdrawn from the capital reserves of Schuler AG and netted with the company's statement of financial position loss.

(20) Minority interests

The minority interest in equity is attributable to the companies Shanghai Schuler Presses Co. Ltd., Müller Weingarten Česká Republica s.r.o., Beutler Nova AG, and Eclips Vermietungsgesellschaft mbH & Co. Objekt Göppingen Kommanditgesellschaft.

(21) Non-current and current liabilities

	Remaining term			09/30/2010	Remaining term			09/30/2009
	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	34,813	148,335	21,294	204,442	106,106	91,713	26,013	223,833
Bills of exchange	36	0	0	36	2	0	0	2
Financial lease liabilities	614	0	0	614	738	651	0	1,389
Other financial debts	2	0	0	2	17	0	0	17
	35,464	**148,335**	**21,294**	**205,093**	**106,863**	**92,364**	**26,013**	**225,240**

Of the financial liabilities disclosed, a total of T€ 157,405 (prior year: T€ 170,825) is secured by real estate liens and other non-current and current assets.

The 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 with an unchanged volume of T€ 450,000. The newly agreed term expires in September 2012. The loan comprises a credit line of T€ 250,000, two revolving facilities and term loan facilities with fixed interest rates. Following the capital increase in July 2010, a partial amount of T€ 3,500 was used to reduce the cash tranches. The revolving facilities now amount to T€ 93,632 and the term loan facilities to T€ 102,868. The conditions of the revolving cash and credit line tranches depend on the Schuler Group's relationship of net borrowing to EBITDA and are reviewed and adjusted where necessary each quarter. The collateral for the syndicated loan agreement includes shares in subsidiaries, property, plant and equipment, and current assets.

Liabilities to banks include fixed-interest loans with a carrying amount of T€ 157,559 (prior year: T€ 48,403) and variable-interest loans of T€ 46,884 (prior year: T€ 175,430). The weighted average interest rates for fixed-interest liabilities amounted to 8.17% in EUR (prior year: 4.98%), 4.50% in BRL (prior year: n.a.) and 3.20% in CHF (prior year: 3.20%). In the case of variable-interest liabilities, the corresponding figures amounted to 2.54% in EUR (prior year: 3.95%), n.a. in CNY (prior year: 7.45%), 9.94% in BRL (prior year: 9.70%) and 3.96% in CZK (prior year: 4.96%). The average remaining term of fixed-interest liabilities amounts to 3.3 years as of September 30, 2010 (prior year: 7.3 years), while the average term (interest adjustment dates) of variable-interest liabilities is around 4.5 months (prior year: 5.4 months).

Variable-interest liabilities are secured in part by interest swaps and caps or opposing positions. As at the balance sheet date, there were no unsecured variable-interest liabilities (prior year: T€ 60,813).

Of the liabilities to banks, a total of T€ 32,033 (prior year: T€ 52,694) is payable in BRL, T€ 0 (prior year: T€ 314) in CNY, T€ 289 (prior year: T€ 346) in CHF and T€ 81 (prior year: T€ 320) 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€ 525,609 (prior year: T€ 523,843). Credit/guarantee lines used at present amount to T€ 315,962 (prior year: T€ 319,592).

Credit lines with banks amounting to T€ 144,713 (prior year: T€ 160,838) are secured by various non-current and current assets.

(22) Non-current and current other liabilities

	Remaining term			09/30/2010	Remaining term			09/30/2009
	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€	up to 1 year T€	from 1 to 5 years T€	over 5 years T€	Total T€
Payments on account received in respect of long-term construction contracts (net)	48,881	0	0	48,881	68,192	0	0	68,192
Other payments on account received from customers	24,722	0	0	24,722	21,338	0	0	21,338
Liabilities in respect of staff benefits and compensation (incl. social security)	28,768	457	0	29,225	26,377	599	0	26,976
Liabilities from other taxes	8,042	0	0	8,042	11,767	0	0	11,767
Negative fair values of derivatives	1,464	1,716	0	3,181	1,395	3,416	0	4,812
Other liabilities	5,363	170	0	5,533	7,344	0	0	7,344
	117,240	**2,343**	**0**	**119,584**	**136,414**	**4,015**	**0**	**140,429**

Liabilities in respect of staff benefits and compensation mainly comprise wages, salaries, social security, accrued holiday and Christmas money, and special payments not yet due as of the balance sheet date. The respective fair values do not differ significantly from the disclosed carrying amounts.

(23) Pension provisions

Pension provisions are formed for obligations in respect of future entitlements and current payments to entitled active and former employees and their dependants. Pensions vary according to the legal, fiscal and economic circumstances of the respective country and are generally based on the years of service and remuneration of employees. The overwhelming proportion of pension provisions formed by the Schuler Group concern domestic subsidiaries.

Company pension schemes are generally divided into defined contribution plans and defined benefit plans. In the case of defined contribution plans, the company has no other legal or constructive obligation than the payment of contributions to an external provider. The contributions are recognized as expenses in the income statement as of their due date. Total defined contribution plan expenses in the period under review amount to T€ 19,935 (prior year: T€ 21,322). This total includes employer contributions to the German state pension fund of T€ 19,655 (prior year: T€ 21,021).

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:

	2009/10	2008/09
Discount rate	5.6%	6.7%
Future salary increases	2.5%	2.5%
Automatic adjustment of vested benefit claims for entitled staff with income-independent benefit arrangements	0.0%	0.0%
Adjustment of current benefits acc. to § 16 BetrAVG	2.0%	2.0%
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 4.1% (prior year: 5.6%) 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 income statement 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 income statement 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 income statement 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:

	2009/10 T€	2008/09 T€
Defined benefit obligation (DBO) as of Oct. 1	**95,245**	**85,852**
Currency translation differences	21	-1
Current service cost	885	586
Interest cost of pension obligations	5,197	5,519
Contributions of plan participants	1,217	1,571
Actuarial gains/losses	16,665	8,576
Pension payments made	-6,897	-6,858
Defined benefit obligation (DBO) as of Sep. 30	**112,333**	**95,245**

	2009/10 T€	2008/09 T€
Present value of plan assets as of Oct. 1	**23,590**	**21,860**
Expected income from plan assets	1,247	1,188
Contributions of employers	0	524
Contributions of plan participants	450	744
Actuarial gains/losses	2,144	1,305
Payments made	-1,467	-2,030
Present value of plan assets as of Sep. 30	**25,963**	**23,590**

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 statement of financial position, provisions for pensions are calculated as follows:

	09/30/2010 T€	09/30/2009 T€
DBO of externally financed obligations	31,892	31,029
Fair value of plan assets	25,963	23,590
Deficit	5,929	7,439
DBO of internally financed obligations	80,441	64,216
Financial status	**86,370**	**71,654**
Unrecognized actuarial gains/losses	-13,593	804
Pension provisions recognized in the statement of financial position	**72,777**	**72,459**
– thereof carried as pension provisions	72,777	72,459

The amount recognized as income or expense in the income statement resulting from defined benefit plans consists of the following items:

	2009/10 T€	2008/09 T€
Current service cost	885	586
Amortization of actuarial gains/losses	7	-1,999
Interest cost of pension obligations	5,197	5,519
Expected income from plan assets	-1,247	-1,188
Net pension expense	**4,842**	**2,919**

The actual results of the plan assets amount to T€ 3,390 (prior year: T€ 2,492). 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 2010/11.

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

	09/30/2010 T€	09/30/2009 T€	09/30/2008 T€	09/30/2007 T€	09/30/2006 T€
Direct benefit obligations	-112,333	-95,245	-85,852	-99,458	-53,239
Fair value of the plan assets	25,963	23,590	21,860	23,614	5,506
Plan deficit	-86,370	-71,654	-63,993	-75,844	-47,733
Experience adjustments to DBO	-576	-203	-843	448	-
Experience adjustments to plan assets	-269	-119	-40	70	-

(24) Non-current and current other provisions

	Other taxes T€	Contract costs T€	Personnel expenses T€	Other obligations and risks T€	**Total** T€
Balance at 10/01/2009	**476**	**63,667**	**51,436**	**18,246**	**133,825**
– of which current	476	62,792	30,459	14,450	108,177
Foreign exchange differences	17	814	71	178	1,081
Utilization	210	17,838	16,786	6,202	41,037
Reversals	0	4,037	4,049	3,253	11,339
Additions	603	33,005	3,758	22,705	60,072
Unwinding of discount	0	51	587	170	808
Interest rate changes	0	27	315	0	342
Balance at 09/30/2010	**886**	**75,690**	**35,332**	**31,845**	**143,753**
– of which current	886	72,518	17,168	9,886	100,458

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) amount to T€ 11,461 (prior year: T€ 25,192) as of the balance sheet date.

Other obligations and risks concern identifiable risks and uncertain obligations which are carried in consideration of their expected settlement value. These include in particular provisions for annual financial statement costs, environmental risks or litigation. In the period under review, this item also included a discounted amount of T€ 19,014 for the expected subsequent purchase price payment based on a debtor warrant agreed with the seller for the acquisition of Müller Weingarten AG, Weingarten (see note (30)).

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€ 478 (prior year: T€ 623).

(25) Trade payables

	2009/10 T€	2008/09 T€
Trade payables to		
– third parties	51,573	39,613
– affiliated companies	3,051	2,903
Liabilities from outstanding invoices	9,944	8,785
	64,569	**51,301**

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

(26) 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	**09/30/2010**
	T€	T€	T€	T€	T€
ASSETS					
Interests in affiliates and participations	1,716	1,716	-	-	1,716
Trade receivables	75,571	75,571	-	-	75,571
Future receivables from long-term construction contracts	95,746	95,746	-	-	95,746
Other financial and non-financial assets	6,613	6,613	1,677	9	8,299
– thereof derivatives without hedging relationship	-	-	-	9	9
– thereof derivatives with cash flow hedging relationship	-	-	1,677	-	1,677
Cash and cash equivalents	98,823	98,823	-	-	98,823
LIABILITIES					
Financial liabilities	205,093	202,499	-	-	205,093
– thereof to banks	204,442	202,181	-	-	204,442
– thereof bills of exchange	36	36	-	-	36
– thereof from financial leases	614	280	-	-	614
– thereof other financial debts	2	2	-	-	2
Trade payables	64,569	64,569	-	-	64,569
Other financial liabilities	28,278	28,278	1,912	1,269	31,459
– thereof derivatives without hedging relationship	-	-	-	1,269	1,269
– thereof derivatives with cash flow hedging relationship	-	-	1,912	-	1,912

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	**09/30/2010**
	T€	T€	T€	T€	T€
Financial assets measured at fair value through profit or loss	-	-	-	9	9
Loans and receivables	276,752	276,752	-	-	276,752
Available-for-sale financial assets	1,716	1,716	-	-	1,716
Financial liabilities measured at fair value through profit or loss	-	-	-	1,269	1,269
Financial liabilities measured at amortized cost	297,326	295,066	-	-	297,326

	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 financial and non-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
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

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

During the period under review, there were no reclassifications of financial instruments into other valuation categories.

Financial instruments measured at fair value are assessed on the balance sheet date according to the following fair value levels as defined by IFRS:

Level 1: Valuation is based on quoted, unadjusted prices in active markets for identical assets or liabilities.

Level 2: The valuation process is based on inputs which have a significant effect on the recorded fair value, for which either directly or indirectly quoted prices in active markets are available.

Level 3: The valuation process is based on inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments measured at fair value are allocated to the three levels of the fair value hierarchy as follows:

	Fair value hierarchy			09/30/2010
	Level 1 T€	Level 2 T€	Level 3 T€	Carrying amount T€
Financial assets measured at fair value	**-**	**1,686**	**-**	**1,686**
– Derivative financial instruments	-	1,686	-	1,686
Financial liabilities measured at fair value	**-**	**3,181**	**-**	**3,181**
– Derivative financial instruments	-	3,181	-	3,181

No financial instruments measured at fair value were transferred between the hierarchy levels displayed during the period under review.

The fair values of financial instruments were calculated on the basis of market information available 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 and interest options were valued on the basis of exchange rates quotes or by using recognized option pricing models. The fair values of interest swaps were calculated by using discounted, future expected cash flows, whereby the remaining terms of market interest rates for these financial instruments were considered. Wherever possible, these models use the relevant market prices and interest rates observed on the balance sheet date as acquired from recognized external sources.

Financial liabilities and trade payables are valued at amortized cost. Differences between historic acquisition costs and the repayment amount are considered according to the effective interest method. Standard market interest rates based on the respective terms are used for discounting. Trade payables generally have short terms, so that it can be assumed that their carrying amounts approximate their respective fair values. 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 income statement in accordance with the categories of IAS 39 (excluding derivatives with a cash flow hedging relationship).

	2009/10 T€	2008/09 T€
Financial assets at fair value through profit or loss	-126	842
Loans and receivables	3,450	-2,867
Available-for-sale financial assets	1	347
Financial liabilities at fair value through profit or loss	396	-5,296
Financial liabilities measured at amortized cost	-19,285	-16,505

The net results from financial instruments result from changes in fair value, impairments and reversals, results from equity instruments valued at cost, derecognitions, exchange rate changes and interest. Results from financial instruments measured at fair value through profit and loss which do not qualify for a hedging relationship include both interest and currency effects. Net losses from financial liabilities measured at amortized cost (T€ -19,285, prior year: T€ -16,505) mainly result from interest charges for bank liabilities.

Total interest income and expenses for financial instruments not carried at fair value through profit or loss amount to T€ 1,944 (prior year: T€ 1,865) and T€ 19,800 (prior year: T€ 18,359). 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 consolidated statement of comprehensive income of the Schuler Group.

Other disclosures

(27) Statement of cash flows

The statement of cash flows shows how cash and cash equivalents of the Schuler Group changed during the period under review as a result of incoming and outgoing cash flows. In accordance with IAS 7, the statement is divided into cash flows from operating, investing and financing activities. Within the »cash flows from operating activities« section, Schuler also discloses gross cash flow as a further key financial indicator for operations.

The statement of cash flows includes only cash and cash equivalents disclosed in the statement of financial position, i.e. cash in hand, checks and bank balances, providing they are available within three months.

The statement of cash flows from operating activities are derived indirectly from profit before minority interests. As part of this indirect calculation, recognized changes in items of the statement of financial position 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 statement of financial position. Due mainly to the greatly reduced capital tied up in trade receivables and receivables from long-term construction contracts, cash flows from operating activities amounted to T€ 54,258 (prior year: T€ -32,907).

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 intangible assets and property, plant and equipment amounted to T€ 28,050 (prior year: T€ 2,595). This figure includes income from the sale of real estate belonging to the Group's Brazilian subsidiary in the previous year amounting to T€ 19,198. In total, cash flows from investing activities amounted to T€ 11,409 compared with T€ -7,907 in the previous year.

Financing activities include cash flows with shareholders of Schuler AG and its subsidiaries as well as proceeds from and redemption of financial liabilities. Disbursements also include the redemption of liabilities from financial leases. Cash flows from financing activities amount to T€ -20,121 (prior year: T€ 1,850) – due mainly to the reduction of bank liabilities during this period.

In summary, the various cash flows and the changes in value caused by exchange rate fluctuations resulted in an increase in cash and cash equivalents in fiscal year 2009/10 of T€ 47,334 to T€ 98,823.

(28) Segment reporting

Information by operating segment

Schuler adopted IFRS 8 »Operating Segments« for the first time in fiscal year 2009/10. This accounting standard requires the definition of operating segments which engage in their own business transactions, for which discrete financial information is available, and whose operating results are reviewed regularly by the chief operating decision makers for the purposes of allocating resources and assessing performance. Financial information is reported on the basis of the internal control concept (management approach). The criteria for the permissible summarizing of business segments as defined in the above mentioned accounting standard must be observed.

In accordance with the Schuler Group's internal reporting and organizational structure, three reportable segments have been specified below the management holding as of October 1, 2009. Segment reporting also includes the summarized division »Other Segments« and the Corporate Center of Schuler AG, as well as a consolidation item to reconcile segment reporting with the disclosed consolidated amounts. The consolidation measures only include those items which do not affect the segments themselves (e.g. debt consolidation between segments and the elimination of inter-segment sales). The prior-year amounts have been adjusted to the new reporting system to aid comparison.

Reporting is based on areas of activities as defined by the differing products and services supplied by the operating segments Forming Systems, Automation and Tools: the products of the Forming Systems segment mainly comprise mechanical and hydraulic metalforming systems, while the Automation segment focuses on automation systems and laser technology. All activities in the field of car body technology and the respective services are pooled in the Tools segment.

The »Other Segments« category summarizes all other activities which do not require separate reporting. These include Schuler Guß, Sales & Service companies and special-purpose entities.

Schuler determines segment success on the basis of its operating result, which is defined as earnings before interest and taxes (EBIT).

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

	Forming Systems		Automation		Tools		Other Segments	
	2009/10 T€	**2008/09** T€	**2009/10** T€	**2008/09** T€	**2009/10** T€	**2008/09** T€	**2009/10** T€	**2008/09** T€
Sales to third parties	484,781	587,856	31,563	36,120	47,988	55,740	85,929	143,400
Intercompany sales	24,202	59,781	34,144	35,280	1,301	2,361	17,656	23,812
Segment sales	**508,983**	**647,638**	**65,707**	**71,400**	**49,290**	**58,102**	**103,585**	**167,212**
EBIT	**12,495**	**-11,080**	**-773**	**-579**	**5,131**	**-7,975**	**8,514**	**-14,030**
Depreciation [1)]	12,536	14,551	1,353	3,378	1,266	9,242	4,933	13,295
– of which non-scheduled	0	562	0	1,832	0	6,796	41	5,478
Write-ups of non-current assets	0	0	1,098	0	5,625	0	1,896	0
Restructuring expenses acc. to IAS 1.87 (b) [2)]	0	10,729	0	0	0	0	0	7,623
Capital expenditures [1)]	12,861	9,144	706	155	772	1,120	1,012	1,439
Personnel as of 09/30 (incl. apprentices)	3,491	3,636	487	529	403	443	550	691

	Total Segments		Schuler AG (Corporate Center) / Consolidation		Schuler Group	
	2009/10 T€	**2008/09** T€	**2009/10** T€	**2008/09** T€	**2009/10** T€	**2008/09** T€
Sales to third parties	650,261	823,117	0	0	650,261	823,117
Intercompany sales	77,304	121,235	-77,304	-121,235	0	0
Segment sales	**727,564**	**944,352**	**-77,304**	**-121,235**	**650,261**	**823,117**
EBIT	**25,367**	**-33,665**	**-8,295**	**-10,187**	**17,072**	**-43,852**
Depreciation [1)]	20,088	40,465	1,441	452	21,529	40,917
– of which non-scheduled	41	14,668	1,000	0	1,041	14,668
Write-ups of non-current assets	8,619	0	0	0	8,619	0
Restructuring expenses acc. to IAS 1.87 (b) [2)]	0	18,352	0	0	0	18,352
Capital expenditures [1)]	15,351	11,859	1,315	368	16,667	12,226
Personnel as of 09/30 (incl. apprentices)	4,931	5,299	38	33	4,969	5,332

1) *without financial assets*
2) *transfer of new machine business for hydraulic presses from Esslingen and of hydroforming business from Wilnsdorf to Waghäusel*

Profit or loss for the year before taxes is reconciled with the performance indicator used in segment reporting (EBIT) as follows:

	2009/10 T€	2008/09 T€
Total segment results (EBIT)	**25,367**	**-33,665**
Corporate Center	-7,461	-10,777
Interest result	-32,919	-27,939
Consolidation	-834	590
Profit or loss for the year before taxes (EBT)	**-15,847**	**-71,790**

Additional disclosures at company level

Sales by products and services

	2009/10 T€	2008/09 T€
Plant and machinery	406,979	539,247
Tools (including stamped parts)	58,161	68,290
Foundry	5,448	11,862
Service (incl. sales of used machines)	166,718	176,649
Other (incl. contract manufacturing)	12,954	27,070
Schuler Group	**650,261**	**823,117**

Segment information by region

Segment information by region divides sales according to the location of the customer's headquarters. Non-current assets are allocated to geographical regions according to the location of the Group company's headquarters.

	Sales to third parties		Intangible assets and property, plant and equipment	
	2009/10 T€	**2008/09** T€	**2009/10** T€	**2008/09** T€
Germany	224,047	323,360	196,976	181,293
Europe (excluding Germany)	106,582	166,429	5,184	5,450
America	154,673	197,117	36,215	35,034
Asia	155,797	135,117	8,897	8,670
Other	9,162	1,094	0	0
Schuler Group	**650,261**	**823,117**	**247,273**	**230,447**

(29) Financial risk management and derivative financial instruments

Principles of risk management with regard to financial risks

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

Financial risks are continually monitored by the central cash and foreign currency management system of Schuler AG's corporate treasury department and limited with the aid of suitable hedging relationships based on corresponding guidelines adopted by the Board of Management. The responsibilities of all Group companies with regard to risk management are clearly and comprehensively regulated by binding group-wide guidelines. The hedging of financial transactions and business conducted by Group subsidiaries outside the Euro zone is closely coordinated with the Group's central treasury division. All companies of the Schuler Group are obliged to hedge foreign currency positions at the time of their creation. Providing there are no legal regulations to the contrary, this is done by delivering open foreign exchange positions to the Group's treasury department, which hedges against the relevant underlying transactions with different terms in accordance with the hedging purpose. In certain cases, future planned transactions may also be the object of a hedging relationship. Financial risk management is subject to strict monitoring, which is guaranteed in particular by a clear functional separation between trading, processing and control. In addition to financial reporting to the Board of Management and Supervisory Board, the regular monitoring of adherence to guidelines adapted to current market and product developments, the efficiency of hedging instruments and the reliability of our internal control systems via internal and external audits all provide a high degree of transparency and permanent function control. Additional explanations on risk management are provided in the Group management report.

In the period under review, and in the previous year, the Schuler Group held no collateral which could be sold or transferred without the defaulting of the collateral provider.

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, EUR/GBP and EUR/CNY. Such derivatives are used solely for hedging purposes, which are tied to the corresponding existing underlying business or planned transactions. Schuler does not enter into trading positions with the aim of speculating. Hedging by means of financial derivatives comprises recognized, pending and anticipated transactions. Due to the typically long-term nature of Schuler's large-machine business, the Group generally hedges against currency risks according to individual orders (micro hedges).

Schuler holds various interest-sensitive, medium-term and long-term assets and liabilities in order to meet liquidity requirements. The Group's *interest rate risk* results from funding which is not in line with the respective maturities, as well as from various interest elasticities of certain assets and liabilities. Whereas liabilities with variable interest rates expose the Group to a cash flow interest rate risk, liabilities with fixed interest rates result in a fair value interest rate risk (cf. note (21)). Schuler is exposed to interest rate risks mainly in the EUR and BRL currency regions. In order to minimize both the risks with regard to maturities and fixed interest rates, and its financing costs, the company uses 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. 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.

	09/30/2010		09/30/2009	
	Notional value T€	Market value T€	Notional value T€	Market value T€
Forward exchange contracts and swaps	75,454	1,686	56,545	1,589
		-1,564		-1,442
Currency derivatives, net	75,454	122	56,545	147
Interest swaps	19,947	0	56,500	119
		-1,617		-3,369
Interest options	5,425	0	6,630	2
		0		0
Interest derivatives, net	25,372	-1,617	63,130	-3,249
	100,826	**-1,495**	**119,675**	**-3,102**

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€ -235 (prior year: T€ 135) 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€ -1,260 (prior year: T€ -3,237). In the period under review, no market value changes were recognized in the income statement (prior year: T€ -2,282) due to the premature termination of cash flow hedging relationships (dedesignation). Valuation changes which represent the effective portions of hedging transactions and are recognized in equity (accumulated other comprehensive income) are disclosed in the consolidated statement of comprehensive income. On realization of the underlying transaction, the accumulated effects in equity are reversed with an effect on profit or loss and recognized in the income statement as sales revenue or cost of materials (foreign currency derivatives) or in other income or other expenses (interest derivatives).

The effectiveness of a hedging relationship for cash flow hedges is determined prospectively using the Critical Terms Match Method according to IAS 39.AG108. An effectiveness test is carried out 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 within the due period, or when the value of collateral provided is diminished. In addition to the arise of concentrations of risk, direct default risks can result in economic losses or impairment of receivables and other financial assets from the deterioration of customer credit ratings. Against the backdrop of the financial crisis – which has still not yet been fully overcome – and its impact on the general economic situation, there may be an increase in customer defaulting with a negative impact on the financial position and financial performance of the Group. The risk of default involved in investments and the use of derivative financial instruments is limited by concluding such financial transactions only with high-rated contractual partners. Risk management in the credit process is based on the corresponding corporate guideline which regulates such aspects as rating checks for customer inquiries, checks for any grouping of exposures, the requirement of collateral and guarantees, the granting of title retention, consideration of country-specific collateral formats, the use of minimum payment conditions, and staggered approval requirements from the finance division. The risk of default involved in trade receivables from exporting is accounted for in certain cases by letters of credit or taking out credit insurance policies. The development of payment behavior is continually monitored and receivables analyzed for any contractual defaulting. Any other default risks identifiable on the balance sheet date are covered by forming appropriate valuation allowances. The explanations regarding past due or impaired financial assets are presented in notes (13) and (15). In general, there are no agreements with customers to reduce credit risk, such as set-off agreements, so that the maximum 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):

	09/30/2010		
	Car manu-facturers T€	Automotive suppliers T€	Non-automotive T€
Trade receivables	32,820	26,389	21,516
Future receivables from long-term construction contracts	239,496	66,925	78,363

	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

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 a financial plan spanning several years, a rolling monthly liquidity projection, the ability to issue securities on the capital market, the use of modern financial instruments and the Group's provision with sufficient credit lines. As part of short- and medium-term liquidity management, surplus liquidity is netted with the liquidity needs of individual Group companies by means of a central cash pool in order to reduce and optimize the Group's refinancing costs. Liquidity is mainly held in overnight and time deposit accounts. The Group's Treasury department is responsible for the management and administration of the cash pool used for internal financing. By centralizing this finance function, Schuler ensures a uniform approach on the capital markets with the aim of strengthening its negotiating position with banks and other market participants. For special projects, 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, Schuler prematurely adjusted and prolonged its existing syndicated loan agreement. Further information on this topic can be found under note (21).

The following table shows the remaining maturities of non-discounted cash flows from originated financial liabilities and from derivative financial instruments and their effect on the Group's liquidity situation and compares them with their carrying amounts. Negative values correspond to finance received.

	Carrying amount 09/30/2010	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	205,093	48,384	166,004	23,509	237,896
– thereof to banks	204,442	47,720	166,004	23,509	237,233
– thereof promissory note loan	36	36	0	0	36
– thereof from finance leasing	614	614	0	0	614
– thereof other financial debt	2	14	0	0	14
Trade payables	64,569	64,569	0	0	64,569
Other financial liabilities	28,278	28,106	176	0	28,282
Derivative financial liabilities					
Currency derivatives without hedge relationship	249	249	0	0	249
Currency derivatives with cash flow hedge relationship	1,315	1,205	110	0	1,315
Interest derivatives without hedge relationship	1,020	11	1,009	0	1,020
Interest derivatives with hedge relationship	597	0	597	0	597

	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	51,237	63	0	51,301
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 hedge relationship	693	0	693	0	693

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. 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 income statement and on equity, insofar as the opposing translation differences from the underlying transaction and the hedging instrument do not balance each other due to ineffectiveness. This leads to changed market values of the hedging transactions as well as changed fair values of the transactions; the effects on the size of any ineffectiveness influence Group profit or loss and equity. Exchange rate risks as defined by IFRS 7 can also occur with those foreign currency derivatives which are used to hedge planned positions and are not involved in a hedging relationship pursuant to IAS 39.
- Exchange rate changes of financial instruments which qualify as fair value hedges do not lead to an exchange rate risk, as the value changes caused by currency fluctuations between the underlying and hedging transactions generally balance each other out in the income statement of the period under review.

Based on the 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 € -0.6 million (€ 0.6 million) (prior year: € -0.3 million or € 0.3 million). In addition, the change in fair value of the cash flow hedge reserve in equity would have increased (decreased) by € 3.7 million (€ -3.7 million) (prior year: € 1.7 million or € -1.7 million).

As in the previous year, if at the closing date the US Dollar had been revalued (devalued) by 10% against the Brazilian Real and at the same time the EUR/USD relationship had remained stable, this would not have impacted Group profit or loss. The change in fair values would have led to an adjustment of the cash flow hedging reserve in equity of € -1.8 million (€ +1.8 million) (prior year: € 0.0 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 income statement of the period under review.

- Interest risks as defined by IFRS 7 can result from interest derivatives which are involved in an effective cash flow hedging relationship to hedge against interest-related variability in cash flows pursuant to IAS 39. Interest rate adjustments for such hedging transactions are recognized in 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.

Due to ongoing low interest rate level, 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). The analysis of interest sensitivity in the Brazilian Real zone was 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, 2010, 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 € 0.8 million (€ -0.2 million) (prior year: € 0.5 million or € -0.1 million). The change in fair value would have led to an adjustment of the hedge reserve in equity of € 0.1 million (€ 0.0 million) (prior year: € 0.2 million or € -0.1 million).

If as at September 30, 2010, 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 € -0.1 million (€ 0.1 million) (prior year: € -0.3 million or € 0.3 million). There would have been no change in fair values and thus no decrease or increase in the hedge reserve in equity.

Other price risks in connection with financial instruments may result from further risk variables – especially stock exchange prices or commodity indices. As at the closing date, Schuler does not hold any significant available-for-sale assets (e.g. securities) which are dependent on such valuation parameters and which might lead to significant other price risks. Derivative financial instruments are not used for the purchase of commodities.

(30) Contingent liabilities

	09/30/2010 T€	09/30/2009 T€
Discounted bills	0	407
Debtor warrant	0	20,000
	0	**20,407**

Contingent liabilities are existing obligations based on past events and for which either an outflow of funds is unlikely or whose size cannot be determined with sufficient reliability. Contingent liabilities also include possible obligations based on past events, whose existence depends on future events which cannot be fully controlled by the company preparing financial statements. Due to the aforementioned uncertainties, these obligations are not regularly recognized in the statement of financial position. The disclosed volume of obligations in respect of contingent liabilities corresponds to the scope of liability existing 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 dependent on reaching an EBITDA result in excess of € 81 million. 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. At the end of fiscal year 2009/10, a payment obligation with a present value of T€ 19,014 was recognized in the statement of financial position as the achievement of the contractual conditions has been categorized as likely in view of management's planned development of business.

(31) Other financial obligations

	Payable			09/30/2010	09/30/2009
	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)	12,913	40,725	74,726	128,364	136,409
Purchase commitments (tangible assets)	1,836	0	0	1,836	4,040
Other obligations	658	655	0	1,313	1,615
	15,407	**41,380**	**74,726**	**131,513**	**142,064**

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.

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

(32) Litigation

In fiscal year 2009/10, the Schuler Group was not involved in any current or foreseeable legal or arbitration proceedings whose outcome may have a material effect on the economic position of the Group. Appropriate provisions have been formed by the respective Group company for any potential costs arising from other legal or arbitration proceedings.

(33) Significant events after the balance sheet date

As of October 1, 2010, Mr. Stefan Klebert took over as CEO of Schuler AG, Göppingen, Germany. The former CEO, Mr. Jürgen Tonn retired as of the same date at his own request.

With a shareholder resolution of December 21, 2010, Schuler Systems & Services GmbH & Co. KG, Göppingen, was retroactively merged with Schuler Pressen GmbH & Co. KG, Göppingen, as of the beginning of the new fiscal year. The merger is in line with ongoing efforts to streamline the Group's structures.

(34) Related party disclosures

Related parties as defined by IAS 24 are companies or persons that the reporting entity has the ability to control or over which it can exercise significant influence, or parties that have the ability to control or exercise significant influence over the reporting entity.

In addition to the subsidiaries included in the consolidated financial statements, Schuler AG has direct or indirect relations with non-consolidated subsidiaries and participations in the course of its normal business operations. There are also business relationships with other companies which qualify as related parties. All business relations with such companies are transacted on an arms-length basis. Major related, affiliated companies which are controlled by the Schuler Group or over which it can exercise significant influence are included in the list of consolidated companies under note (38).

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

– on Group basis –	2009/10 Supplies and services rendered T€	Interest income T€	Supplies and services received T€	Interest expenses T€	2008/09 Supplies and services rendered T€	Interest income T€	Supplies and services received T€	Interest expenses T€
Parent company Schuler-Beteiligungen GmbH	-	-	-	-	-	-	-	-
Subsidiaries	7,990	7	2,780	63	4,970	56	3,822	92
Others RSV Finanzdienstleistungen Geschäftsführungs GmbH	-	-	84	-	-	-	72	-

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. As of September 30, 2010, the company formed a liability for the commitment in the amount of its present value of T€ 19,014.

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

– on Group basis –	09/30/2010 Receivables from T€	Payables to T€	09/30/2009 Receivables from T€	Payables to T€
Schuler AG subsidiaries/investments	1,866	3,051	1,142	2,903

In fiscal year 2009/10, adjustments to receivables from subsidiaries were increased from T€ 0 to T€ 334. Receivables from and payables to related parties have a maturity of less than one year.

Beyond regular activities, there were no business relations between members of the Management Board, the Supervisory Board or the managers of Group companies nor members of their families on the one side and Group companies on the other during the period under review. Some members of the Supervisory Board of Schuler AG are also members of supervisory boards of other companies with which Schuler AG or its subsidiaries have relations in the course of normal business operations. All business with such companies is carried out on an arms-length basis. Further details on executive bodies are provided under note (37).

Disclosed participations

1. In accordance with § 21 (1) WpHG, Schuler-Beteiligungen GmbH, Göppingen, Germany, informed us on August 2, 2010 that its share of voting rights in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, Germany, rose above the threshold of 50% of voting rights on July 28, 2010 and amounted on this day to 50.25% (corresponding to 11,431,095 voting rights).

2. In accordance with §§ 21 (1), 22 (1) sentence 1 no. 1 WpHG, Vermögensverwaltung Schuler-Voith GbR, Munich, Germany, informed us on August 2, 2010 that its share of voting rights in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, Germany, rose above the threshold of 50% of voting rights on July 28, 2010 and amounted on this day to 50.25% (corresponding to 11,431,095 voting rights).

In accordance with § 22 (1) sentence 1 no. 1 WpHG, all 11,431,095 voting rights are attributable to Vermögensverwaltung Schuler-Voith GbR via Schuler-Beteiligungen GmbH, Göppingen, Germany, which directly holds the 11,431,095 shares and voting rights in Schuler Aktiengesellschaft.

3. In accordance with §§ 21 (1), 22 (1) sentence 1 no. 1 WpHG, Dr. Robert Schuler-Voith, Germany, informed us on August 2, 2010, that his share of voting rights in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, Germany, rose above the threshold of 50% of voting rights on July 28, 2010 and amounted on this day to 50.25% (corresponding to 11,431,095 voting rights) of total voting rights in Schuler Aktiengesellschaft.

In accordance with § 22 (1) sentence 1 no. 1 WpHG, all 11,431,095 voting rights are attributable to Dr. Schuler-Voith via Vermögensverwaltung Schuler-Voith GbR, Munich, Germany, and Schuler-Beteiligungen GmbH, Göppingen, Germany, which directly holds the 11,431,095 shares and voting rights in Schuler Aktiengesellschaft.

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

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

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

– Süddeutsche Erste Verwaltungs GmbH.

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

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

– Süddeutsche Erste Verwaltungs GmbH.

On June 19, 2008, the share of voting rights held by Süddeutsche Erste Verwaltungs GmbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, 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, Landkreis Biberach, Biberach, Germany, informed us of the following on April 23, 2010:

On April 10, 2008, the share of voting rights held by Landkreis 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). In accordance with § 22 (1) sentence 1 no. 1 WpHG, this 9.72% share (1,701,130 voting rights) is attributable to Landkreis Biberach.

Attributable voting rights are held by Kreissparkasse Biberach, which is controlled by Landkreis Biberach and whose share of voting rights in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, Germany, amounts to 3% or more.

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

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

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

On April 10, 2008, the share of voting rights held by BayernInvest Kapitalanlagegesellschaft mbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, 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 by Kreissparkasse Biberach.

8. 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-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, Germany, rose above the 3% threshold and now amounts to 4.07% (711,602 voting rights).

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

On April 10, 2008, the share of voting rights held by Baden-Württembergische Investmentgesellschaft mbH in Schuler Aktiengesellschaft, Bahnhofstraße 41, 73033 Göppingen, 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, Zahnärzte und Tierärzte, Tübingen, Germany
- Kreissparkasse Biberach, Biberach, Germany.

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

On October 7, 2010, the Board of Management and Supervisory Board issued its current declaration of conformity acc. to § 161 AktG and made it permanently available to shareholders via the company's website.

(36) Auditors' fees

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

	2009/10 T€	2008/09 T€
Audits of financial statements	849	1,392
Tax advisory services	243	271
Other services for parent or subsidiary companies	169	298
	1,261	**1,960**

(37) Executive bodies

Board of Management

Stefan Klebert	Chief Executive Officer (since October 1, 2010)
Jürgen Tonn	Chief Executive Officer (until September 30, 2010)
Dr. Wolfgang Baur	Chief Financial Officer
Joachim Beyer	Chief Operating Officer
Dr. Markus Ernst	Chief Operating Officer

Remuneration of members of the Board of Management amounted to T€ 1,472 in fiscal year 2009/10 (prior year: T€ 1,432), of which T€ 0 (prior year: T€ 0) was in the form of variable, earnings-related payments. The current service cost included in pension obligations amounted to T€ 323 (prior year: T€ 364). With regard to compensation components of a long-term incentive nature, a total of 132,250 subscription rights (prior year: 529,000) of the Stock Option Program 2008 were granted to members of the Board of Management as part of total remuneration in fiscal year 2009/10. These rights had a weighted market value on their date of issuance of € 2.29 per subscription right (prior year: € 1.32), amounting to a total of T€ 303 (prior year: 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 (19) for further details on the stock option program.

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

Total remuneration of former members of the Board of Management or management and their surviving dependants amounted to T€ 1,914 (prior year: T€ 1,122) in the year under review. The provisions formed by the Group for such current and future pensions amount to T€ 11,039 (prior year: T€ 11,409).

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	Honorary 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 (chairperson since March 31, 2010)
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 (until December 31, 2009), Mannheim/Heidelberg branch (since January 1, 2010)
Dieter Merkle [1)]	Head of Highspeed/Minting division of Schuler Pressen GmbH & Co. KG, Göppingen
Dr. Hans Michael Schmidt-Dencker	Lawyer, 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 Law
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 2009/10 amounted to T€ 304 (prior year: T€ 228).

Additional seats on supervisory boards held by members of the Board of Management and Supervisory Board

Seats held by members of the Board of Management

Stefan Klebert	BCN Technical Services Inc., Hastings, MI, USA (Chairman) (since November 19, 2010) Lista Holding AG, Erlen, Switzerland Müller Weingarten AG, Weingarten (Chairman) (since October 19, 2010) Prensas Schuler S.A., São Paulo, Brazil (since November 29, 2010) Schuler Incorporated, Columbus, OH, USA (Chairman) (since November 19, 2010) WISAG Produktionsservice GmbH, Düsseldorf (until October 31, 2010)
Jürgen Tonn	BCN Technical Services Inc., Hastings, MI, USA (Chairman) (until November 18, 2010) Müller Weingarten AG, Weingarten (Deputy Chairman) (January 1, 2010 until October 18, 2010) Müller Weingarten de México, S.A. de C.V., Puebla, Mexico (Chairman) (until November 30, 2010) Prensas Schuler S.A., São Paulo, Brazil (until November 28, 2010) Schuler Incorporated, Columbus, OH, USA (Chairman) (until November 18, 2010)
Dr. Wolfgang Baur	BCN Technical Services Inc., Hastings, MI, USA Competence Call Center AG, Vienna, Austria (Chairman since December 14, 2009) Müller Weingarten AG, Weingarten (since January 1, 2010) Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, 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 Schuler Sales & Service Co. Ltd., Shanghai, PR China SW Italia S.r.l., Turin, Italy
Joachim Beyer	Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, PR China (Deputy Chairman) Prensas Schuler S.A., São Paulo, Brazil (Chairman) Schuler Incorporated, Columbus, OH, USA Schuler Sales & Service Co. Ltd., Shanghai, PR China (Deputy Chairman) Shanghai Schuler Presses Co. Ltd., Shanghai, PR China (Chairman)
Dr. Markus Ernst	Beutler Nova AG, Gettnau, Switzerland (Chairman) Schuler Incorporated, Columbus, OH, USA Schuler India Pvt. Ltd., Mumbai, India (Chairman) (since December 9, 2010)

Additional seats held by members of the Supervisory Board

Dr. Robert Schuler-Voith	Leifheit AG, Nassau
Prof. Dr. h.c. Roland Berger	3 W Power Holdings S.A. Luxembourg (Chairman) FIAT S.p.A., Turin, Italy Fresenius SE, Bad Homburg Live Holding AG, Berlin (Chairman until August 31, 2010) Loyalty Partners Holdings S.A., Luxembourg Prime Office AG, Munich (Chairman) Senator Entertainment AG, Berlin (until April 18, 2010) 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 until December 8, 2010)
Dr. Hans Michael Schmidt-Dencker	Dürr AG, Stuttgart (until October 21, 2009) LOBA GmbH & Co. KG, Ditzingen (Chairman) Südwestbank AG, Stuttgart (until July 12, 2010) Schwäbische Werkzeugmaschinen GmbH, Schramberg-Waldmössingen (Chairman) (until February 28, 2010)
Helmut Zahn	Leifheit AG, Nassau (Chairman) Flossbach & von Storch AG, Cologne (Deputy Chairman since November 17, 2009) Maschinenbau Oppenweiler Binder GmbH & Co. KG, Oppenweiler (since March 29, 2010) Müller Weingarten AG, Weingarten (Chairman until October 18, 2010, Deputy Chairman since October 19, 2010)
Prof. Dr. Dr. h.c. Walther Zügel	capiton AG, Berlin Berthold Leibinger GmbH, Ditzingen Stihl AG, Waiblingen (Deputy Chairman)

(38) List of shareholdings of Schuler AG as of September 30, 2010

Company and location	Equity interest %	Equity T€	Result T€
Fully consolidated affiliated companies			
Müller Weingarten AG, Weingarten, Germany [1)]	100.00	17,976	3,612
Schuler Systems & Services GmbH & Co. KG, Göppingen, Germany [2)]	100.00	500	2
Schuler Pressen GmbH & Co. KG, Göppingen, Germany [2)]	100.00	26,088	-11,631
Gräbener Pressensysteme GmbH & Co. KG, Netphen, Germany [2)]	100.00	4,300	5,033
Schuler SMG GmbH & Co. KG, Waghäusel, Germany [2)]	100.00	5,698	-1,738
Schuler Hydrap GmbH & Co. KG, Esslingen, Germany [2)]	100.00	2,747	73
Schuler Hydroforming GmbH & Co. KG, Waghäusel, Germany [2)]	100.00	2,076	1,281
Schuler Automation GmbH & Co. KG, Heßdorf, Germany [2)]	100.00	14,307	2,685
Schuler Cartec GmbH & Co. KG, Göppingen, Germany [2)]	100.00	6,644	-2,066
Schuler Cartec Engineering GmbH & Co. KG, Weingarten, Germany [2)]	100.00	338	-1,376
Schuler Modelltechnik GmbH, Weingarten, Germany	100.00	8	-2
Schuler Cartec Verwaltungs GmbH, Weingarten, Germany	100.00	15	-265
Müller Weingarten Werkzeuge GmbH, Weingarten, Germany	100.00	4,581	276
Umformcenter Erfurt GmbH, Erfurt, Germany	100.00	-1,811	-54
Schuler Guß GmbH & Co. KG, Göppingen, Germany [2)]	100.00	625	-2,511
Vögtle Service GmbH & Co. KG, Eislingen, Germany [2)]	100.00	1,779	416
Beutler Nova AG, Gettnau, Switzerland	99.70	2,754	178
Schuler France S.A., Strasbourg, France	100.00	1,569	-925
Schuler Presses UK Limited, Walsall, UK	100.00	2,160	1
Müller Weingarten Česká Republica s.r.o., Mořkov, Czech Republic	99.50	1,272	-727
Schuler Incorporated, Columbus/Ohio, USA	100.00	23,832	1,583
BCN Technical Services Inc., Hastings/Michigan, USA	100.00	3,784	1,602
Müller Weingarten de México, S.A. de C.V., Puebla, Mexico [3)]	100.00	745	669
Prensas Schuler S.A., São Paulo, Brazil	100.00	7,323	-6,825
Shanghai Schuler Presses Co. Ltd., Shanghai, PR China	79.38	16,122	4,530
Müller Weingarten (Dalian) Forming Technologies Co. Ltd., Dalian, PR China [3)]	100.00	1,744	354
Non-consolidated affiliated companies			
Schuler Systems & Services Geschäftsführungs GmbH, Göppingen, Germany	100.00	46	4
Schuler Pressen Geschäftsführungs GmbH, Göppingen, Germany	100.00	60	5
Gräbener Pressensysteme-Verwaltungs GmbH, Netphen, Germany	100.00	42	3
Schuler SMG Geschäftsführungs GmbH, Göppingen, Germany	100.00	44	3
Schuler Hydrap Geschäftsführungs GmbH, Esslingen, Germany	100.00	59	5
Schuler Hydroforming Geschäftsführungs GmbH, Waghäusel, Germany	100.00	197	16
Schuler Automation Geschäftsführungs GmbH, Heßdorf, Germany	100.00	43	4
Schuler Cartec Geschäftsführungs GmbH, Weingarten, Germany	100.00	57	7

Schuler Lasertechnik Geschäftsführungs GmbH, Göppingen, Germany	100.00	49	-1
Schuler Guß Geschäftsführungs GmbH, Göppingen, Germany	100.00	62	5
Vögtle Service Geschäftsführungs GmbH, Eislingen, Germany	100.00	60	4
TRAVIS Handelsgesellschaft mbH, Weingarten, Germany [6]	100.00	19	15
Schmiedetechnik & Service GmbH, Weingarten, Germany [6]	100.00	405	146
Schuler Ibérica S.A.U., Sant Cugat del Vallès, Spain	100.00	200	8
SW Italia S.r.l., Turin, Italy	90.00	166	12
Schuler Slovakia Services s.r.o., Dubnica nad Váhom, Slovakian Republic	100.00	33	39
Graebener Press Systems Inc., Warwick/Rhode Island, USA	100.00	1,206	426
Schuler Sales & Service Co. Ltd., Shanghai, PR China [3]	100.00	1,924	-47
Tianjin SMG Presses Co. Ltd., Tianjin, PR China	100.00	-2,259	78
Schuler India Private Limited, Mumbai, India [4]	100.00	531	32
Other investments			
Eclips Vermietungsgesellschaft mbH & Co. Objekt Göppingen Kommanditgesellschaft, Düsseldorf, Germany [5]	94.00	-2,285	76
Rena Grundstücksverwaltungsgesellschaft mbH & Co.Vermietungs-KG, Pullach i. Isartal, Germany [2] [3] [5]	100.00	-568	261
SUPERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten, Schönefeld, Germany [5]	100.00	-134	-36
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weingarten, Grünwald, Germany [5] [6]	100.00	-139	27
Schuler Financial Services GmbH & Co. KG, Göppingen, Germany [2] [5]	100.00	-2,237	-109
Tianjin GMTSC Machine Tool Service Co. Ltd., Tianjin, PR China [3]	50.00	1,620	246

[1] Companies making use of the relief afforded by § 264 (3) HGB
[2] Companies making use of the relief afforded by § 264 b HGB
[3] Annual financial statements as at December 31, 2009
[4] Annual financial statements as at March 31, 2010
[5] Fully consolidated acc. to IFRS
[6] Annual financial statements as at September 30, 2009

Göppingen, December 23, 2010

Schuler AG

The Board of Management


Stefan Klebert


Dr. Wolfgang Baur


Joachim Beyer


Dr. Markus Ernst

We have audited the consolidated financial statements – comprising the statement of financial positions, the income statement, statement of comprehensive income, 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, 2009, to September 30, 2010, 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.

Stuttgart, December 30, 2010

HHS Hellinger Hahnemann Schulte-Groß GmbH
Wirtschaftsprüfungsgesellschaft

von Hohnhorst	Philipp
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, 2010

Schuler AG

The Board of Management




Stefan Klebert *Dr. Wolfgang Baur* *Joachim Beyer* *Dr. Markus Ernst*

Schuler AG
Bahnhofstr. 41
73033 Göppingen
Phone +49 7161 66-0
Fax +49 7161 66-233

info@schulergroup.com
www.schulergroup.com

Germany

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

Müller Weingarten AG
Werk Weingarten
Schussenstr. 11
88250 Weingarten
Germany

Niederlassung Umformtechnik Erfurt
Schwerborner Str. 1
99086 Erfurt
Germany

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

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 Engineering GmbH & Co. KG
Gartenstr. 54
88250 Weingarten
Germany

Schuler Cartec GmbH & Co. KG
Werk Göppingen
Bahnhofstr. 41
73033 Göppingen
Germany

Werk Weingarten
Gartenstr. 54
88250 Weingarten
Germany

Schuler Guß GmbH & Co. KG
Bahnhofstr. 41
73033 Göppingen
Germany

Schuler Pressen GmbH & Co. KG
Bahnhofstr. 41
73033 Göppingen
Germany

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

Werk Esslingen
Röntgenstr. 16–18
73730 Esslingen
Germany

TRAVIS Handelsgesellschaft mbH
Schussenstr. 11
88250 Weingarten
Germany

UmformCenter Erfurt GmbH
Schwerborner Str. 1
99086 Erfurt
Germany

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

Europe

Beutler Nova AG
Hofmatt 2
6142 Gettnau
Switzerland

Schuler AG
Moscow Representative Office
Prospekt Wernadskowo 103
Korpus 2
119526 Moscow
Russian Federation

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

Schuler France S.A.
17, rue Schertz
BP 26
67023 Strasbourg Cedex 1
France

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

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

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

America

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

Müller Weingarten de México, S.A. de C.V.
Lateral Arco Norte Km.25 #4
Col. Parque Industrial Ocotlán
San Francisco Ocotlán
Coronango, Puebla, México C.P. 72680
Mexico

Müller Weingarten de México S.A. de C.V. - Saltillo
Calle Automotriz #3065 esq. Metalmecánica
Parque Industrial Saltillo-Ramos
Ramos Arizpe, Coahuila, México C.P. 25900
Mexico

Prensas Schuler S.A.
Av. Fagundes de Oliveira, 1515
09950-904 Diadema-São Paulo
Brazil

Schuler Incorporated
7145 Commerce Boulevard
Canton, Michigan 48187
USA

Asia

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

Schuler India Pvt. Ltd.
Unit 204, IInd Floor, Suyash Classic
74+75/2, Baner Road, Baner
411045 Pune
India

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

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

Tianjin SMG Presses Co., Ltd.
Yinfeng Huanyuan A 1004
Youyi Bei Road 65
Hexi District
Tianjin 300204
PR China

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

Zertani GmbH & Co. Die Druckerei KG
Bremen, Germany

FINANCIAL CALENDAR

Annual press conference 2009/10	**January 26, 2011, Stuttgart**
Analysts' meeting	**January 27, 2011, Frankfurt/Main**
Interim report of the Board of Management within the 1st half of fiscal 2010/11	**February 16, 2011**
Annual General Meeting	**April 13, 2011, Municipal Hall (Stadthalle) Göppingen**
Six months' report (October 2010 – March 2011)	**May 26, 2011**
Interim report of the Board of Management within the 2nd half of fiscal 2010/11	**August 18, 2011**
Annual press conference 2010/11	**January 25, 2012, Stuttgart**
Analysts' meeting	**January 26, 2012, Frankfurt/Main**

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

Annual Report 2009/10