

**Declaration of conformity 2006
according to § 161 German Stock Corporation Act (AktG)
with regard to the observance of the German Corporate Governance Code**

The Board of Management and Supervisory Board of Schuler AG declare that the recommendations of the “Government Commission on the German Corporate Governance Code” published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on June 12, 2006, have been complied with. The following exceptions are made:

1. D&O insurance and deductible

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

In the case of the current D&O insurance for the Board of Management and Supervisory Board, no deductibles have been agreed. We believe that agreeing a deductible would not be a suitable method of improving the motivation and sense of responsibility for the tasks and functions with which the members of the Board of Management and Supervisory Board of Schuler AG have been entrusted.

2. Structure of Management Board compensation system

At the proposal of the committee dealing with Management Board contracts, the full Supervisory Board shall discuss and regularly review the structure of the Management Board compensation system. (Code section 4.2.2). The Chairman of the Supervisory Board shall outline the salient points of the compensation system and any changes thereto to the General Meeting. (Code section 4.2.3). The salient points of the compensation system shall be published in the Corporate Governance Report in plainly understandable form. (Code section 4.2.5).

The Personnel Committee of Schuler AG, with equal representation of members, represents the Supervisory Board for the closing, amendment and termination of employment contracts with members of the Board of Management.

The amount of compensation is based on the duties of the Board of Management member, as well as his performance and the business development of the Schuler Group, with suitable regard to comparative figures. The compensation system consists of fixed and variable components. Compensation components of a long-term incentive nature, such as stock options are not granted.

3. Age limit for members of the Supervisory board

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

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

4. Compensation of members of the Supervisory Board

Members of the Supervisory Board shall receive fixed as well as performance-related compensation. The compensation of individual members of the Supervisory Board shall be reported in the Notes of the Consolidated Financial Statements, subdivided according to com

ponents. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular advisory or agency services, shall be listed separately in the Notes to the Consolidated Financial Statements. (Code section 5.4.5).

The members of the Supervisory Board receive a fixed compensation, determined by the General Meeting of Schuler AG. The Chair receives twice as much as an ordinary member of the Supervisory Board, the Vice Chair receives 1.5-times as much as an ordinary member of the Supervisory Board. Members do not receive performance-related compensation. We believe there is no direct, ascertainable connection between the skilled work of the Supervisory Board and the respective annual result of the Group.

Compensation or benefits from the company received by members of the Supervisory Board for personal services, in particular consultation and agency services, are not detailed individually. We believe the disclosure and control function derived from Section 285 no. 9 HGB (German Commercial Code) in combination with Section 114 AktG (German Stock Corporation Act) to be sufficient.

5. *Shareholdings held by Management Board and Supervisory Board*

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

We refer to the statutory disclosure pursuant to Section 41 (3) WpHG in the FAZ of April 19, 2002, which we published in the notes to the consolidated financial statements of the previous year and which we shall publish again for our fiscal year 2003/04.

6. *Quarterly reports*

Shareholders and third parties shall be informed during the financial year by means of interim reports. (Code section 7.1.1).

Schuler AG informs shareholders and third parties during the financial year by means of an interim report for the first six months.

7. *Deadlines for the publication of consolidated financial statements and quarterly reports*

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

Due to the project-based nature of the Schuler Group's business, a suitable time corridor is required especially for the reliable and accurate determination of project-related accruals. Earlier disclosure would cause a disproportionate deterioration in the quality of the financial statements.

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

Göppingen, November 9, 2006

Schuler AG

For the Board of Management



Jürgen Tonn

For the Supervisory Board



Dr. Robert Schuler-Voith