

Media release

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Reprimand against Schmolz + Bickenbach AG by the SWX Swiss Exchange

The SWX Swiss Exchange has issued a reprimand with related publication against Schmolz + Bickenbach AG (formerly Swiss Steel AG), Emmenbrücke, for violation of the provisions of the Listing Rules and the Corporate Governance Directive. The SWX reprimand relates to the company's 2005 annual report, which lacked information on shareholdings, areas of responsibility and place of publication, content and method of determining compensation as well as shareholding programmes, composition of all committees of the board of directors together with a description of their tasks and the area of responsibility, as well as the supervisory and control instruments pertaining to the audit.

The 2005 annual report of Schmolz + Bickenbach AG (S+B) was not drawn up in full compliance with the Listing Rules and Corporate Governance Directive (DCG):

In its 2005 corporate governance report (CG report) section dealing with the shareholdings of members of the board of directors (BOD) and senior management (SM), S+B indicated that, with the exception of one person, all members collectively owned less than 1% of the company's share capital. However, the DCG requires the disclosure of the total number of shares held by the executive members of the BOD and SM in toto, and separately, the number of shares held by the non-executive members of the BOD. The company failed to comply with the degree of detail prescribed under the DCG.

With regard to the areas of responsibility between the BOD and the SM, at minimum the basic principles must be disclosed. In its CG report, S+B merely made reference to its Rules of Organisation and Audit Committee Rules. Neither in its CG report nor elsewhere in the annual report did S+B disclose the basic principles of how these competencies are regulated. Moreover, the company has not made that information available to investors by any other means. Making reference in the CG report to internal regulations is only permissible if those regulations, or at least the basic principles thereof, are easily accessible for investors (i.e. rapidly and cost-free, for example via the issuer's website). The precise location of the material or a link to the website is to be disclosed in the CG report.

As to the content and method of determining compensation and shareholding programmes, S+B stated that the fixed compensation of BOD members as well as the fixed and variable compensation of group level and divisional managers is determined by the BOD. The CG report contained no further information on the content of the compensation and shareholding programmes. Among the details that must be disclosed are, for example, information on the proportion of fixed versus variable compensation, a description of the criteria on which the variable compensation is dependent or information on the criteria governing the allotment of shares.

S+B is obliged to publish the composition of all BOD committees as well as indicate their tasks and area of responsibility. In its CG report, S+B made mention only of its Audit Committee. Contrary to the rules laid down in the DCG, the company failed to publish the fact that it also has a Nomination Committee and a Compensation Committee.

S+B is obliged to disclose the supervisory and control instruments available to the BOD for assessing the external audit. In this regard, the company stated that the Audit Committee gains a sense of the effectiveness of the external audit and submits recommendations on the individual company accounts and consolidated financial statements to the BOD for presentation to the AGM of shareholders. In addition, S+B noted that the Audit Committee addressed current business matters at two meetings. However, in terms of the supervisory and control instruments, the minimum requirement is that information be provided on the reporting made by the external auditors to the BOD or the number of Audit Committee meetings at which representatives of the external auditors were present. Contrary to the rules laid down in the DCG, the company provided no information in this regard.

The Executive Committee of the Admission Board has issued a reprimand with related publication against S+B for violation of the DCG and the Listing Rules.

Periodic reporting in compliance with applicable directives forms an integral part of the information that contributes to transparent trading in accordance with the provisions of the Stock Exchange Act and the Listing Rules. One of the tasks of the SWX is to enforce the transparency provisions that apply to issuers.

Information on the corporate governance regulations is available at:

http://www.swx.com/admission/being_public/governance_en.html

Previous sanctions imposed by SWX for irregularities in the area of corporate governance are available at:

http://www.swx.com/admission/being_public/sanctions/corporate_en.html

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