

## CORPORATE GOVERNANCE

Unless indicated otherwise the terms “SCHMOLZ + BICKENBACH”, “Company”, “we” or “us” are used in this Corporate Governance Report in place of “SCHMOLZ + BICKENBACH AG” or in place of the names of Group Companies directly or indirectly controlled by SCHMOLZ + BICKENBACH AG. This does not include SCHMOLZ + BICKENBACH KG (including its directly held participating interests), which holds a material interest in the Swiss company.

### 1. GROUP STRUCTURE AND SHAREHOLDERS

#### 1.1 GROUP STRUCTURE

SCHMOLZ + BICKENBACH AG is a company organized under Swiss law. Headquartered in Emmenbrücke, the company was first entered in the Commercial Register of the Canton of Lucerne on June 26, 1997.

##### 1.1.1 GROUP OPERATING STRUCTURE

The operating organisation is described in the Segment Reporting section of the consolidated financial statements. Management and supervision of the SCHMOLZ + BICKENBACH Group are based on the company’s Articles of Incorporation, Organization Regulations, organization charts, mission statement and other documents that set out the corporate policy and business principles.

The management structure is aligned to the Group’s business strategy. As a global leader specializing in long products for the special and high-grade steel sector, the Group is organized in line with the value chain, broken down into the “Production”, “Processing” and “Distribution und Services” divisions. Thus the Group’s operating structure is closely geared to markets and processes, to enable it to maintain and grow its leading position on the global market. The individual companies and divisions are shown on Pages 90 and 91 of the Annual Report.

##### 1.1.2 LISTED COMPANIES

Name	SCHMOLZ + BICKENBACH AG
Registered office	Emmenweidstrasse 90, Emmen
Listed on	SWX Swiss Exchange, Local Caps
Market capitalization	CHF 480 million
Symbol	STLN
Securities No.	579 566
ISIN	CH000 579 566 8

##### 1.1.3 UNLISTED COMPANIES

All Group companies are unlisted companies. A list of these companies is provided on Pages 90 and 91 of the Annual Report along with their registered office, share capital and shareholding.

### 1.2 SIGNIFICANT SHAREHOLDERS

SCHMOLZ + BICKENBACH KG, Eupener Strasse 70, D-40549 Düsseldorf, holds 1,710,538 registered shares via its subsidiary SCHMOLZ + BICKENBACH Beteiligungs GmbH, of the same address. This corresponds to some 6% of the company’s outstanding share capital. In addition, SCHMOLZ + BICKENBACH KG indirectly holds around 64% of the share capital in the company through its controlled companies SCHMOLZ + BICKENBACH Finanz AG, c/o Heinz Macchi, Obere Bahnhofstrasse 49, 9500 Wil, and SCHMOLZ + BICKENBACH Holding AG, c/o Heinz Macchi, Obere Bahnhofstrasse 49, 9500 Wil. In total SCHMOLZ + BICKENBACH KG controls some 70% of the outstanding shares in the company.

SCHMOLZ + BICKENBACH Finanz AG holds 8 220 323 registered shares, corresponding to around 27% of the company's outstanding share capital. SCHMOLZ + BICKENBACH Finanz AG is a fully-owned subsidiary of SCHMOLZ + BICKENBACH Stahlcenter AG, which in turn is wholly owned by SCHMOLZ + BICKENBACH Beteiligungs GmbH, Eupener Strasse 70, D-40549 Düsseldorf. SCHMOLZ + BICKENBACH Beteiligungs GmbH is a fully-owned subsidiary of S+B Beteiligungs GmbH & Co KG, Eupener Strasse 70, D-40549 Düsseldorf, which is fully controlled by SCHMOLZ + BICKENBACH KG.

SCHMOLZ + BICKENBACH Beteiligungs GmbH holds 1 710 538 registered shares, corresponding to some 6% of the company's outstanding share capital.

SCHMOLZ + BICKENBACH Holding AG holds 11 116 030 registered shares, corresponding to around 37% of the company's outstanding share capital. SCHMOLZ + BICKENBACH Holding AG is a fully-owned subsidiary of SCHMOLZ + BICKENBACH Stahlcenter AG, which in turn is wholly owned by SCHMOLZ + BICKENBACH Beteiligungs GmbH, Eupener Strasse 70, D-40549 Düsseldorf. SCHMOLZ + BICKENBACH Beteiligungs GmbH is a fully-owned subsidiary of S+B Beteiligungs GmbH & Co KG, Eupener Strasse 70, D-40549 Düsseldorf, which is fully controlled by SCHMOLZ + BICKENBACH KG.

Gebuka AG, c/o Sand AG, Sihlbruggstrasse, 6345 Neuheim, holds 1 560 000 registered shares, corresponding to around 5% of the outstanding share capital. The remaining 20% is indirectly held via Gebuka AG, c/o Sand AG, Sihlbruggstrasse, 6345 Neuheim, by Dr. Gerold Büttiker, Seegut, 8714 Feldbach, a non-executive member of the Board of Directors of the company.

SCHMOLZ + BICKENBACH Holding AG and Gebuka AG are parties to a shareholder agreement, under which the voting rights of the shares subject to the agreement are exercised uniformly. In addition to mutual purchasing and preemption rights, this shareholder agreement also governs representation on the Board of Directors of the company, under the terms of which SCHMOLZ + BICKENBACH Holding AG and Gebuka AG may nominate an agreed number of members of the Board of Directors for the company, with Gebuka AG entitled to at least one seat and SCHMOLZ + BICKENBACH Holding AG entitled to nominate the Chairman.

As at December 31, 2008, the following shareholders with holdings exceeding the threshold of 5% of the capital were known to the company:

	31.12.2008		31.12.2007
	Shares	% <sup>1)</sup>	% <sup>1)</sup>
GEBUKA AG	1 560 000	5.20	
SCHMOLZ + BICKENBACH Holding AG	11 116 030	37.05	
SBGE Stahl Holding AG (CH)	–	–	42.25
SCHMOLZ + BICKENBACH Finanz AG	8 220 323	27.40	27.40
SCHMOLZ + BICKENBACH Beteiligungs GmbH	1 710 538	5.70	5.70

<sup>1)</sup> Percentage of shares issued as at December 31

### 1.3 CROSS-HOLDINGS

The company has no cross-holdings with significant shareholders or other related companies.

## 2. CAPITAL STRUCTURE

### 2.1 CAPITAL

#### Share capital

As at December 31, 2008, the ordinary share capital of SCHMOLZ+ BICKENBACH AG amounted to CHF 300 000 000, divided into 30 000 000 registered shares with a nominal value of CHF 10 per share. All registered shares are fully paid up and there are no additional depositary obligations on the part of shareholders.

Under the terms of the Articles of Incorporation, the General Meeting may at any time convert existing registered shares into bearer shares.

#### Hybrid capital

To strengthen its equity base, SCHMOLZ+ BICKENBACH AG has obtained hybrid capital of EUR 80 million from external sources. Under the newly adopted International Financial Reporting Standards (IFRS), the hybrid capital will be disclosed as shareholders' equity in the consolidated balance sheet of SCHMOLZ+ BICKENBACH AG. In the statutory financial statements according to the Swiss Code of Obligations, it is disclosed as debt (borrowing).

### 2.2 AUTHORIZED AND CONDITIONAL CAPITAL IN PARTICULAR

The company has authorized share capital of CHF 60 000 000, corresponding to 20% of the current share capital. In accordance with Art. 3b of the Articles of Incorporation, the Board of Directors is authorized to increase the share capital up to a maximum of CHF 60 000 000 at any time up to April 25, 2009, by issuing up to 6 000 000 bearer or registered shares to be fully paid up with a par value of CHF 10 per share. Capital increases by means of a firm underwriting or increases in instalments are permitted. The amount to be issued, the date of dividend entitlement and the type of deposits are determined by the Board of Directors. The Board of Directors is authorized to exclude shareholders from subscription rights related to the acquisition of companies, business units or holdings and to assign such rights to third parties. Newly acquired registered shares are subject to the restrictions on transfer in accordance with Art. 4 of the Articles of Incorporation. At the General Meeting on April 23, 2009, the Board of Directors will propose extension of this authorized capital for two years.

The company has no conditional capital.

### 2.3 CHANGES IN CAPITAL

There were no changes in the share capital in 2007 and 2008. The changes in capital in 2006 are described in the Annual Report 2007.

### 2.4 SHARES AND PARTICIPATION CERTIFICATES

At December 31, 2008, the share capital consisted of 30 000 000 registered shares with a par value of CHF 10 per share. The company held no treasury shares at year-end nor during the course of the year.

Each share entitles to one vote. Voting rights may only be exercised if the shareholder is registered in the company's share register in good time as a shareholder with the right to vote.

Registered shares are not securitized and are held in collective custody by SIX SAG AG. Shareholders are not entitled to request a printed copy of share certificates, but may at any time ask to receive documentation in the form of coupon-less one-way certificates, free of charge.

### 2.5 DIVIDEND RIGHT CERTIFICATES

SCHMOLZ+ BICKENBACH AG has not issued any dividend right certificates.

## 2.6 RESTRICTIONS ON TRANSFERABILITY AND NOMINEE REGISTRATION

Registered shares entered in the share register are transferred (provided they are subject to the deferred printing of securities) by means of a registration form, entry in the depositary bank register, written declaration of transfer by the selling shareholder, and notification to the company. Shares and the associated rights may only be pledged by written agreement and only in favour of the registering bank.

In accordance with the Articles of Incorporation, persons acquiring registered shares may upon request be entered without restriction in the share register as a shareholder with voting rights if they expressly declare that they acquired the registered shares in their own name and on their own account. If no such declaration is made, nominees are registered with voting rights up to a maximum of 2% of the share capital. Beyond this limit, nominees with registered shares are registered with voting rights only if they provide a written declaration that they are prepared to disclose the addresses and shareholdings of persons on whose account they hold 0.5% or more of the outstanding share capital.

## 2.7 CONVERTIBLE BONDS AND OPTIONS

At December 31, 2008, the company had no convertible bonds or options outstanding.

## 3. BOARD OF DIRECTORS

### 3.1 MEMBERS

At December 31, 2008, the composition of the Board of Directors was as follows:

Name	Year of birth	Office	Member since	Elected until
Michael Storm (DE)	1951	Chairman of the Board, Chairman of the Nomination and Compensation Committee	2003	2009
Dr. Hans-Peter Zehnder (CH)	1954	Vice-Chairman, Member of the Nomination and Compensation Committee	1992	2010
Benedikt Niemeyer (DE)	1958	Delegate to the Board of Directors	2003	2009
Dr. Gerold Büttiker (CH)	1946	Member of the Board, Member of the Audit Committee	2003	2009
Dr. Helmut Burmester (DE)	1939	Member of the Board, Member of the Audit Committee	2006	2009
Benoît D. Ludwig (CH)	1945	Member of the Board, Member of the Audit Committee	2003	2009
Dr. Alexander von Tippelskirch (DE)	1941	Member of the Board, Chairman of the Audit Committee	2006	2009

With the exception of the Delegate to the Board, all members of the Board of Directors are non-executive.

#### Michael Storm, Chairman

##### Non-executive member

Michael Storm has a degree in business and was elected as Chairman at the Extraordinary General Meeting in September 2006. He has been a member of the Board of Directors since 2003, and Chairman of the Nomination and Compensation Committee since 2006. Michael Storm joined SCHMOLZ + BICKENBACH (DE) in 1981, and in 1986 became a partner in the limited partnership, with unlimited liability. Since 1987 he has also been a member of the General Assem-

blies of the Chamber of Industry and Commerce in Düsseldorf (DE) and a judge at the Düsseldorf Commercial Court (DE). Since 1996 he has been Honorary Consul to the Republic of South Korea. He is also a member of the Advisory Council at Deutsche Bank AG (DE) and the Günter Rid Foundation (DE), and a member of the Supervisory Board of ThyssenKrupp Steel AG (DE).

**Dr. Hans-Peter Zehnder, Vice-Chairman**

**Non-executive member**

Dr. Hans-Peter Zehnder has a doctorate in economics and social science from the University of St Gallen. He joined the Board of Directors in 1992 and served as Vice-Chairman from 2001 to 2003, and since 2006. Since 2006 he has also been a member of the Nomination and Compensation Committee. From 1981 to 1984 Hans-Peter Zehnder worked for Gebr. Bühler (CH), and since 1985 has been a member of the Executive Committee of Zehnder Group (CH), holding various functions. Since 1993 he has been Chairman of the Executive Committee and Chairman of the Board of Directors of Zehnder Group AG. He is also a member of the Board of Directors of AZ Medien AG (CH) and R. Nussbaum AG (CH).

**Benedikt Niemeyer, Delegate to the Board of Directors**

**Executive member**

Benedikt Niemeyer has degrees in engineering and business and was elected as Delegate to the Board at the Extraordinary General Meeting in September 2006. At the same time he assumed the function of Chief Executive Officer, after serving as Chairman of the Board of Directors since joining the company in 2003. Benedikt Niemeyer worked for McKinsey & Company between 1985 and 1992, latterly as Senior Engagement Manager. From 1992 to 1999 he worked for Klöckner & Co. AG, most recently as a member of the Management Board. At the same time he also held a number of advisory and supervisory board mandates at Klöckner & Co. Group. From 1999 to 2001 he was CEO of Schneider Technologies AG (DE). He is also a member of the Supervisory Board of Marquard & Bahl AG (DE). Benedikt Niemeyer has been CEO of SCHMOLZ+ BICKENBACH KG (DE) since 2002 and will continue to perform this function alongside his duties as Delegate to the Board of SCHMOLZ+ BICKENBACH AG, for which he is separately compensated.

**Dr. Gerold Büttiker**

**Non-executive member**

Dr. Gerold Büttiker has a degree in civil engineering from the Swiss Federal Institute of Technology and a doctorate in economics, and has been a member of the Board of Directors since 2003 and a member of the Audit Committee since 2004. As stated in Section 1.2, Gerold Büttiker directly owns 5.2% of the shares of SCHMOLZ+ BICKENBACH AG. Gerold Büttiker joined Eternit Schweiz in 1975, where he held various management positions, and from 1985 to 1993 was CEO of Nueva Holding AG (CH), formerly Schweizerische Eternit Holding AG (CH). Since 1993 he has been an independent entrepreneur in the construction materials sector. He also serves on various boards of companies in the construction materials sector, and in the field of civil and agricultural engineering.

**Dr. Helmut Burmester**

**Non-executive member**

Dr. Helmut Burmester has a degree in economics and a doctorate in politics, and has been a member of the Board and the Audit Committee since 2006. He started his career with ARAL AG in Bochum (DE), and left the company as CEO in 1992. He subsequently served as CEO of Klöckner & Co, Duisburg (DE), VAW Aluminium AG, Bonn (DE) and Howaldtswerke - Deutsche Werft AG in Kiel (DE). Currently Dr. Burmester is a partner at One Equity Partners, a fully-owned subsidiary of JP Morgan Chase. He is also a member of the Advisory Board of SCHMOLZ+ BICKENBACH KG (DE) and serves on the supervisory boards of various German and international companies.

**Benoît D. Ludwig (CH)****Non-executive member**

Benoît D. Ludwig has a degree in physics from the Swiss Federal Institute of Technology and an MBA from INSEAD. He joined the Board of Directors in 2003 and has been a member of the Audit Committee since 2006. Between 1972 and 1987 Benoît Ludwig worked for McKinsey & Company, holding various positions in different countries. Since 1988 he has managed his own management consultancy firm, Ludwig & Partner AG (CH), as Chairman of the Board and Managing Partner. He is also a member of the Board of Directors of Miniera AG (CH) and Chairman of the Board of Directors of Cambia Holding AG (CH).

**Dr. Alexander von Tippelskirch****Non-executive member**

Dr. Alexander von Tippelskirch has a degree in business and a doctorate in politics, and has been a member of the Board of Directors and Chairman of the Audit Committee since 2006. Alexander von Tippelskirch joined IKB Deutsche Industriebank AG in 1968, working initially at the bank's Stuttgart branch, then as branch manager in Hamburg from 1975 to 1984. In 1984 he was appointed a member of the bank's Management Board in Düsseldorf, and from 1990 to 2004 was CEO of the Board of Managing Directors. Alexander von Tippelskirch is also a member of the Advisory Board of SCHMOLZ + BICKENBACH KG (DE) and holds a number of advisory and supervisory mandates with medium-sized companies.

**3.2 ADDITIONAL ACTIVITIES AND RELATED INTERESTS**

The above profiles of members of the Board of Directors provide information on their activities and commitments in addition to their functions at SCHMOLZ + BICKENBACH AG. Unless otherwise stated, the non-executive members of the Board have no significant business relationships with Group companies.

**3.3 CROSS-INVOLVEMENTS**

The above profiles provide information on the involvement of members of the Board of Directors in other listed companies. With the exception of these mandates, there are no cross-involvements as defined by the SWX guidelines.

**3.4 ELECTION AND TERM OF OFFICE**

The Board of Directors consists of five to nine members. The members, who must be shareholders, are elected by the General Meeting of Shareholders in staggered elections for a term of three years. The members are elected individually. In accordance with the Organization Regulations, the Board appoints from among its members a Chairman and a Vice-Chairman for each term of office, and designates a Secretary, who need not be a member of the Board.

The Organization Regulations also stipulate an age limit of 70 years for members of the Board of Directors (see Section 3.1 with regard to first-time election and remaining term of office).

**3.5 INTERNAL ORGANIZATION**

In 2008, the Board of Directors convened five times to discuss current business. The meetings typically last four hours, and are regularly attended by the members of the Executive Board (CEO, COO and CFO), as well as the Business Segment heads as and when required. In the year under review, no external consultants were called upon for assistance. The Board of Directors is quorate when at least half of its members are present. For decisions concerning implementation of a capital increase and the associated amendment to the Articles of Incorporation, the Board of Directors is also quorate if only one member is present (see Section 2.3.1 of the Organization Regulations). The Board of Directors adopts resolutions by a majority of votes cast. In the event of a tie in votes, the Chairman has the casting vote

The Board of Directors has set up two committees from among its members:

#### **Nomination and Compensation Committee**

Members: Michael Storm (Chairman) and Dr. Hans-Peter Zehnder (Member). The committee convenes at least once a year, for an average of one to two hours. The Nomination and Compensation Committee is authorized in particular to decide on personnel-related issues and the formulation of compensation regulations and models, as well as on the annual review of compensation of the Board of Directors, the Board Committees and the Executive Board. The Nomination and Compensation Committee is responsible for informing the full Board of Directors on the content and scope of decisions made.

#### **Audit Committee**

Members: Dr. Alexander von Tippelskirch (Chairman), Dr. Helmut Burmester (Member), Benoît D. Ludwig (Member) and Dr. Gerold Büttiker (Member). The Audit Committee convened three times in 2008. The external auditors and the internal auditors each attended one meeting. The meetings typically last from two to three hours.

The tasks and responsibilities of the Audit Committee are drawn up in more detail in a separate regulation. The regulation includes a stipulation that the Audit Committee should consist of at least three members of the Board of Directors who must not be actively involved in the company's business activities. The main tasks of the Audit Committee are as follows:

- Supervising the accounting (including assessing and ensuring the efficiency of accounting and related systems, compliance with accounting principles, and deciding on discrepancies and their financial implications);
- Liaising with the external auditors (including involvement in their selection and appointment, reviewing and approving the audit plan, assessing performance and fees, evaluating the independence of the auditors, reviewing interaction with internal auditors);
- Structuring the internal auditing system;
- Assessing internal control and information systems;
- Evaluating important pending and potential legal cases and their possible financial impact; and
- Reviewing measures to prevent and detect fraud, illegal trading or conflicts of interest.

The Audit Committee is also responsible for submitting regular verbal and written reports to the full Board of Directors. In addition to members of the Audit Committee, meetings are regularly attended by the CEO and the member of the Executive Board responsible for financial and Group accounting in an advisory capacity. Representatives of the internal and external auditors attend depending on the subject under discussion. The Chairman of the Board of Directors is entitled to attend in a guest capacity.

### **3.6 RESPONSIBILITY AND AUTHORITY**

The Board of Directors is the highest governing body in the Group management structure, and rules on all matters that are not expressly entrusted to another governing body under law, the Articles of Incorporation or the Organization Regulations.

The Board of Directors has delegated all tasks which are not assigned to it under law as non-transferable and irrevocable. The following tasks in particular constitute non-transferable and irrevocable tasks of the Board of Directors:

- Overseeing the company and issuing the requisite directives;
- Defining the organization;
- Structuring the accounting, financial controls and financial planning to the extent required for management of the company;
- Appointing and dismissing persons entrusted with the management and representation of business;

- Supervising persons entrusted with business management, in terms of compliance with the law, Articles of Incorporation, company regulations and directives;
- Drawing up the Annual Report and preparing the General Meeting, and implementing its decisions;
- Notifying the court in the event of overindebtedness;
- Deciding on the payment of subsequent contributions to non fully paid-up shares;
- Deciding on the level of capital increases and the associated amendments to the Articles of Incorporation; and
- Examining the credentials of specially qualified auditors for cases in which the law requires such auditors.

The Board of Directors represents the highest governing body, supervises and controls management, and issues guidelines on business policy. It also defines the strategic objectives and general resources required to achieve them, and decides on important issues.

All executive management tasks within the company and the Group which are not reserved for the Board of Directors or its committees are assigned to the Delegate to the Board and CEO. The CEO chairs the Executive Board, which consists of the CEO, COO and CFO. He issues supplementary guidelines governing the tasks and authorities of members of the Executive Board and management. The Board of Directors is notified of these responsibilities and any subsequent changes no later than the next Board of Directors meeting. Members of the Executive Board are appointed by the Board of Directors on the recommendation of the Nomination und Compensation Committee, while other members of management (including Business Segment heads) are appointed by the Executive Board.

The Chairman of the Board of Directors monitors the implementation of measures approved by the Board of Directors, supervises the Delegate to the Board and his activities, and conducts regular performance appraisals with him.

### 3.7 MANAGEMENT INFORMATION AND CONTROLLING INSTRUMENTS

Management information and controlling instruments used by the Board of Directors include a transparent management information system (MIS) which produces monthly, quarterly and end-of-year reports on Group and business segment performance. Each member of the Board of Directors and the internal auditors are entitled to ask for information relating to any company-related matters. The Executive Board informs the Board of Directors at every meeting on current business developments and significant business transactions.

#### Internal auditing

Internal auditing is an independent monitoring and advisory body that reports to the Audit Committee. The internal auditors produce risk analyses and assess the effectiveness and efficiency of the internal control system; they represent an important component of Enterprise Risk Management. The Board of Directors and the Audit Committee are regularly informed about the findings of Enterprise Risk Management. In the year under review the internal auditors conducted several audits and analyses, which were discussed by the Audit Committee. To the extent required, the Audit Committee authorized the requisite measures and is monitoring their implementation in conjunction with the responsible Group and Business Segment heads.

#### Enterprise Risk Management (ERM)

The Group's risk policy is geared towards systematically increasing corporate value and achieving the planned corporate objectives. The policy takes into account appropriate, transparent and manageable risks. If the risks become too great, the risk management team assesses whether and how the risks can be transferred to third parties. The individual subgroups implement rules of conduct and guidelines and monitor their compliance and control. Speculative or other transactions with high risk potential are not permitted. Our conduct towards suppliers, customers and Group companies is fair and responsible.

Under the lead management of SCHMOLZ + BICKENBACH AG, a standardized Group-wide ERM is deployed to ensure a cohesive framework within which risks can be managed systematically and efficiently. The aim of the ERM is to ensure that risk positions are identified and optimized and that opportunities are exploited. Direct responsibility for the early identification, monitoring and communication of risks lies with operational management, while responsibility for controls lies with the Executive Board and ultimately the Board of Directors.

Following the conclusion of insurance contracts, most of the risks were transferred to the insurers. Preventive measures to avert losses have been implemented by the operating units.

The ERM covers currency, interest-rate and credit risk management. For treatment of the available instruments, we refer among other things to the information on "Financial Instruments" in the Notes to the Consolidated Financial Statements. To ensure that IT-supported business processes within the Group and with customers, suppliers and business partners are run professionally, the underlying information technologies are regularly reviewed and adapted. Existing information security measures are continually updated so as to eliminate or at least minimize the risks associated with IT processes. The volatility of steel prices and the Group's economic dependence on the automobile and mechanical engineering industries exert a significant influence on the Group's business performance. The Group balances risks by continually developing its broad product portfolio and by internationalizing its sales focus, or spreading the business portfolio and focusing on niche products and optimizing the value chain.

## 4. EXECUTIVE COMMITTEE

### 4.1 MEMBERS OF THE EXECUTIVE COMMITTEE

The Executive Committee consists of the Executive Board and Business Segment Management.

#### EXECUTIVE BOARD

Name	Year of birth	Position	Appointed
Benedikt Niemeyer (DE)	1958	Chief Executive Officer	2003
Dr. Marcel Imhof (CH)	1948	Chief Operating Officer	1977
Axel Euchner (DE)	1961	Chief Financial Officer	2003

#### **Benedikt Niemeyer, Delegate to the Board of Directors and CEO**

See Section 3.1 (Members of the Board of Directors).

#### **Dr. Marcel Imhof, COO**

Marcel Imhof has a doctorate in economics and social science from the University of St Gallen. He joined the company in 1977 and was appointed Chief Executive Officer of the Swiss Steel Group in 1996. Following the reorganization in 2006, he took over the new function of Chief Operating Officer. Between 1978 and 1986 he was Head of Bright Steel Sales and from 1987 to 1991 Head of Rolled Steel Sales. From 1992 to 1996 he was Head of the Steel Division within the Group. Marcel Imhof is also a member of the Board of Directors of Stahl Gerlafingen AG (CH), Ultra Brag AG (CH) and Imbach AG (CH), and serves on the Boards of a number of industrial and trade associations.

#### **Axel Euchner, CFO**

Axel Euchner has a degree in business and has been Chief Financial Officer of SCHMOLZ + BICKENBACH AG since May 2005. From 1984 to 1992 he worked as a tax consultant at Pricewaterhouse Coopers (DE) and from 1993 to 2000 as financial director of GEA AG (DE). In 2001 he took over as CFO of the SCHMOLZ + BICKENBACH Group, a

subsidiary of SCHMOLZ + BICKENBACH KG. He continues to perform this function alongside his position as CFO of SCHMOLZ + BICKENBACH AG, receiving separate compensation from SCHMOLZ + BICKENBACH KG. Between 2003 and May 2005 he was also a member of the Board of Directors of Swiss Steel AG.

## BUSINESS SEGMENT MANAGEMENT

Name	Year of birth	Responsibility	Appointed
Walter J. Hess (CH)	1946	Business Segment Head Swiss Steel AG	1995
Karl Haase (DE)	1951	Business Segment Head Deutsche Edelstahlwerke GmbH	2004
Victor Polard (FR) (until September 30, 2008)	1950	Head Ugitech S.A.	2002
Patrick Lamarque d'Arrouzat (FR) (as from October 1, 2008)	1965	Business Segment Head Ugitech S.A.	1990
Bruce Liimatainen (US)	1956	Business Segment Head A. Finkl & Sons	1977
Gerd Münch (DE)	1962	Business Segment Head Steeltec AG	1991
Peter Schubert (DE)	1958	Business Segment Head SCHMOLZ + BICKENBACH Blankstahl	1991
Peter Schwarze (DE)	1966	Business Segment Head SCHMOLZ + BICKENBACH Distribution Germany	2006
Günter N. Fuhry (AT) (until March 31, 2008)	1961	Business Segment Head SCHMOLZ + BICKENBACH Distribution International	2007

### Walter J. Hess

Walter J. Hess has a degree in mechanical engineering and has been CEO of von Moos Stahl AG (renamed Swiss Steel AG in 2007) since 1996. From 1975 to 1981 he was head of international project management at AGA-Gas AB (S), worked in marketing and sales for ASEA Schweiz (CH) from 1982 to 1987, and from 1988 to 1995 was CEO of R. Stahl AG (D/CH). He graduated from IMEDE (CH) in 1981 with a degree in management. In 1995 he joined the von Moos Group, initially as profit centre manager at Marti-Technologie AG (CH), and in 1996 became CEO of von Moos Stahl AG. He is also on the Board of Directors of Stahl Gerlafingen AG (CH) and Concast AG (CH).

### Karl Haase

Karl Haase has a degree and MSc in engineering and has been Chairman of the Executive Board of Edelstahlwerke Südwestfalen GmbH since November 1, 2004, and Chairman of the Executive Board of Edelstahl Witten-Krefeld GmbH (renamed Deutsche Edelstahlwerke GmbH in 2007) since July 1, 2005. Since 1976 he has assumed various functions for Hoesch Hüttenwerke AG, Korf Stahl AG and Badische Stahlwerke AG. From 1994 to 2004 he was a member of the Management Board of PHB Weserhütte AG (DE) and in this function was responsible for steel production and engineering for the Badische Stahlwerke Group.

### Victor Polard

Victor Polard has degrees in structural engineering, chemistry, metallurgy (University of Liège) and management (Louvain), and since 1976 has worked in various areas of the steel industry including research and development, maintenance and investment. He was appointed technical director and later general director of the automobile production department of Cockerill-Sambre (B) for flat steel and galvanised products. From 1992 to 1999 Victor Polard was general

director of the Cockerill-Sambre Group's sales division. Between 2000 and 2002 he was CEO of Eko-Stahl (DE), and from 2002 to mid-2006 CEO at Arcelor for rust-free and long products, and CEO of Ugitech S.A. He became CEO of the Ugitech Group in July 2006. He left the company on September 30, 2008.

#### **Patrick Lamarque d'Arrouzat**

Patrick Lamarque d'Arrouzat holds a master's degree in economics from the University of Bordeaux and an MBA from INSEEC International Business School (France and USA).

He first joined the Arcelor Group in Italy in 1988, where he took up a managerial position in the subsidiary Uginox. Since 1990 he has worked for Ugitech, until 2000 mainly in commercial and marketing services.

This was followed by four years in Spain, where until 2004 he was in charge of the commercial distribution network specialized in stainless steel long products.

He subsequently took over responsibility for the bar steel business segment including the cold finishing shops at Ugine and Milan, before being appointed Commercial Director of the Ugitech Group. Since October 2008 he has been CEO of the Ugitech Group.

#### **Bruce Liimatainen**

Bruce Liimatainen has a degree in mechanical engineering with advanced studies in metallurgy and materials and has been chairman and chief executive officer of A. Finkl & Sons since 2002. He has served the company in various functions since 1977, beginning his career as a project engineer. As executive vice president, he joined the board of directors in 1986, and advanced to the position of president in 1988 at the age of 32 years old. Prior to his career at Finkl, Liimatainen worked at U.S. Steel and Lockport Steel Fabricators. He holds four patents in the United States in the treatment of molten steel and other operations. Liimatainen has received multiple environmental awards, is a Founding board of Directors member of the Chicago Environmental Fund, and is a recognized civic leader in Chicago.

#### **Gerd Münch**

Gerd Münch has a degree in metallurgy from the Rheinisch-Westfälische Technische Hochschule Aachen, and has been CEO of Steeltec AG since January 1, 2006. From 1991 to 1996 he worked as a development engineer for the Bright Steel Division. In 1996 he transferred to Bright Steel Production, initially as Head of Production Planning and Logistics, and in 1997 took over as Head of Production.

#### **Peter Schubert**

Peter Schubert has a degree in engineering and worked from 1985 to 1991 for Stahl- und Walzwerk Hennigsdorf (DE), latterly as Head of the Bright Steel Production Department. He joined the SCHMOLZ + BICKENBACH Group (DE) in 1991, where he held various positions until his appointment in January 2003 as CEO of SCHMOLZ + BICKENBACH Blankstahl GmbH (DE).

#### **Peter Schwarze**

Peter Schwarze has a degree in business and worked for the Klöckner Group between 1994 and 2006. During this time he held various positions within the Group's international subsidiaries, including management functions in Spain and Austria, and operations in Eastern Europe. Between February 2001 and June 2002 he held the post of CEO at Schneider Electronics AG. He was appointed CEO of SCHMOLZ + BICKENBACH Distributions GmbH on October 1, 2006.

**Günter N. Fuhry**

Günter N. Fuhry holds a degree in engineering and from 2003 to 2007 was CEO of Boehler Thyssen Schweisstechnik. Between 1987 and 2003 he worked for McKinsey & Company, from 1995 to 2003 as a partner. On October 1, 2007, he was appointed CEO of SCHMOLZ + BICKENBACH International GmbH, with responsibility for all production and distribution companies outside Europe. He left the company on March 31, 2008.

**4.2 ADDITIONAL ACTIVITIES AND RELATED INTERESTS**

Benedikt Niemeyer (CEO) and Axel Euchner (CFO) also perform CEO and CFO functions respectively for the majority partner SCHMOLZ + BICKENBACH KG, Düsseldorf (DE), and are separately compensated for these activities by SCHMOLZ + BICKENBACH KG. Their additional remuneration for these activities is not included in the total amount shown in Section 5.2.2.

**4.3 MANAGEMENT AGREEMENTS**

SCHMOLZ + BICKENBACH Edelstahl GmbH, a subsidiary of SCHMOLZ + BICKENBACH AG, provides services for the Group companies of SCHMOLZ + BICKENBACH AG and for other companies which are affiliated with SCHMOLZ + BICKENBACH KG but are not part of SCHMOLZ + BICKENBACH AG or its directly or indirectly controlled Group companies. These services are billed at market rates.

**5. COMPENSATION, SHAREHOLDINGS AND LOANS****5.1 CONTENT AND PROCEDURE FOR SETTING COMPENSATION AND EQUITY PARTICIPATION PROGRAMMES**

The Nomination and Compensation Committee sets the fees for the Board of Directors and Board Committees as well as the compensation of the Executive Board on an annual basis.

Non-executive members of the Board of Directors are paid fixed compensation which is defined by the Board of Directors at its own discretion, based on a comparison with similar public corporations.

The executive member of the Board of Directors and the members of the Executive Board and Business Segment Management receive fixed and variable compensation. The criteria for Business Segment Management are the EBIT results of the business segment and personal performance (quality-related MbOs).

Strategic and project-related MbO-dependent components as well as Group business performance are the criteria used to determine the variable compensation of the Executive Board. In addition, a financial incentive is offered in the form of a premium for successful acquisitions or divestments. For successful business performance and individual achievement, the variable component may be much higher than the fixed component.

The share allocation programme for members of the former Swiss Steel Group management was discontinued in 2006. The Nomination and Compensation Committee is responsible for ensuring that the company offers competitive, performance-driven compensation in order to attract and retain employees with the right skill sets and character traits. The compensation must be based on the company's sustainable success and dependent on personal effort.

In addition, members of the Group and Business Segment Management are entitled to a company car.

## 5.2 COMPENSATION OF CORPORATE BODY MEMBERS

### 5.2.1 COMPENSATION OF CURRENT MEMBERS OF THE BOARD OF DIRECTORS

The seven members of the Board of Directors received the following compensation (in CHF) for fiscal 2008:

		Cash/deposits		Non-cash benefits	Pension fund expenses		Additional remuneration	Total
		Fixed remuneration	Variable remuneration	Car <sup>1)</sup>	Post-employment benefit contributions <sup>2)</sup>	Sickness, accident and other insurance contributions	Expenses	
(in CHF)								
Michael Storm (DE)	Chairman	1 210 000					20 000	1 230 000
Dr. Hans-Peter Zehnder (CH)	Vice-Chairman	208 000			10 504	1 260	12 000	231 764
Benedikt Niemeyer (DE)	Delegate to the Board of Directors, Chief Executive Officer (CEO) <sup>3)</sup>	138 000					12 000	150 000
Dr. Gerold Büttiker (CH)	Member	168 000					12 000	180 000
Dr. Helmut Burmester (DE)	Member	178 916			8 187		12 000	199 103
Benoit D. Ludwig (CH)	Member	168 000			8 484	1 260	12 000	189 744
Dr. Alexander von Tippelskirch (DE)	Member	200 360			9 270		12 000	221 630

<sup>1)</sup> Private contribution (based where applicable on tax regulations)

<sup>2)</sup> Employer contributions to the pension fund and other retirement plans

<sup>3)</sup> Remuneration for the function as CEO is disclosed under 5.2.2

As in 2007, no allocations in the form of shares or options were made in 2008, nor were any loans granted by governing bodies to members of the Board of Directors or related parties.

Compensation paid to members of the Board of Directors for 2007 totalled CHF 10.603 million, of which the highest individual compensation of CHF 8.405 million was that of Benedikt Niemeyer in the form of a cash payment.

### 5.2.2 COMPENSATION OF CURRENT MEMBERS OF THE EXECUTIVE COMMITTEE

The Executive Committee, which comprises the 12 members of the Executive Board and the Business Segment Management, received the following compensation for fiscal 2008 (in CHF):

		Cash/deposits		Non-cash benefits	Pension fund expenses		Additional remuneration	Total
		Fixed salary	Fixed salary	Car <sup>1)</sup>	Post-employment benefit contributions <sup>2)</sup>	Sickness, accident and other insurance contributions	Expenses	
(in CHF)								
Highest-paid person: Benedikt Niemeyer (DE)	CEO	1 430 963	4 334 100					5 765 063
Total Executive Committee		6 400 564	10 626 350	92 577	694 677	63 374		17 877 542

<sup>1)</sup> Private contribution (based where applicable on tax regulations)

<sup>2)</sup> Employer contributions to the pension fund and other retirement plans

For 2008, no allocations in the form of shares or options were made, and in 2008 as in 2007, there were no outstanding loans granted by governing bodies to members of the Board of Directors or related parties.

For 2007, compensation paid to members of the Board of Directors totalled CHF 19 646 718 million, the highest individual compensation of CHF 8 254 573 million being paid to Benedikt Niemeyer, CEO and Delegate to the Board of Directors.

### 5.2.3 COMPENSATION OF FORMER MEMBERS OF THE EXECUTIVE COMMITTEE

Former member of the Executive Committee received a total compensation of CHF 2 741 423.

## 5.3 SHARES OWNED BY GOVERNING BODY MEMBERS

### 5.3.1 SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS

The following members of the Board of Directors own shares in SCHMOLZ + BICKENBACH AG:

		Number of shares (voting shares)	
		31.12.2008	31.12.2007
<b>Board of Directors</b>			
Dr. Hans-Peter Zehnder (CH)	Vice Chairman	6 925	6 925
Dr. Gerold Büttiker (CH) <sup>1)</sup>	Member	1 560 000	1 505 000
Dr. Helmut Burmester (DE)	Member	10	10
Benoit D. Ludwig (CH)	Member	15 000	15 000
Dr. Alexander von Tippelskirch (DE)	Member	850	850
<b>Total Board of Directors</b>		<b>1 582 785</b>	<b>1 527 785</b>

<sup>1)</sup>Includes the shares in Gebuka AG (CH) attributable to Dr. Büttiker.

The Chairman of the Board of Directors, Michael Storm, is a partner with limited liability in SCHMOLZ + BICKENBACH KG, which via SCHMOLZ + BICKENBACH Holding AG (CH), SCHMOLZ + BICKENBACH Finanz AG (CH) and SCHMOLZ + BICKENBACH Beteiligungs GmbH (DE) owns a total of 21,046,891 registered shares.

Shares owned include shares from the share allocation programme in force until 2002, which are still subject to a blocking period for members who were serving on the Board of Directors at December 31, 2006.

### 5.3.2 SHARES OWNED BY MEMBERS OF THE EXECUTIVE COMMITTEE

The following members of the Executive Committee own shares in SCHMOLZ + BICKENBACH AG:

		Number of shares (voting shares)	
		31.12.2008	31.12.2007
<b>Executive Committee</b>			
Dr. Marcel Imhof (CH)	Chief Operating Officer (COO)	16 265	15 265
Walter J. Hess (CH)	Business Segment Head Swiss Steel AG	5 900	5 900
<b>Total Executive Committee</b>		<b>22 165</b>	<b>21 165</b>

The shares largely stem from the share allocation programme for members of the Executive Committee and Business Segment Heads of the former Swiss Steel Group which was discontinued in 2006. These shares are subject to a blocking period of four years.

## **6. SHAREHOLDERS' RIGHTS**

### **6.1 RESTRICTIONS ON SHAREHOLDERS' RIGHTS AND SHAREHOLDER REPRESENTATION**

With the exception of the 2% clause for nominees, there are no restrictions on shareholders' rights.

Any shareholder may be represented by any other shareholder with written power of attorney in accordance with Art. 6 Para. 2 of the Articles of Incorporation. However, holders of registered shares may only be represented by another holder of registered shares. Legal persons may be represented by a person authorized to sign on their behalf, wives by their husbands and vice versa, and persons under guardianship by their legally appointed representative, even if such representatives are not themselves shareholders.

### **6.2 STATUTORY QUORA**

The Articles of Incorporation contain no special provisions governing quora beyond the provisions of company law.

### **6.3 CONVOCAION OF THE GENERAL MEETING**

The General Meeting is convened by the Board of Directors or the auditors, indicating the agenda as well as proposals of the Board of Directors and motions put forward by shareholders who have requested that the General Meeting be held or that an item be included on the agenda.

A written invitation is sent at least 20 days before the date of the General Meeting, which must take place within six months of the end of the financial year, or the Extraordinary General Meeting, which is convened either by a decision of the General Meeting or by the Board of Directors, at the request of the auditors, or if requested by one or more shareholders who together represent one tenth of the share capital (see Art. 5 of the Articles of Incorporation).

If the meeting is convened by shareholders or the auditors, the Board of Directors must, if expressly requested, address the matter within 60 days.

### **6.4 PLACING ITEMS ON THE AGENDA**

Shareholders who represent shares with a par value of CHF 1 million may submit a written request, no later than 45 days before the General Meeting, asking for an item to be placed on the agenda.

### **6.5 ENTRY IN THE SHARE REGISTER**

The cut-off date for entering registered shareholders in the share register is indicated in the invitation to the General Meeting.

For the last Ordinary General Meeting on April 17, 2008, the share register was closed ten days before the General Meeting.

For the future, the company plans to continue to set the cut-off date ten days before the General Meeting. However, the company reserves the right to make exceptions in order to avoid excluding a disproportionate number of shares from the entitlement to vote.

## **7. CHANGE OF CONTROL AND DEFENSIVE MEASURES**

### **7.1 OBLIGATION TO MAKE A PUBLIC OFFER**

There are no statutory provisions on opting out or opting up.

In its recommendation of May 15, 2008, the Takeover Commission examined the subsequently executed reorganisation of the ownership relationships, which resulted in the changed shareholder structure described under 1.2. For the reorganisation transaction, exemption was granted from the duty to submit to the shareholders of SCHMOLZ + BICKENBACH AG a public offer to purchase.

## **7.2 CHANGE OF CONTROL CLAUSES**

Benedikt Niemeyer (Delegate to the Board of Directors and CEO) and Axel Euchner (CFO) have signed contracts of employment for a fixed term up to September 30, 2014. Unless notice is served on these contracts at least two years before the defined expiry date, they are automatically renewed for another five years. Dr. Marcel Imhof (COO) has a contract of employment for a fixed term up to January 31, 2013.

Any change in control will also render invalid the blocking period on shares allocated to members of management under the share allocation programme.

## **8. AUDITORS**

### **8.1 DURATION OF MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR**

The auditors are elected by the General Meeting for a period of one year. Ernst & Young Ltd has performed this function since fiscal 2005 and was re-elected for fiscal 2008. Daniel Wüst has been the Engagement Partner since joining the auditors.

### **8.2 AUDITING FEES**

In 2008, auditing fees of CHF 4.1 million (2007: CHF 3.0 million) were paid. The increase is attributable to the fact that the single-company financial statements of all the main Group companies are now audited by Ernst & Young. Additional auditing work was also required for auditing IFRS opening balances ahead of the changeover to IFRS reporting from January 1, 2007

### **8.3 ADDITIONAL FEES**

CHF 0.9 million (2007: CHF 1.3 million) were paid in fees for other services in the year under review. These largely concern consultancy services in connection with acquisitions and tax issues.

### **8.4 SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS**

The Audit Committee annually reviews the performance, fees and independence of the auditors and makes a proposal to the Board of Directors and ultimately the General Meeting concerning the appointment of the statutory and Group auditors. The Audit Committee annually decides on the scope of the internal audit and coordinates this with the schedules drawn up by the external auditors. The Audit Committee agrees the audit scope and plan with the external auditors and discusses the audit findings with the external auditors, who regularly attend two meetings per year (see also the detailed description of the tasks and competences of the Audit Committee, Section 3.5).

There is no definitive rule governing the rendering of non-audit services; these mandates are generally issued by the Executive Board after consultation with the Chairman of the Audit Committee, and are evaluated annually as part of the review of the independence of the external auditors.

## 9. INFORMATION POLICY

An annual report is published once a year, and a semi-annual report in August, both in German and English. The provisions relating to ad hoc publicity also apply. The German version is binding.

### **Planned publication dates:**

Media/Analysts' Conference: March 26, 2009 in Zurich

Ordinary General Meeting: April 23, 2009 in Emmenbrücke

Media/Analysts' Conference: August 2009

### **Investor Relations:**

Axel Euchner, Chief Financial Officer, telephone: +41 41 209 50 35

Press releases and other information are available to the public on our website at [www.schmolz-bickenbach.com](http://www.schmolz-bickenbach.com)

