

# ANNUAL REPORT

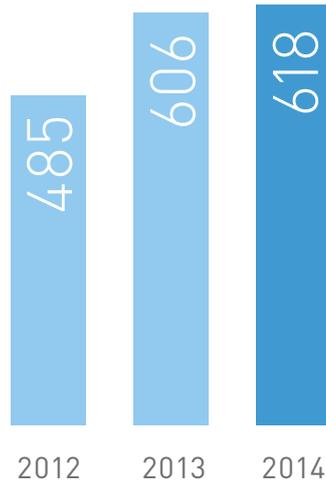
2014

**Bossard is a leading supplier of intelligent solutions for industrial fastening technology.** The company's complete portfolio for fasteners includes worldwide sales, technical consulting (engineering) and inventory management (logistics).

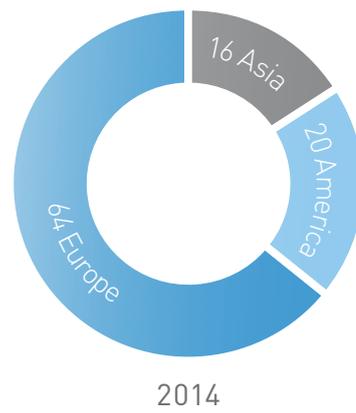
Its customers include local and multi-national industrial companies **who use Bossard's solutions to improve their productivity.** Employing more than 2,000 people in over 60 locations around the world, the Group generated CHF 618 million in sales in 2014. Bossard is listed on the SIX Swiss Exchange.

## AT A GLANCE

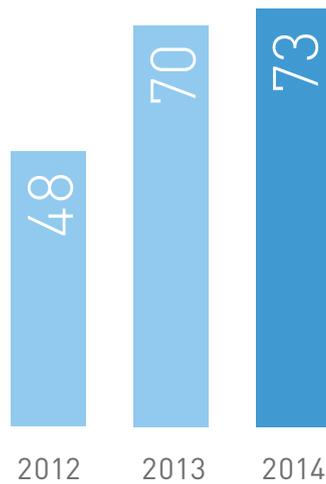
Net Sales  
in CHF million



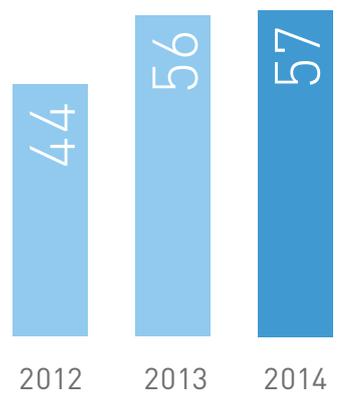
Geographic  
Sales Distribution  
in %



Operating Profit  
in CHF million



Net Income  
in CHF million



# HISTORIC KEY FIGURES

IN CHF 1,000	2014	2013	2012	2011	2010
Gross sales	621,295	609,714	487,094	473,484	477,609
Net sales	617,764	605,716	485,224	471,643	474,878
Change to prior year in %	2.0	24.8	2.9	-0.7	20.5
Gross profit	197,131	188,807	151,390	147,153	148,162
Personnel expenses	129,401	123,388	98,885	95,969	99,393
in % of net sales	20.9	20.4	20.4	20.3	20.9
EBITDA	85,252	82,098	58,820	61,113	57,751
in % of net sales	13.8	13.6	12.1	13.0	12.2
EBIT	72,803	69,783	48,373	51,277	47,266
in % of net sales	11.8	11.5	10.0	10.9	10.0
Net income	57,128	56,001	43,505	45,621	44,928
in % of net sales	9.2	9.2	9.0	9.7	9.5
Cash flow <sup>1)</sup>	69,577	68,316	53,952	55,457	55,413
in % of net sales	11.3	11.3	11.1	11.8	11.7
Capital expenditures	11,536	14,901	24,983	19,986	8,367
Operating net working capital <sup>2)</sup>	242,282	211,472	202,225	202,563	172,559
in % of net sales	39.2	34.9	41.7	42.9	36.3
Net debt	97,875	101,163	202,185	29,607	25,747
Shareholders' equity	210,603	167,298	51,861	207,073	179,354
in % of total assets	48.5	43.2	13.8	62.6	61.3
Total assets	434,380	386,951	376,217	330,822	292,743
Return on equity	30.2	51.1	33.6	23.6	26.3
Return on average capital employed (ROCE)	20.7	22.8	17.2	21.5	23.1
Dividend yield (Basis: price at Dec. 31)	2.7%	2.9%	4.3%	5.9%	5.5%
Earnings per share <sup>3) 4)</sup>					
Registered A share in CHF	7.49	7.40	7.29	7.58	7.41
Registered B share in CHF	1.50	1.48	1.46	1.52	1.48
Price/earnings ratio (Basis: price at Dec. 31)	14.6	14.0	9.2	6.7	7.4
Price/book value per share	3.9	4.7	7.7	1.5	1.8
Annual weighted average number of employees <sup>5)</sup>	1,806	1,767	1,551	1,493	1,393
Net sales per employee <sup>6)</sup>	342.0	342.8	312.8	315.9	340.9

1) Net income + depreciation and amortization

2) Accounts receivable, inventories, less accounts payable

3) Basis: Average capital entitled to dividend

4) Basis: Share attributable to shareholders of Bossard Holding AG

5) Average full time equivalent

6) Basis: Annual weighted average number of employees

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# REPORT TO THE SHAREHOLDERS

## BOSSARD – NEW RECORD HIGH



Dr. Thomas Schmuckli, Chairman of the Board of Directors, and David Dean, CEO

## DEAR SHAREHOLDERS,

Our company has continued to evolve in an impressive manner in the financial year 2014. Although the economic climate clouded over again, we set new records – in terms of sales, operating profit, and net income – and thus, provided proof of a remarkable stability in our performance. Also in the past year, we undertook considerable efforts to develop new or better individual markets. This is based on our strong balance sheet which creates leeway for acquisitions and for the expansion of distribution capacity.

### EXPECTATIONS LARGELY FULFILLED

Even on closer analysis we largely met expectations in 2014. Despite increased geopolitical uncertainties, we continued to grow in most market regions in Europe. The acquisition of KVT-Fastening in 2012 opened new doors for us which we use consistently in order to strengthen our market presence in the field of high-quality engineered products and branded products. With this acquisition we have been able to tap market potential that will also generate additional business volume in the next few years.

Business development is also encouraging in Asia where Bossard experienced double-digits growth again last year. This performance is based substantially on the investments that we made to enhance distribution capacity. In the next few years too, we will invest resources in the development of individual Asian markets, in particular in China and Thailand.

On the other hand, Bossard had to cope with a decline in sales in the American business, which can be explained by a drop in demand from a major customer. Yet even in America there are positive developments: cooperation on the part of a leading electric vehicle manufacturer is visibly gaining momentum. This cooperation was sealed in March 2014 by a three-year contract, which comprises a total volume of USD 140 million.

### BRISK INVESTMENT ACTIVITY

In 2014, Bossard pushed ahead with some acquisitions via which the markets in the United States, Italy and Scandinavia can be better penetrated. We are also willing to break new ground and carry out the often difficult development work. So in Canada and Australia we started from the ground up. Such start-ups are, however, burdensome: Experience shows that in the first years

of operation they do not yield any profit. This targeted investment activity however, which strengthens our core activity, does provide the basis for the long-term development of our company. It may temporarily inhibit earnings performance, but in terms of profitability, it should be noted that despite such burdens the operating margin over the entire economic cycle should remain in a range of 10 percent to 13 percent and not fall any lower. The operating margin is currently not only at a record-high level, but also significantly above the industry average. We also have the mid- and longer-term ambition to further raise this level of performance.

The stock exchange has noticed this performance, which is reflected in the above-average increase in value of Bossard shares over the past few years. In other words, this development expresses a significantly higher appreciation that Bossard today enjoys among shareholders and investors.

This appreciation is of course due to the well-established experience of the Bossard Group demonstrating remarkable stability, even in a difficult market environment. The popularity of Bossard shares can be explained not least by the continuing attractive dividend yield of 2.7 percent (as at year-end 2014). The appraisal is especially true when this yield level is compared with the lower returns from other investment categories. What is more, a dividend offers potential for growth if the company develops solidly. In the past decade, Bossard shareholders in particular have benefited significantly from such growing dividends.

#### **CONFIDENCE OF PUBLIC SHAREHOLDERS**

The case of the company Sika, where the founding family sold a stock package tied up with a majority of votes to a foreign company – without a public takeover offer being launched – caused anger among shareholders and investors. However, no conclusions about Bossard can be drawn from this case. Notably, Bossard in 1996 consciously renounced the incorporation of an opting-out clause into the articles of association, the clause which would rule out a takeover offer to the public shareholders. Because our shareholders are conscious of this rule, the Sika case has not led to a reevaluation of Bossard on the stock market. We know to value this confidence that you, valued public shareholders, have shown in us. Confidence has no doubt also been built by the fact that several members of the Bossard families work actively on the board of directors and in the executive committee.

This commitment speaks for continuity in the management of the company.

#### **WELL-EQUIPPED**

The continuity will help Bossard on the way forward. In doing so we can build on organic growth and on the latest acquisitions. In Europe, we are moving in a demanding environment, but the acquisitions made have significantly strengthened our market position. In Asia too, we will benefit from our strong groundwork.

Despite the weakness in demand at one of our major customers, we consider the business cycle in America to be generally positive, not least because of the aforementioned agreement with the electric vehicle manufacturer, while the acquisition of Aero-Space Southwest Inc. will also stimulate our business.

We therefore see further growth, although many market analysts are again currently critically assessing economic development in some regions of the world. Yet in all the countries which are giving rise to greater concern, Bossard is not substantially or not at all invested. In other words, we are less affected by the economic crisis in the southern European area than other distributors, while even the conflict situation in the Ukraine and the sanctions against Russia are only troubling us to some extent. Neither do we see any major impact from individual sectors of the economy coming our way. However, of course, it is always possible that we may feel an indirect impact from the crises mentioned.

To sum up, our company is well positioned in a variety of markets and industries. Our expertise in advanced fastening solutions is widely recognized and respected. This can be explained by the fact that we always take a holistic approach in our customer relationships: We are guided by the ambition that solutions developed are better, faster, more efficient and more cost-effective and give our customers competitive advantages. We rely on leaner production processes associated with savings in resources, time and money. This confidence-building basis of business relationships with our customers – we call it “Proven Productivity” – is a substantial part of our success. In other words, “Proven Productivity” is a proven strategy to improve performance, including our own.

We are well positioned, to meet the challenges of the next few years. This assessment also applies after the substantial revaluation of the Swiss Franc in January of

this year. Our confidence is based in particular on the structure of our international operations where costs and revenues accrue in the same currency areas. This structure protects us from unwelcome burdens during currency fluctuations. The revaluation of the Swiss Franc does however result in expenditure and income from international operations are smaller when converted into Swiss Francs, which form the basis of our group financial statement. Despite this change in circumstances, we expect the Bossard Group to reach the long-term goals set in 2009 in local currency.

We are however aware that in the business world, laurels cannot be rested upon. Our company must always prove its efficiency in daily business again. Against this background we test strategies, closely examine cost structures, reassess risks and explore new opportunities for growth. Ultimately, all our stakeholders benefit from this market-oriented strategy: our customers, our employees, and you in particular, dear shareholders. We would like to heartily thank you at this point for your loyalty and the trust that you have placed in our company.



Dr. Thomas Schmuckli  
Chairman of the Board of Directors



David Dean  
CEO

Zug, February 27, 2015

**Market position** in the field of high-quality **engineered products** and **branded products strengthened**

**Sales** increased by 2.0% to a **record high** of CHF 618 million

**Operating margin** increased from 11.5% to a **new all-time high** of 11.8%

**Operating profit** of CHF 72.8 million and **net profit** of CHF 57.1 million reached **new heights**

Solid balance sheet, **equity ratio increased** from 43.2% **to 48.5%**

## BUSINESS MODEL

### MAKING OUR CUSTOMERS MORE COMPETITIVE



We live in a fascinating world. The products that surround us make our lives and work easier than ever before. From small everyday devices like smartphones or computers to large, industrially manufactured equipment like trains or tractors – today’s products symbolize progress.

When you take a closer look at these products, you will discover an equally fascinating world consisting of thousands of parts, components and screws. Everything is in its place, in the right spot, and optimally connected to other parts.

#### HIDDEN POTENTIAL

At first glance, you will see things like screws, nuts or bolts. However, some things remain hidden to the eye and do not become obvious until you take a closer look. At Bossard, that is what we call the “hidden potential” of fastening technology. “Hidden” because at first glance they are invisible. “Potential” because they have the

power to permanently boost the competitiveness of our customers. These “hidden” aspects account for approximately 85% of the total cost of ownership of fastening elements (TCO).

#### GETTING AHEAD TOGETHER

For this reason, we work with our customers to uncover this potential along the entire value chain of industrial engineering. We analyze ways and means to optimize costs, to shorten lead times, and to constantly exceed the quality standards of the products used.

This process, this mindset, this targeted analysis and implementation approach has a name: We call it “Proven Productivity”.

As a promise to our customers, “Proven Productivity” has two elements: One, it has been proven to work. And two, it sustainably improves the productivity of our customers.

## STRONG PERFORMANCE

By working with our customers over the years, we have gained an ever clearer picture of what has proven to be effective over the long term. We have come to recognize what it takes to boost our customers' competitive position. As a result, we support our customers in three core areas of strategic importance.

First, finding optimal product solutions – evaluating and using the “best” fastening element for the intended application in our customers' products.

Second, from the moment our customer start designing a new product, our application engineering provides the most “intelligent” solution for any given fastening challenge.

And third, the “leanest” customer logistics – reducing or even eliminating procurement costs along the entire supply chain of our customers.

## KEY BENEFITS

From the perspective of our customers, the interplay of product solutions, application engineering and customer logistics has six core benefits:

1. **Time to market:** This means that our customers' products are brought to market faster – a crucial competitive advantage in a global environment where speed counts.
2. **Lean process:** For our customers, this means saving time, money and resources, being able to better calculate total costs – and above all, achieving higher margins.
3. **Better throughput:** This is one of the central cost aspects for our customers when it comes to boosting effectiveness – and especially improving efficiency.
4. **High quality:** For our customers, this means absolute reliability in terms of product, process and production safety – and hence, less waste and fewer complaints.

5. **Innovative technology:** From a customer's perspective this is crucial. Only companies open to new developments are ready to successfully forge new paths and go where no other competitor has gone before.
6. **Maximum reliability:** For our loyal customers, this means knowing that they can rely on us and our long-time employees with the utmost confidence – not just now, but decades down the line.

“Proven Productivity” is rooted in the traditions of our corporate history and today, in an increasingly competitive market environment, permeates every fiber of our global organization.

“Proven Productivity” is our contribution to boosting the competitiveness of our customers – sustainably and measurably. It is also a philosophy that motivates us on a daily basis to give our utmost and to further strengthen the foundation for the sustainable growth of our group.

# 20%

gain in  
efficiency  
with one rivet

**Rolf Meier – Head of Procurement and Logistics, Griesser AG, Switzerland**

“Zero effort plus 100 percent availability”

Griesser AG is one of Europe’s leading providers of high-quality solar shading solutions. Our company employs 1,300 workers.

Thanks to Bossard, we were able to significantly simplify the management of our C-parts: Instead of a dozen suppliers and a correspondingly high effort, today we use the 2bin logistics system – a simple system that makes all C-parts constantly available. But that’s not all: Bossard also recommended an innovative rivet system to us. Thanks to the latter, we can produce our slat blinds much more efficiently.



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# STRATEGY

In line with its strategy, the Bossard Group has evolved into a global company over the last several years. A consistent business system combined with a successful business model and a clearly defined performance profile, form a solid foundation for further growth.

## PROVEN PRODUCTIVITY – OUR PROMISE ...

The strategy for the coming years continues to focus on targeted market development. The core of this strategy is our company's long-time philosophy of "Proven Productivity" – our market-oriented promise to boost the competitiveness of our customers in a sustainable and measurable way. This philosophy strengthens the bridge of trust between us and our customers day in and day out.

## ... FOR A GLOBALLY FRAGMENTED MARKET.

The global market in which Bossard is growing is heavily fragmented. As opposed to other sectors and industries, there are no globally dominant players in fastening technology. This high level of fragmentation creates significant opportunities for organic growth. We will exploit these opportunities by continuing to be as close to our customers as possible.

## CUSTOMER PROXIMITY CREATES GROWTH OPPORTUNITIES ...

For us, proximity goes beyond geography. It also encompasses the primary challenge that keeps our customers awake at night – boosting their competitiveness. The better we understand our customers' perspective on this core challenge and the more in-depth we go in analyzing the issues associated with it, the better we can bring our extensive experience and expertise to bear when responding to this challenge.

## ... AND DRIVES OUR STRATEGIC AMBITION:

"We want to be the trusted expert brand providing assembly technology solutions for our customers globally." To turn this vision into reality, we focus on OEM (original equipment manufacturer) customer groups with the aim of supporting them to boost their competitiveness. Thereby, we rely on outstanding services, technical consulting and efficient processes along the entire supply chain.

## OUR STRATEGY FOR STRONG HIGH-QUALITY GROWTH

Within the context of our strategic goals, which remain unchanged for 2010–2015, we are aiming to achieve sustainable high-quality growth. We want to substantially increase our sales revenue in the coming years to further strengthen and expand our market position. However, volume growth should not come at the expense of profit, which must at least keep pace with revenue. In addition, the invested capital must yield a reasonable return for our investors.

## GREATER FOCUS ON HIGHER-END PRODUCTS AND SOLUTIONS

In addition to in-house developments, we continue to rely on worldwide sales agreements with established manufacturers of attractive solutions. Our R&D is advancing the development of new proprietary products and customer-specific application solutions.

On the whole, our "Proven Productivity" philosophy increasingly targets products and solutions that are proven to give customers lasting added value. This will offer us attractive profit margins. The main focus is on our engineering services and on the development of functional modules that intelligently combine multiple fastening components in a single unit.

Overall, we aim to achieve this growth organically. Acquisitions are an option to augment this approach. However, this requires clearly defined requirements with a view toward products and markets.

## MARKET DEVELOPMENT SHOWS THAT BOSSARD IS ON THE RIGHT TRACK

Our confidence that we can successfully implement this strategy is well justified. We are starting out in a strong position in both developed and emerging markets. Although highly fragmented markets mean intense competition, they also offer considerable room for growth.

In addition, we are seeing continued industrial consolidation as well as procurement-related concentration in our customer sectors. Thanks to our size and international presence, we are likely to derive better-than-average benefits from these trends in the coming years.

HISTORY  
MORE THAN 180 YEARS OF FASTENING TECHNOLOGY



# 0 production interruptions and no delivery delays

**Li Chuping – Vice President, State Grid Shandong Power Equipment Co., Ltd., China**

**“Higher output at lower costs”**

We develop and manufacture power transformers for Chinese and international customers.

We use about 200 C-parts in the manufacture of our transformers. Before we worked with Bossard, this required time-consuming and labor-intensive inventory management. In addition there were often hold-ups in delivery. Since we introduced SmartBin technology there have been no more interruptions in production. On the contrary, we have been able to significantly increase our productivity and output.



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# VALUES

## BASIS FOR SUSTAINABLE COMPANY GROWTH

Successful, long-term business activity depends on a certain value system. As constants, these values shape our daily thinking and actions. The result is a sustainable corporate culture that is practiced by all employees. Our corporate responsibility is reflected in responsible company management, compliance with ethical values and responsibility toward our stakeholders and the environment.

### WE KNOW OUR CUSTOMERS' NEEDS

Our customers benefit from our global position and continuous development of our services in our capacity as a leading global supplier of intelligent solutions for industrial fastening technology. With innovative solutions, top quality standards, customer proximity and a global presence, we are a powerful and competent partner for our customers' diverse and constantly changing needs, which we meet effectively and in a timely manner.

### WE SELECT OUR PARTNERS WITH A VIEW TO THE FUTURE

Top performance is expected from our manufacturers. We consider them to be partners and demand superior attention to quality and a fair price policy. Our worldwide procurement network is continuously optimized, thereby securing global access to innovative solutions. We require our suppliers to meet the same standards that we offer our customers: competence, quality and reliability at the highest level.

### WE BELIEVE IN SUSTAINABLE CORPORATE MANAGEMENT

Our long-term success, based on responsible action, establishes the necessary trust that our investors, customers, suppliers, employees and the general public place in us. Over the course of 180 years of sustainable corporate management, we have earned an excellent reputation which we view as a central prerequisite for achieving our long-term corporate targets. This reputation is based on integrity, transparency and professionalism. Our shared values are laid down in our code of conduct.

### WE FOSTER CONTINUOUS AND PROFITABLE GROWTH

We rely on long-term, healthy and profitable growth rather than quick profits over the short term. Our financial resources are handled with care and professionalism. Moreover, our target is sustainable value growth and reasonable returns for our investors. In doing so, we gain the necessary entrepreneurial freedom of action and secure the company's independence.

### WE SUPPORT AND PROMOTE OUR EMPLOYEES

We thrive on the dedication, knowledge and creativity of our employees. We provide a working environment that offers them fair opportunities and flexibility in order to support and foster entrepreneurial thinking. We expect our employees to utilize their knowledge and abilities effectively and with dedication. To this end, they must be able to participate actively and be given the opportunity for personal development. We specifically foster the skills and independence of our employees at all levels and allow them to participate in the company's success.

### WE ARE COMMITTED TO THE PUBLIC AND THE ENVIRONMENT

We are aware that business success is always achieved in a social environment, and we view this as our responsibility. As a business enterprise, we can make a difference in our social environment and with a view to ecological development.

### PUTTING VALUES INTO PRACTICE

The company's success depends on the trust that all stakeholders place in Bossard: customers, employees, suppliers, shareholders, public authorities and society as a whole. We therefore have laid down our basic ethical values in a code of conduct that is binding throughout the Group, one to which we feel obligated and to which we owe our long-standing reputation. Integrity, sense of responsibility, fairness, professionalism, compliance and transparency are the ethical constants on which we base our philosophy and actions.

# EMPLOYEES

## KEY TO SUCCESS

First and foremost, Bossard has the dedication, knowledge and creativity of its more than 2,000 employees to thank for its success. This is why Bossard has always pursued a long-term human resources policy in which it fosters professional and personal development and allows its employees to participate in the company's success.

### AN ATTRACTIVE EMPLOYER GROUP-WIDE

Bossard has always set great store in its social responsibility. Its group-wide corporate culture is based on mutual trust as a prerequisite for necessary loyalty. Employees participate in the company's success at all levels. Bossard believes in the importance of employees knowing the Group's long-term targets and strategy. Conversely, managers know the expectations and targets of employees and help empower them to achieve success.

### FROM EMPLOYEE SELECTION ...

Careful selection and integration of employees is the basis for long-term retention. During recruitment, duties, requirements and processes are communicated clearly and transparently. Furthermore, employment conditions must always be fair. The careful integration of new employees is a key factor in working together successfully over the long term.

### ... TO CONTINUING EDUCATION AS AN INVESTMENT

We value well trained employees and foster line, specialist and project careers as well as the exchange of knowledge throughout the Group. Whenever possible, we recruit new managers from within our own ranks. In particular, we emphasize cross-divisional training because in-depth knowledge of our extensive product range and internal workflows promotes understanding and tolerance and forms the basis for intelligent cooperation. Developed in-house, our interactive online learning program contains more than 230 individual chapters and approximately 3,000 illustrations and provides relevant training in the fastening technology of today.

### LEADERSHIP AND ENCOURAGEMENT

Frank interpersonal communication fosters dedication, creativity and efficiency. Our managers help their employees to achieve ambitious targets by encouraging initiative, performance and quality. In Bossard's view, leadership means respect, honesty, fairness and consistency, and cooperation is characterized by openness, trust and mutual appreciation.

### MARKET-ORIENTED COMPENSATION SYSTEM

Performance is the key component in determining compensation. We encourage entrepreneurial thinking and action through a compensation system that is in line with the market and based on targets and individual performance. In addition to a fixed pay component, we offer different success-oriented compensation systems that support our winning spirit.

### DIRECT AND OPEN COMMUNICATION

Both internally and externally, we communicate directly, clearly, transparently and in a timely manner. In doing so, we promote understanding for and acceptance of business decisions. We practice an open-door policy. Constructive criticism is not only allowed, it is encouraged. Using regular employee surveys, we identify the strengths and weaknesses of our company and learn about the wishes and suggestions of our employees. This feedback is a valuable source of information for improvements.

### DIVERSITY UNDER ONE ROOF

As a global company, we try to establish a working environment that is completely free of discrimination. We view gender equality as a matter of course and strictly comply with local laws. We are aware of our responsibility toward all internal and external contacts, which requires responsible thought and action. Our employees are required to meet the standards laid down in our code of conduct, which is binding throughout the Group. Moreover, we have committed ourselves to abiding by the ten sustainability principles of the U.N. Global Compact Initiative to underscore our acceptance of social and environmental responsibilities as a global company.



# 1 smart idea 1,000 great benefits



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## Todd Hartley – Managing Director Hilton Manufacturing, Australia

“How moving first helped move our industry”

We manufacture precision engineered sheet metal products for local and international customers.

Hilton Manufacturing is referred to as the “SmartBin pioneer of Australia”. Our next step here at Hilton will be to go beyond C-parts and logistics and to embrace application engineering advice and support from our colleagues at Bossard. We’re confident to get out of the starting blocks as a first mover once again.

# QUALITY AND PROCESSES

## RELIABILITY WITHOUT COMPROMISE

**It is our aim to go beyond the needs of our customers and give them maximum added value. Bossard is therefore committed to superior quality management and ongoing process improvement.**

### QUALITY BEGINS WITH PROCUREMENT

We know and use the global procurement market first-hand. Qualified, innovative and flexible manufacturers are key to our business success. We therefore maintain close relationships with our manufacturers who are subject to strict inspection procedures based on the ISO 3269 standard. We perform regular on-site audits to ensure that our partners meet our high quality standards. We focus on production methods, process safety and quality management.

Bossard's quality management practices are aimed at avoiding errors by detecting and eliminating them at an early stage. We are able to distinguish between random and systematic errors. Due to error analyses, our manufacturers receive detailed information that enables them to quickly and permanently improve the quality of their products and thus save money.

### ADVANCED GLOBAL TESTING SYSTEM

Our advanced, systematically documented testing system ensures that the products of our manufacturers meet our customers' requirements. Incoming goods are tested simultaneously in ten different quality and test laboratories worldwide. In doing this, we use standard test plans and methods all over the world. We also record and evaluate the results in the same system worldwide, which makes it possible to consolidate and exchange all measurements. The testing process begins with testing of parts and ends with complaint management; consistent, transparent, global. This saves customers the need for expensive inspections and controls.

Our employees can retrieve and implement test plans worldwide with just one mouse click. Our database contains over 800,000 catalog and special items as well as the same number of test plans for checking these articles. All inspection plans are based on the ISO 3269 quality standard, which is also Bossard's own standard.

### ENGINEERING MAKES THE DIFFERENCE

Every delivered fastener is intended to meet or exceed our customer's expectations. Bossard's engineering team makes this possible. Our experts develop the best solution in collaboration with the customer. We analyze whether and how to optimize the product range and explore ways of reducing the number of parts. The aim is to lower the customer's production costs on a sustainable basis while improving quality at the same time, for instance, through the use of new materials, corrosion prevention, reliable locking systems for nuts and bolts, or improvement of production processes.

### QUALITY LOWERS COSTS

Bossard was one of the first companies in the industry to meet the quality assurance criteria of the ISO 9001 standard worldwide. In addition, country-specific certifications offer customers the security they need. Our state-of-the-art testing methods and laboratories guarantee flawless quality and reduce the risk for our customers that their products have defective fasteners. Hence, they not only avoid high follow-up costs but they also maintain their reputation for quality products.

### QUALITY FOR THE ENVIRONMENT

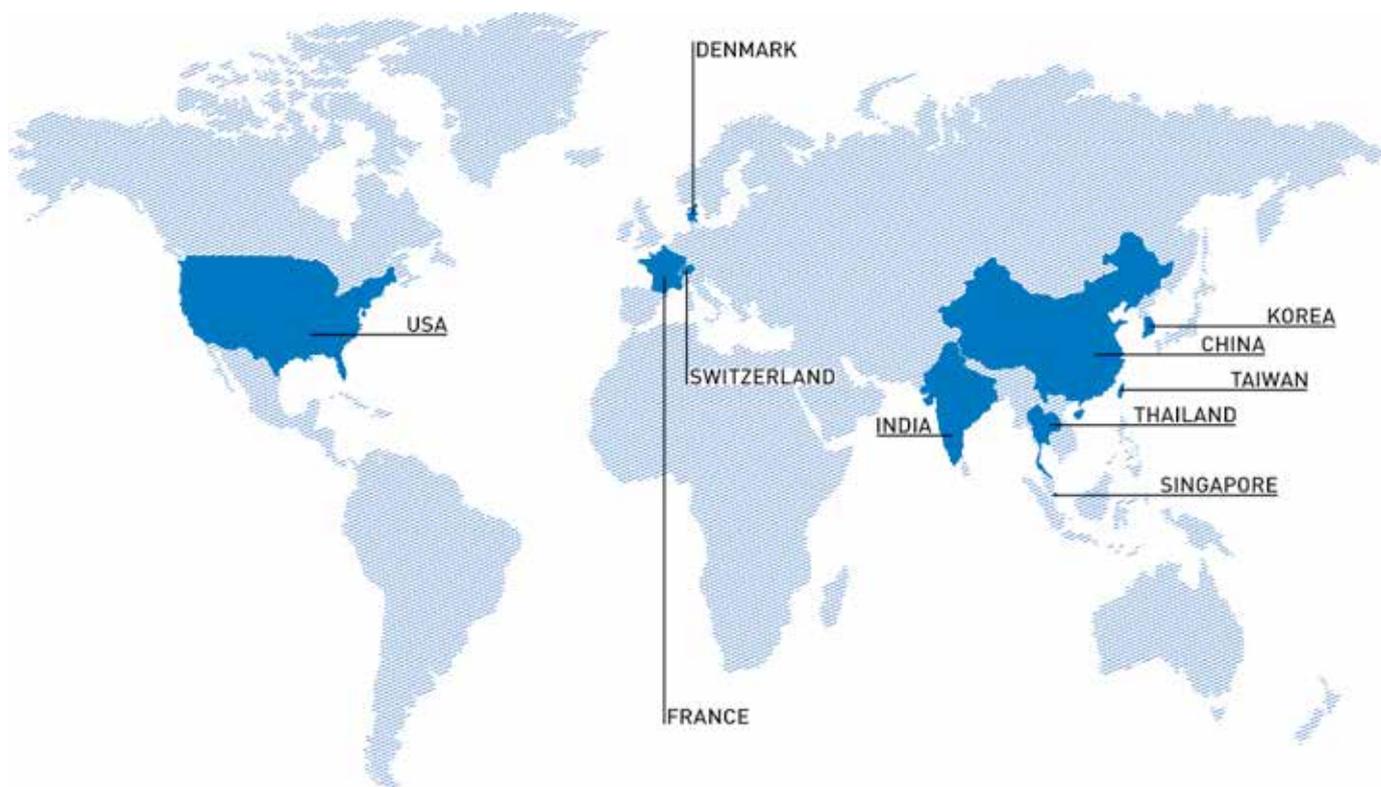
As a responsible company eager to make a contribution to a sustainable future, Bossard pays special attention to environmental aspects when selecting the products and manufacturers. In addition, we protect the environment with our own processes and technologies under the ISO 14001 standard. Ultimately, Bossard's environmental commitment is the driver behind its search for the fastening solutions of tomorrow which must achieve a holistic balance between cost-effectiveness, quality and the environment.

## QUALITY AND TEST LABORATORIES PROVEN EXPERTISE AROUND THE GLOBE

Bossard's ten main quality and test laboratories in Europe, America and Asia, along with their cutting-edge measuring and testing equipment, ensure reliable quality assurance and flawless product quality. Our customers benefit from certified processes, documented safety and proven testing competence.

Our wide range of tests include:

- \_ Tensile and proof load testing
- \_ Drive and torsional strength testing
- \_ Pull out testing
- \_ Friction coefficient testing
- \_ Hardness measurement
- \_ Measurement of coating thickness
- \_ Optical 3D measurement
- \_ Environment simulation test (corrosion test)
- \_ Chemical analysis
- \_ Microscopic analysis and surface roughness



# RISK MANAGEMENT

## SYSTEMATIC RISK MONITORING AND REDUCTION

The aim of risk management is to identify potential risks at an early stage and avoid or substantially limit them through suitable measures. Bossard's risk management approach is an integral part of its group-wide planning, control and monitoring system and is regularly reviewed by the executive committee. Each year, the board of directors and executive committee reassess the situation with a view toward strategic and operational risks.

In annual meetings, we examine all business activities and balance sheet items for potential risks, using a standardized process. Each identified risk is assessed in terms of the possible loss that would be incurred should the damaging event occur. From the results, we then derive targets and effective steps to be taken to mitigate the risks. The results of the risk process are summarized in a report to the board of directors and executive committee. The Group's risk management process is continuously documented and checked for effectiveness. The Group financial management department coordinates the revision of the risk documentation from a central location.

### LOW SUPPLY RISK AS A RESULT OF LARGE NETWORK

Supply bottlenecks can occur when our suppliers are working close to capacity during times of above-average demand. Risks can also arise from working with suppliers and when the price of raw materials increases. We counter these risks with tactical and preventive measures in our procurement activities by continuously assessing the market situation and by maintaining a sufficient level of stock. In taking these steps, we ensure that the required volume and quality of fastening parts are available in order to avoid production shutdowns on the part of our customers. Steel, chromium, nickel and different alloys are the most important raw materials for fasteners. Because we purchase finished products, we cannot hedge against price increases. We have an extensive supply portfolio of more than 3,200 manufacturers worldwide and rely on long-term relationships with various suppliers in Europe, America and Asia. Our large network of suppliers enables us to minimize supply risks. Diversification also reduces the risk of negative consequences resulting from political upheavals or currency fluctuations.

### SYSTEMATIC QUALITY MONITORING

Quality assurance constantly faces new challenges as our customers' requirements continue rising and ever stricter regulations apply, which is why we have developed appropriate systems and testing standards. Quality assurance measures are performed in close cooperation with our procurement team and suppliers. We also check our suppliers' technical and economic performance. Deviations and defects identified during quality testing are continuously analyzed, documented and discussed with our suppliers, thereby minimizing quality-relevant risks from the very beginning.

### RESPONDING TO SALES RISKS THROUGH DIVERSIFICATION

Regional and global economic developments impact our business environment and can lead to high price and volume fluctuations in the sales markets. We therefore closely monitor economic developments in the individual countries in order to minimize sales risks. We counter this risk with a wide range of products and a customer portfolio that covers a broad spectrum of industrial sectors and regions of the world.

### IT PROTECTION IS A HIGH PRIORITY

Unauthorized data access, data abuse and system failure can seriously disrupt operating processes. To prevent this, we use technical measures such as access authorization, virus scanners, firewalls and backup systems. Our IT systems are continuously monitored and updated in order to meet the latest requirements. We have an emergency concept that includes daily backups and data mirroring. Detailed internal policies govern how we use hardware and software.

### MINIMIZING FINANCIAL RISKS

Given its international operations, the Bossard Group is exposed to various financial risks; these comprise exchange rate, interest rate, credit, liquidity and capital risks. The individual risks are minimized through stringent controls and monitoring. One of the central tasks to reduce financial risk within the Group is coordinating and managing financial requirements as well as ensuring financial independence. The aim is optimal capital procurement and liquidity management via cash pooling in order to meet payment liabilities.

Financial risk management is described in detail on page 54.

Bossard Group's risk policy also includes a comprehensive and efficient insurance scheme to protect against risks. This is achieved with the help of an international insurance program against third-party liability, property damage and business interruption. On the whole, risks that could negatively impact the Group's further development cannot be entirely ruled out. Such risks include, for example, war, terror attacks, acts of God and pandemics.

# CORPORATE GOVERNANCE

**The Bossard Group's organizational structure meets international standards for corporate management. The Group's corporate bodies and management follow the leading codes of best practice.**

The organizational structure of the Bossard Group is based on clear delimitation of tasks, competencies and responsibilities between the board of directors and of the executive committee. The functions of the chairman of the board of directors and of the chief executive officer (CEO) are held by two different persons, so that the separation of powers is guaranteed. This report is prepared according to the guidelines of the SIX Swiss Exchange regarding information on corporate governance. The principles and rules of Bossard on corporate governance are set out in the company's articles of association, the organization regulations, the rules of the board's committees, the code of conduct and the decisions of the board of directors. The rules are regularly reviewed by the board of directors and adapted to current requirements. The requirements of the Minder legislation have already been implemented by the board of directors; its revision of the articles of association was approved by the shareholders at the annual general meeting of shareholders (AGM) on April 7, 2014.

## GROUP STRUCTURE AND SHAREHOLDERS

### GROUP STRUCTURE

Bossard Holding AG is a holding company under Swiss law and is the only listed company of the Bossard Group. The company has its headquarters in Zug. It has a direct or indirect interest in the companies listed in the financial report, note 33. Its shares are listed on the SIX Swiss Exchange (Swiss security no. 23862714, ISIN CH0238627142/BOSN). The Group's structure aims to provide optimum support for its business activities within an efficient legal, financial and strategic framework. This means that the structure should be as simple as possible and also transparent to anyone outside the Group. The Bossard Group operates exclusively in industrial fastenings technology and generates its entire revenue in this market segment.

### SIGNIFICANT SHAREHOLDERS

The following shareholders hold more than 3 percent of the total voting rights in Bossard Holding AG as at December 31, 2014:

The Kolin Group – a shareholder group as per Article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) – consisting of Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, owns 56.1 percent (2013: 56.2 percent) of the total voting rights or 28.0 percent (2013: 28.1 percent) of dividend-bearing capital. Kolin Holding AG is wholly controlled by the Bossard families. This shareholder group does not include shares without voting commitment, which are held by individual members of the Bossard families outside this shareholder group.

J. Safra Sarasin Investmentfonds AG, Basel, holds 535,474 registered A shares or 4.9 percent of the total voting rights in Bossard Holding AG (announced on June 9, 2011), via the funds it manages: SaraSelects and SaraPro Institutional Fund Swiss Equities.

### CROSS-SHAREHOLDINGS

There are no cross-shareholdings with other companies.

## CAPITAL STRUCTURE

### SHARE CAPITAL

As at December 31, 2014 the ordinary share capital of Bossard Holding AG totaled CHF 40,000,000 of which CHF 33,250,000 share capital relates to registered A shares and CHF 6,750,000 to registered B shares.

### AUTHORIZED AND CONDITIONAL CAPITAL

Bossard Holding AG has held 370,000 registered A shares in reserve since the increase in share capital in 1989. These reserve shares carry no voting rights and are not entitled to dividend. Other than this, Bossard Holding AG does not hold any authorized or conditional capital.

### CHANGES IN CAPITAL IN THE LAST THREE YEARS

In March 2013, Bossard Holding AG increased the share capital by a nominal CHF 8,000,000 from CHF 32,000,000 to CHF 40,000,000, by issuing 675,000 new registered shares (registered B shares, shares with voting rights) and 665,000 new bearer shares (registered A shares). The shareholders' subscription right was thereby ensured. The revenue from the capital market transaction was CHF 79,988,000.

In April 2014, a 1:2 stock split was carried out and the listed bearer shares converted to registered A shares and the existing registered shares converted into registered

B shares. Since this decision by the annual general meeting of shareholders, the shareholding of Bossard Holding AG has consisted of 6,650,000 registered A shares with a nominal value of CHF 5 per share and 6,750,000 unlisted registered B shares with a nominal value of CHF 1 per share.

#### SHARES

The share capital of Bossard Holding AG is CHF 40,000,000. It is divided into 6,650,000 registered A shares with a nominal value of CHF 5 per share and 6,750,000 registered B shares with a nominal value of CHF 1 per share. The share capital is fully paid up. Only registered A shares are listed on the SIX Swiss Exchange (Domestic Standard). Registered B shares are wholly owned by Kolin Holding AG.

#### PARTICIPATION AND PROFIT-SHARING CERTIFICATES

Bossard Holding AG has not issued any participation or profit-sharing certificates.

#### LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

##### LIMITATIONS ON SHARE TRANSFERABILITY

According to article 7 of the articles of association the transfer of registered B shares is always subject to the approval of the board of directors, irrespective of the form in which these shares were issued. The board of directors may reject such a request for good reason, such as transfer of registered B shares to a competitor or fiduciary transfer. This is primarily to protect the purpose of the company and to maintain its economic independence (article 9 of the articles of association).

##### NOMINEE REGISTRATIONS

According to article 6 of the articles of association the acquirer of a registered A share is acknowledged as being a shareholder with voting rights and is entered as such in the share register provided that he or she states that this share is held in his or her own name and for his or her own account.

Up to a registration limit of 0.5 percent of the total number of registered A shares entered in the commercial register, anyone who does not expressly state that he or she is acting on his or her own account shall be acknowledged as being a nominee with voting rights. Beyond this registration limit, anyone who makes known to the company the name, address and/or registered office of

the person for whose account he or she holds more than 0.5 percent of the total number of registered A shares entered in the commercial register, shall be acknowledged as being a nominee with voting rights. Otherwise the acquirers of registered A shares shall be acknowledged or registered as shareholders without voting rights.

#### OUTSTANDING BONDS AND OPTIONS

The Bossard Group currently has no bonds, convertible bonds, or options outstanding.

## BOARD OF DIRECTORS

#### MEMBERS OF THE BOARD OF DIRECTORS

As at December 31, 2014 the board of directors of Bossard Holding AG consisted of five non-executive members. On September 30, 2014 the company announced that Daniel Lippuner and Dr. René Cotting will be proposed for election at the annual general meeting of shareholders on April 13, 2015.

The board of directors had the following members as at December 31, 2014:

NAME	FUNCTION	APPOINTED
Dr. Thomas Schmuckli	Chairman	2007
Anton Lauber	Deputy chairman	2011
Prof. Dr. Stefan Michel	Repr. of registered A shares	2014
Maria Teresa Vacalli	Member	2013
Helen Wetter-Bossard	Member	2002

#### OTHER ACTIVITIES AND VESTED INTERESTS

Dr. Thomas Schmuckli, Anton Lauber and Helen Wetter-Bossard were proposed for election by the majority shareholder, Kolin Holding AG, Zug, and were elected to the board of directors of Bossard Holding AG. The members of the board of directors do not perform any other activities outside of the Bossard Group than the directorship listed on page 27 and they have no other external interests.

#### ALLOWED NUMBER OF MANDATES

According to the approved articles of association (article 44) by the annual general meeting of shareholders held on April 7, 2014 a member of the board of directors may at the same time take on maximum of 15 mandates, of which a maximum of 5 may be in legal entities listed on the stock exchange and additional 10 mandates which it exercises pro bono.

## ELECTIONS AND TERMS OF OFFICE

According to the articles of association, the board of directors consists of at least five members. Each member is elected by the annual general meeting of shareholders for a period of one year. There are no statutory limits to the term of office. Holders of registered A shares as a group are entitled to one seat on the board of directors. Having been elected for the first time in 2011, Prof. Dr. Stefan Michel was nominated in 2014 as the representative of the holders of registered A shares and re-elected to the board of directors; holders of registered B shares with voting rights did not take part in this election. Generally speaking, the majority of board members should be external members with no executive functions in the company. None of the members of the board of directors exercised any executive functions in the Bossard Group in the 2014 reporting year.

The following table shows the year in which each member was first elected to the board of directors:

NAME	FUNCTION	FIRST ELECTED
Dr. Thomas Schmuckli	Chairman <sup>1)</sup>	2000
Anton Lauber	Deputy chairman <sup>2)</sup>	2006
Prof. Dr. Stefan Michel	Repr. of registered A shares <sup>2)</sup>	2011
Maria Teresa Vacalli	Member <sup>3)</sup>	2013
Helen Wetter-Bossard	Member <sup>2)</sup>	2002

1) Chairman of the nomination and compensation committee (NCC), member of the audit committee

2) Member of the nomination and compensation committee (NCC)

3) Chairwoman of the audit committee (AC)

## INTERNAL ORGANIZATION

### ALLOCATION OF DUTIES WITHIN THE BOARD OF DIRECTORS

The board of directors is ultimately responsible for the Group's business policy and management. It is the company's highest management body and is entitled to take decisions on all matters which, by law or through the articles of association, are not the responsibility of the annual general meeting of shareholders, or which it has not transferred to other bodies through regulation or decision.

The board of directors has the following main tasks:

- \_defining the strategic direction and management of the Bossard Group
- \_determining the organizational structure
- \_establishing the accounting system and financial controls

- \_appointing and dismissing members of the executive committee
- \_maintaining ultimate supervision of business operations and of those entrusted with the management of the business
- \_exercising rights of participation from and to shareholdings
- \_drawing up the annual report and the compensation report, preparing the annual general meeting of shareholders and implementing its decisions
- \_notifying the judge in the event of excessive indebtedness
- \_taking decisions about the subsequent payment of capital with respect to not fully paid-up shares
- \_taking decisions regarding the approval of capital increases and the resulting amendments to the articles of association

## COMMITTEES

To assist it in its duties, the board of directors has established two permanent committees: the audit committee (AC) and the nomination and compensation committee (NCC).

These committees prepare specific issues for discussion by the board of directors. The overall intrinsic responsibility of the board of directors is not affected by the activities of these committees or by any delegation of tasks to them. Ad-hoc committees can be formed to deal with specific or time-limited projects or issues. Currently, Prof. Dr. Stefan Michel provides support with marketing, Maria Teresa Vacalli with IT development, and Anton Lauber with innovation.

The board of directors has additionally delegated operational management to the CEO who, in turn, is authorized to arrange further delegation.

The chairman presides over the meetings of the board of directors and of the nomination and compensation committee (NCC). If he is absent, the meeting is chaired by the deputy chairman.

The board of directors has decided to divide the nomination and compensation committee into two committees: a nomination committee and a compensation committee. The shareholders will be able to decide on this planned change at the annual general meeting of shareholders in 2015; they will be presented with a proposal for a corresponding change to the articles of association.

## AUDIT COMMITTEE

The audit committee (AC) consists of at least two members elected by the board of directors from among its members, for a period of one year. Members may be reelected. The members of the AC in the reporting year have been Maria Teresa Vacalli, chairwoman, and Dr. Thomas Schmuckli. The AC meets at least three times per year: in the summer, to define the scope and key points of the annual audit with the audit company, in late fall to discuss the findings from the main audit and the existence and effectiveness of the internal control system (ICS), and in February, to discuss the result of the audit of annual accounts. These meetings are attended by the CFO, the Group controller and at least one representative of the external auditors. The CEO may be invited to attend the meetings, depending on the agenda. The minutes of these meetings are circulated to all members of the board of directors and the CEO, as well as to those who attended the meeting. In 2014 the audit committee held three meetings.

The AC has the following main tasks:

- analyzing the annual report, the annual and interim financial statements and the notes to the statements and the auditors' report for the Bossard Group and for Bossard Holding AG, and making proposals to the board of directors
- assessing whether the accounting standards of the Bossard Group have been complied with
- selecting the auditing company to be proposed to the annual general meeting of shareholders as statutory auditors; making the corresponding proposal to the board of directors
- discussing the audit plan
- evaluating the performance, independence and compensation of the statutory auditors
- periodically reviewing the risk management and internal control system (ICS)

## NOMINATION AND COMPENSATION COMMITTEE (NCC)

Immediately following the amendment to the articles of association, the 2014 annual general meeting of shareholders held the first election of the nomination and compensation committee (NCC). This committee carries out the necessary preparatory work for decisions on nomination and compensation matters at board of directors and executive committee level. The NCC meets as required, but at least twice a year. It consists of at least three members of the board of directors and is elected for a term of office of one year until completion of the

next ordinary annual general meeting of shareholders. The members of the NCC are Dr. Thomas Schmuckli, chairman, Anton Lauber, Prof. Dr. Stefan Michel and Helen Wetter-Bossard. The CEO also usually attends the meeting. The minutes are circulated to all participants, as well as to members of the board of directors. A copy is also sent to the CEO.

In 2014, in addition to its two ordinary meetings in spring and late fall, the NCC held a meeting to discuss the special elections to the board of directors.

The NCC has the following main tasks:

- selecting suitable candidates to sit on the board of directors and making suitable proposals to the board of directors
- selecting suitable candidates for appointment to executive committee positions, discussing appointments within the executive committee and making suitable proposals to the board of directors
- periodically reviewing the compensation system and the overall compensation for the board of directors
- periodically reviewing the compensation system and the overall compensation for managers
- assessing the target attainment, qualities and abilities of the CEO and determining the total annual compensation payable to the CEO
- assessing the individual members of the group executive committee with regard to their target attainment, qualities and abilities; approving the overall annual compensation for the other members of the executive committee

## COMPLIANCE

The board of directors is kept continuously informed of all major matters affecting the compliance principles. The statutory auditors additionally inform the board of directors on reports it has received on matters of a legal nature. An evaluation of such reports received in 2014 did not reveal anything new but confirmed what the board of directors already knew. Ultimate supervision of compliance matters rests with the board of directors.

## CORPORATE GOVERNANCE BOARD OF DIRECTORS



Anton Lauber

Maria Teresa Vacalli

Dr. Thomas Schmuckli

Helen Wetter-Bossard

Prof. Dr. Stefan Michel

#### **DR. THOMAS SCHMUCKLI**

Dr. Thomas Schmuckli was appointed chairman of the board in 2007. He was elected to the board in 2000, after having served as secretary to the board between 1997 and 2000. Since 1993 Thomas Schmuckli held management positions in the General Counsel division of Credit Suisse Group. In between he was head of process and product management at Zuger Kantonalbank, Zug, from 2000 to 2005. From 2005 to 2007, he headed the legal and compliance department of Corporate & Institutional Clients of Credit Suisse in Zurich, most recently the Legal and Compliance Asset Management division in Zurich (2007–2013), at the end as Managing Director. Today, he serves as chairman of the board of Credit Suisse Funds AG and its Real Estate Committee. Nowadays, Thomas Schmuckli works as a professional director. Background: Studied law (LLB and LLD) at the University of Fribourg, is an accredited lawyer and notary, and later undertook management studies at the University of Zurich. He was born on February 4, 1963, and is a Swiss citizen.

#### **MARIA TERESA VACALLI**

Maria Teresa Vacalli was elected to the Bossard board in 2013. She has directed the wholesale unit at Sunrise Communications AG, Zurich, since 2008, and was appointed executive director in 2014. Between 2002 and 2008, she worked in various executive positions at UPC Cablecom GmbH, Zurich. Before that, she had been employed in managerial posts in different companies. During her career she has completed a degree in plant and production engineering at ETH Zurich. Maria Teresa Vacalli was born on August 11, 1971, and is a Swiss citizen.

#### **PROF. DR. STEFAN MICHEL**

Prof. Dr. Stefan Michel was elected as a member of the board in 2011. He is a professor for marketing and service management and director of the executive MBA at the IMD Business School in Lausanne, Switzerland. Prof. Dr. Stefan Michel studied economics at Zurich University and took his doctorate in marketing. Between 2003 and 2008, he taught at the Thunderbird School of Global Management in Arizona, USA. He also heads his own consulting company, which he has built up alongside his academic activities and is chairman of the foundation board of the association for Marketing GfM. Prof. Dr. Stefan Michel was born on May 18, 1967, and is a Swiss citizen.

#### **ANTON LAUBER**

Anton Lauber was elected to the board in 2006. Since 2012, he works as an independent Management Consultant. From 2008 to 2011 he headed as delegate of the board of Schurter AG, the Schurter Group's Division Electronic Components in Lucerne, with 15 international group companies. From 1993 to 2008, he was CEO of Schurter AG and from 1996 he officiated as delegate of the board of Schurter AG. Between 1988 and 1992, he headed the production and R&D division of Schurter AG. Prior to that, he managed the Generator Plant of ABB Switzerland. He is a member of the board of directors of Fr. Sauter AG, Basel, Beutler Nova AG, Gettnau and CTC Analytics AG, Zwingen. He is chairman of the board of HighTech Zentrum Aargau AG, Brugg and Voegtlin-Meyer AG, Brugg. In Central Switzerland, he serves as chairman of the Council of the University of applied sciences of Lucerne. Background: Degree in Mechanical Engineering and various postdegree diplomas awarded by the University of St. Gallen, by IMD in Lausanne and Lucerne University. Anton Lauber was born on July 26, 1951, and is Swiss citizen.

#### **HELEN WETTER-BOSSARD**

Helen Wetter-Bossard, lic. iur., was elected to the board in 2002, after she had served as secretary to the board for eighteen months. She is responsible for the operational management of her own family business and, since 2009, a member of the board of Wetter Gipsergeschäft AG. From 1996 to 1999, she worked as clerk to Canton Lucerne's administrative court. Between 2005 and 2011, she was a member of the auditing committee of the Corporation of Zug, which she has chaired since 2009. Since January 2012, she has been a member of the board of the Corporation of Zug. Background: Studied law (LLB) at the University of Zurich; further studies in board management. Helen Wetter-Bossard was born on April 15, 1968, and is a Swiss citizen.

## **WORKING METHODS OF THE BOARD OF DIRECTORS**

The board of directors normally meets seven to eight times per year, but is available to discuss matters at short notice should this be required. The duration of board and committee meetings depends on the agenda. In 2014, a total of five full-day and two half-day board meetings were held, as well as a three-day retreat in Singapore and Malaysia and a telephone conference. The board of directors holds a retreat once a year, which lasts for several days and is used for reviewing and developing strategy. In 2014, this retreat was held in Asia, where the board of directors joined regional managers for in-depth discussions about the development of the Asian market. Apart from its regular meetings, the board of directors is given monthly updates on the Bossard Group's financial development.

The chairman invites the members to the meetings in writing, enclosing the agenda and any relevant documents. The invitations are sent out at least seven days before the meeting. Each member of the board of directors may request the chairman to add further items to the agenda. The board of directors is quorate if the majority of its members is present. In a vote is tied, the chairman has the casting vote. In particularly urgent cases the chairman may require the board to reach a decision by conference call. Such decisions must be included in the minutes of the next board meeting. To ensure that the board of directors receives sufficient information to reach decisions, it invites the CEO, the CFO and – if necessary – other members of the executive committee, members of staff or third parties to attend meetings.

The chairman, the CEO, the CFO and other representatives of the executive committee meet regularly to discuss fundamental corporate matters. These include the Group's strategy, medium-term financial, operational and succession planning, organizational issues and market consolidation. If there is a conflict of interests, the board or executive committee members concerned abstain from voting.

## **COMPOSITION/WORKING METHODS OF THE BOARD'S COMMITTEES**

The duties and competencies of the two permanent board committees are described in the organization regulations of Bossard Holding AG. The functions of these committees are primarily analytical, advisory and super-

visory. They also have decision-making competence in certain individual cases.

The board committees meet periodically or as required. Minutes are taken of the meetings and these are made available to all members of the board of directors. The committee chairmen give a verbal report of the business dealt with at the next board meeting and, if necessary, present the relevant proposals to the entire board of directors.

Subject to the amendment to the articles of association being approved (division of the nomination and compensation committee into two committees) and subject to the election of Dr. René Cotting and Daniel Lippuner to the board of directors, it is proposed that the committees be reorganized as follows:

Nomination committee: Dr. Thomas Schmuckli (chairman), Prof. Dr. Stefan Michel, Maria Teresa Vacalli and Helen Wetter-Bossard

Compensation committee: Prof. Dr. Stefan Michel (chairman), Maria Teresa Vacalli and Helen Wetter-Bossard

Audit committee: Dr. René Cotting (chairman), Anton Lauber and Dr. Thomas Schmuckli

## **DIVISION OF RESPONSIBILITY**

The division of responsibility between board of directors and the executive committee is defined in the organization regulations as set out in article 23, paragraph 2 of the articles of association of Bossard Holding AG. These describe the non-transferable and irrevocable duties which are vested in the board of directors by law, and also govern the duties and powers of the executive committee. The organization regulations define the duties and competencies of the chairman of the board of directors and of the CEO.

Furthermore, the organization regulations lay down the procedures to follow in the event of a conflict of interests. A member of the board of directors must abstain from voting if matters are discussed which touch on that member's personal interests or the interests of a natural or legal person associated with the member. The organization regulations are currently being reviewed by the board of directors and will be adapted to the new requirements resulting from the adoption of the Minder Initiative.

## INFORMATION AND CONTROL INSTRUMENTS WITH REGARD TO THE EXECUTIVE COMMITTEE

The board of directors ensures that the executive committee establishes and maintains an internal control system, which is adapted to the dimensions of the Bossard Group and the risks involved in its business activities. The external auditors review the existence of the internal control system as part of its annual audit and submits an annual report to the board of directors. The company does not carry out its own internal audit at present.

The board of directors receives monthly updates on the group's financial development. It receives a written monthly report consisting of the income statement, various balance sheet items, the cash flow statement and the main key figures. The information is based on the internal management information system and includes the current and budget data as well as regular projections based on current trends and expectations.

This written report is supplemented at each board meeting by verbal reports from the executive committee. In special cases the CEO informs the board of directors about the specific issue promptly in writing and/or verbally. The chairman of the board of directors also maintains regular contact with the CEO and the CFO and is informed by them about all business transactions and matters of fundamental importance.

## EXECUTIVE COMMITTEE

### MEMBERS OF THE EXECUTIVE COMMITTEE

The board of directors has delegated the management of the company to the CEO. He is responsible for the company's operational management. The CEO has delegated individual tasks to the members of the executive committee. Supervision and control of the executive committee is the responsibility of the CEO. The executive committee handles matters relevant to the management of the Bossard Group and is the forum for systematic exchange of information. After consultation with the executive committee, the CEO develops the strategic initiatives of the Group to enable the corporate objectives to be achieved.

The executive committee had the following members as at December 31, 2014:

NAME	FUNCTION	JOINED COMPANY	APPOINTED
David Dean	CEO	1992	2005
Stephan Zehnder	CFO	1996	2005
Beat Grob	CEO Central Europe	1995	2006
Dr. Daniel Bossard	CEO Northern & Eastern Europe	2000	2009
Steen Hansen	CEO America	2001	2008
Robert Ang	CEO Asia	1997	2009

### OTHER ACTIVITIES AND VESTED INTERESTS

The executive committee members do not perform any important activities outside the Bossard Group apart from their directorships listed on page 31 and they have no other interests. Individual members of the executive committee carry out executive functions at Bossard Holding AG subsidiaries.

### ALLOWED NUMBER OF MANDATES

According to the approved articles of association (article 44) by the annual general meeting of shareholders held on April 7, 2014 a member of the executive committee may at the same time take on maximum of 5 mandates, of which a maximum of 3 may be in legal entities listed on the stock exchange and additional 5 mandates which it exercises pro bono.

### MANAGEMENT CONTRACTS

There are no management contracts between the Group and companies or persons to whom management tasks have been delegated.

## CORPORATE GOVERNANCE EXECUTIVE COMMITTEE



Steen Hansen

Beat Grob

Stephan Zehnder

David Dean

Robert Ang

Dr. Daniel Bossard

#### **DAVID DEAN**

David Dean, CEO, has been serving in this function since 2005. From 1998 to 2004, he served as CFO. He was corporate controller of Bossard Group in the period from 1992 to 1997. Prior to this, 1990 to 1992, he was corporate controller and a member of the executive committee of an international logistics group. Between 1980 and 1990, he worked for PricewaterhouseCoopers AG in various auditing and business consulting functions. He is a member of the board of directors of Komax Holding AG in Dierikon, Agta Record AG in Fehrltorf, Trumpf AG in Baar, and member of the Industry Executive Advisory Board, Executive MBA in SCM at the ETH, Swiss Federal Institute of Technology in Zurich. Background: Swiss certified accountant/controller, Swiss certified public accountant, PMD Harvard Business School and PMD IMD, Lausanne. David Dean was born on April 5, 1959, and is a Swiss citizen.

#### **STEPHAN ZEHNDER**

Stephan Zehnder has been serving as CFO since 2005. From 1996 to 1997, he was a controller in Bossard's corporate finance. In 1998, he took over the function of corporate controller of Bossard Group, remaining in this position until the end of 2004. Prior to joining Bossard, he was employed by various international enterprises in functions concerned with finance and controlling. Background: MBA Finance from the Graduate School of Business Administration in Zurich, and the University of Wales. Stephan Zehnder was born on October 20, 1965, and is a Swiss citizen.

#### **BEAT GROB**

Beat Grob has been CEO of Bossard's Central Europe region and a member of the executive committee since May 1, 2006. He had already been appointed managing director of Bossard Switzerland as of January 1, 2005. Beat Grob joined Bossard in 1995 as project manager logistics; the following year, he became head of logistics for Bossard Group. Before joining Bossard, he worked as a practicing lawyer and banker. He is chairman of the board of directors of Kolin Holding AG, Zug, a member of the board of Aeschbach Holding AG, Zug, and a member of the foundation board of Bossard Unternehmensstiftung, Zug. Background: Studied law at the University of Zurich, postgraduate MBA from the University of San Diego. Beat Grob was born on May 1, 1962, and is a Swiss citizen.

#### **DR. DANIEL BOSSARD**

Dr. Daniel Bossard has been a member of the executive committee and CEO of the Northern and Eastern Europe region as of January 1, 2009. From 2006 to 2008, he served as sales & marketing manager of Bossard Group and was responsible for the reorientation of Bossard's sales strategy as well as the development of international customer relations. From 2003 until 2006, he was CEO of Bossard Denmark. Dr. Daniel Bossard joined Bossard in 2000 as e-business manager, after having worked as a consultant for Andersen Consulting (Accenture). He is chairman of Bossard Unternehmensstiftung, Zug, and a member of the board of directors of Kolin Holding AG, Zug. Background: Studied business administration at the University of St. Gallen, with postgraduate studies leading to a doctorate in technology management (Dr. oec. HSG). Dr. Daniel Bossard was born on January 11, 1970, and is a Swiss citizen.

#### **STEEN HANSEN**

Steen Hansen has been CEO of Bossard North America, Inc. since February 2008. From 2006 to 2008, he served as president of Bossard IIP, Cedar Falls, Iowa. He was responsible for the Group's logistics between 2004 and 2006, having joined Bossard in 2001 as head of logistics Bossard Denmark. Prior to joining Bossard, he filled various management positions, the last being supply chain manager at Nomeco Denmark, a leading wholesaler for pharmaceuticals. Background: Received a Bachelor degree in technology management and marine engineering at the Technical University of Denmark, and was awarded an MBA by the Swiss Federal Institute of Technology (ETH) in Zurich. He is precision member of the Board of National Fastener Distribution Association and a member of the board of directors of Hectronic USA Inc., USA. He was born on April 11, 1959, and is a Danish citizen.

#### **ROBERT ANG**

Robert Ang has been CEO of Bossard Asia since June 1, 2009. From 2005 until 2009, he was responsible for Bossard Greater China (China, Taiwan). Prior to that, he was General Manager of Bossard Southeast Asia. From 1997 until 1999, he was CEO of Bossard Singapore. Robert Ang managed his own company from 1994 until it was acquired by Bossard in 1997. He spent the previous four years as product manager for Conner Peripherals and Optics Storage Pte Ltd. in Singapore. Between 1986 and 1989, he worked as a strategic buyer at Printronix AG. Background: Diploma from Thames Business School and a diploma in mechanical engineering from Singapore Polytechnic. Robert Ang was born on August 26, 1963, and is a citizen of Singapore.

## COMPENSATION, PARTICIPATIONS AND LOANS

This information is provided in the compensation report.

## SHAREHOLDERS' PARTICIPATION RIGHTS

Shareholders' participation rights are defined solely according to the Swiss Code of Obligations (OR) and the articles of association of Bossard Holding AG. The articles of association are available on the Bossard website.

### VOTING RIGHTS AND REPRESENTATION RESTRICTIONS (AS PER ARTICLES OF ASSOCIATION ART. 16–18)

At the annual general meeting of shareholders each registered share is entitled to one vote. The voting rights for registered A shares may be exercised by anyone entered in the share register as the owner or beneficiary. A shareholder being entitled to vote can have himself represented in the instructions annual general meeting of shareholders by the independent proxy, or – with written power of attorney – by any other person. In the invitation to the annual general meeting of shareholders, the board of directors shall make known the date by which the shareholders may issue their powers of attorney and instructions to the independent proxy, including by electronic means.

### STATUTORY QUORUM (AS PER ARTICLES OF ASSOCIATION ART. 19)

The annual general meeting of shareholders takes its decisions and und holds its elections with an absolute majority of the valid votes cast, provided there are no mandatory or statutory provisions to the contrary. In a second ballot, the relative majority decides the outcome.

At least two-thirds of the votes represented and an absolute majority of the represented nominal share value are required for decisions on:

- \_ a change to the corporate purpose
- \_ an increase in the voting power of existing voting shares and the issue of new shares with more extensive voting privileges than those of existing voting shares
- \_ the introduction of more stringent transferability restrictions
- \_ an approved or conditional capital increase

- \_ a capital increase from equity, subscribed in kind or for granting special privileges
- \_ the restriction or withdrawal of option exercise rights
- \_ the relocation of the company domicile
- \_ the dissolution of the company

Decisions and elections are generally settled by open ballot. A secret ballot or election is held if required by the chairman or if one or more shareholders who together hold at least 10 percent of the represented voting shares request it.

### CONVOCATION AND LISTING OF AGENDA ITEMS FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS (AS PER ARTICLES OF ASSOCIATION ART. 12 AND 13)

The ordinary annual general meeting of shareholders is held each year at the latest four months after the end of the fiscal year. It is convened by the board of directors and the invitation is published at least twenty calendar days before the meeting, along with the agenda and motions.

### INCLUSION OF ITEMS ON THE AGENDA

Shareholders representing shares with a nominal value of at least CHF 1 million may ask for an item to be placed on the agenda for discussion. One or more shareholders who together represent at least 10 percent of the share capital, can request the board of directors to convene a general meeting of shareholders and/or to place an item on the agenda for discussion.

### ENTRY IN THE SHARE REGISTER (AS PER ARTICLES OF ASSOCIATION ART. 5)

The company keeps a share register in which owners and beneficiaries are inscribed with their names and addresses. The company must be notified of any change of address. Until this notification is received, all information for registered shareholders must be sent to the legally valid address entered in the share register.

Entry in the share register is subject to advance proof that ownership of the registered A shares was acquired or that usufruct has been granted. (The conditions for transfer of ownership and the registration requirements for registered B shares are governed by articles 7-9 of the articles of association).

Shareholders or beneficiaries are only acknowledged as such by the company if they are entered in the share register.

Voting rights may only be exercised by persons registered in the share register as having voting rights.

The board of directors can delete entries made on the basis of false information by the acquirer. It will implement this measure within one year, backdated to the date of the entry, after receiving definite information about the error and hearing the person concerned. The person concerned must be notified of the deletion immediately.

## CHANGES OF CONTROL AND DEFENSE MEASURES

### DUTY TO MAKE AN OFFER

According to the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), an investor who acquires a third of all voting rights must make a takeover offer for all outstanding shares. Bossard Holding AG has waived its opportunity to modify or dispense with this regulation (known as “opting-up” or “opting-out”).

### CLAUSES ON CHANGES OF CONTROL

The employment agreement for members of the executive committee does not contain any clauses on changes of control. The Group does not provide “golden parachutes” for its senior management. The period of notice for members of the executive committee is between six and twelve months, during which time they are entitled to receive salary and bonus payments. If the company changes hands or goes into liquidation, all share options (RSUs) held under the management participation plan become due immediately.

## AUDITORS

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

PricewaterhouseCoopers AG, Zurich, has been the statutory auditor for Bossard Holding AG since 1986 and audits the annual financial statements and the consolidated financial statements. The statutory auditors are elected by the annual general meeting of shareholders for a term of one year. The auditor in charge is Norbert Kühnis, Swiss certified public accountant, who has been responsible for the auditing mandate since the 2010 fiscal year. A new auditor in charge is appointed every seven years, with the next changeover due in 2017.

### FEES FOR THE STATUTORY AUDITOR

In the 2014 fiscal year, PricewaterhouseCoopers AG received fees of CHF 632,055 (2013: CHF 586,734) for auditing services, CHF 27,955 for tax consulting (2013: CHF 19,845), for legal advice CHF 87,791 (2013: CHF 52,456) and CHF 70,040 for services relating to the capital increase in the 2013 fiscal year.

### INFORMATION AND CONTROL INSTRUMENTS TOWARDS THE STATUTORY AUDITOR

The audit committee meets at least three times per year to discuss plans for the annual and group audit, the results of the interim audit and the year-end financial statement, as well as other business. The management letters from the audit office form the basis for discussion of the interim audit and the year-end financial statement. The audit committee assists the board of directors with its supervision of the statutory auditors. The committee's main responsibility is to propose the statutory auditors, to review their qualifications, independence and performance annually, to approve the auditing fee and to review the accounting principles as well as the annual financial report and notes. The committee annually reviews the scope of the audit, the auditing plans and the related procedures, and discusses the results of the audit with the auditors.

## INFORMATION POLICY

**With its disclosure policy, the Bossard Group creates transparency for investors and financial markets and ensures a fair market price for Bossard shares.**

The Bossard management is convinced that the financial markets will honor a clear, consistent and informative disclosure policy in the long term with a fair valuation of the company's shares. Bossard therefore applies the following principles in its financial reporting and approach to disclosure:

- Transparency:** The disclosure principle is intended to ensure a better understanding of the economic drivers influencing the Group and the detailed operating results.
- Consistency:** Disclosure within each reporting period and between the individual periods is consistent and comparable.
- Clarity:** Information is presented as clearly as possible so that stakeholders can form an accurate picture of how the business is going.
- Relevance:** To avoid a flood of information, Bossard focuses on data that is relevant for the company's stakeholders in terms of content and timing, is necessary for supervisory purposes or is required by law.

The Group publishes relevant information on its business operations using a number of channels, including the annual report, interim reports and press releases. The company also keeps its stakeholders informed by means of press conferences and meetings with analysts and via the annual general meeting of shareholders. The consolidated financial statements are drawn up in accordance with Swiss GAAP FER.

List of key dates in 2015:

Meeting for financial analysts & media conference, publication of results 2014	March 4, 2015
Annual general meeting of shareholders	April 13, 2015
Publication of sales results 1st quarter 2015	April 13, 2015
Publication of first results	July 14, 2015
Sales/Net Income first half of 2015	
Publication semi-annual report 2015	August 25, 2015
Publication of sales results 3rd quarter 2015	October 13, 2015
Publication of sales results 2015	January 12, 2016

Bossard maintains contact with representatives of the capital market via press conferences, meetings with analysts and roadshows. The company also regularly holds individual and group meetings with institutional investors and analysts. All publications on business results and press releases are available in English and in German on the Bossard website: [www.bossard.com](http://www.bossard.com). All Bossard publications can be ordered by e-mailing [investor@bossard.com](mailto:investor@bossard.com) or from Bossard Holding AG, Investor Relations, Steinhauserstrasse 70, CH-6301 Zug, Switzerland.

# COMPENSATION REPORT

The compensation report contains details of the compensation paid to members of the board of directors and the executive committee (as per articles of association 36–42), which were previously disclosed in the corporate governance report and the financial statements of Bossard Holding AG. In view of the Ordinance Against Excessive Compensation in Listed Companies (VegüV), which entered into force on January 1, 2014, all the information concerning the compensation paid to the board of directors and the executive committee is now provided in the compensation report.

## GUIDELINES, COMPENSATION PRINCIPLES AND PROCEDURES

**Bossard attaches great importance to recruiting, retaining, motivating and fostering well-qualified employees at all levels. This is particularly crucial in areas that impact strongly on the company management. Compensation should create incentives which enhance the company's long-term development. The principles and systems for compensation are set out in the articles of association, Art. 36 ff.**

Depending on the level of responsibility, the evaluation of individual performance takes into account the results of the entire group and/or of a business segment. The performance evaluation of managers and employees at all levels is based on quantitative and qualitative assessment criteria. The quantitative elements are derived both from the current business results and from the longer-term value drivers, which are decisive for Bossard's future results and profitability. The evaluation is closely related to the value-oriented and sustainability-focused management approach implemented by Bossard. Qualitative criteria, used to assess individual performance levels, are derived from the company's strategic targets. Compensation is therefore intended to reflect the sustainable success of the company; it also depends upon the contribution made by the individual. With the aim of gaining long-term middle and senior management support for the company's sustainable development, and to allow managers to participate in this development, the board of directors introduced a management share option plan in the form of a restricted stock unit plan (RSU).

All compensation has a defined upper limit, to avoid unexpected upward movement. As a general principle, the variable compensation component for each total compensation must be no greater than the fixed salary component (Art. 37–39, para. 1, articles of association).

The annual general meeting of shareholders approves the maximum total amount payable to the board of directors and the executive committee each year for the period from May 1, to April 30, of the following year (Art. 11 (8) of the articles of association). If new members join the executive committee, they will be remunerated according to the principles set out in Art. 42 of the articles of association.

The board of directors produces a compensation report each year, which is presented to the annual general meeting of shareholders for approval. The decision of the annual general meeting of shareholders on this matter is not binding (consultative vote, Art. 43 articles of association).

## REVIEWING

The principles, the components and the target values of the compensation system for the board of directors and the executive committee as well as for the management participation plan are approved by the board of directors and reviewed annually by the nomination and compensation committee (NCC). In order to assess the compensation level, the NCC periodically takes note of compensation reports published by Swiss industrial enterprises of a comparable size. The NCC does not engage external consultants for this. The NCC meets at least twice a year. The committee chairman gives a verbal report of the business dealt with at the next meeting of the board of directors. If necessary, the target values and components of the compensation system are approved by the entire board of directors on the recommendation of the NCC. The last NCC meeting was held on November 24, 2014. The board of directors approved the NCC's proposals at its meeting on December 5, 2014.

The board of directors plans to transfer all issues of compensation in future to a compensation committee, which is managed by a non-executive board member.

## COMPENSATION FOR BOARD OF DIRECTORS

The board of directors defines the content of the compensation, the target value and the components included in its total compensation as set out in Art. 37 of the articles of association. In an average year, the total compensation for a member of the board of directors should be around CHF 100,000 up to a maximum of CHF 150,000 (excluding social security contributions). It includes a fixed component and variable components. The fixed payment of CHF 75,000 is intended to adequately compensate board members for time spent serving on the board of directors and on the committees. The profit-related compensation is limited to a maximum of CHF 75,000. It corresponds to 0.1 percent of the consolidated net income and is additionally linked to a factor based on return on capital employed (ROCE). No variable compensation component is paid if the return on capital employed is lower than 8 percent. The maximum variable component of CHF 75,000 is contingent on a return on capital of more than 18 percent.

Compensation for the chairman of the board of directors is determined by the board in the absence of the chairman. The fixed component of his compensation is CHF 200,000. His profit-related compensation is subject to a maximum of CHF 75,000; this and the share plan are in line with the rules applicable for all board members. The chairman's variable compensation component in 2014 was 38 percent of the fixed component (2013: 41 percent). For the other board members the variable compensation component came to 100 percent (2013: 136 percent).

In 2014, the annual general meeting of shareholders authorized a maximum compensation budget for compensation of the board of directors of CHF 1,200,000 for the period from May 1, 2014 to April 30, 2015. The board of directors (5 board members) was paid a total of CHF 996,558 in 2014 (2013: CHF 1,173,142).

All members of the board of directors must draw for at least 20 percent and may draw up to 50 percent of their total compensation in registered A shares of Bossard Holding AG. The shares are subject to a restriction period of three years. This also applies if a member resigns from the board of directors in that time. The shares are priced at market value, less a reduction of approximately 16 percent for the three-year lockup period as permitted under Swiss tax law. The market value is determined at the end of February of each year and is based on the aver-

age share price over the previous ten trading days. The decision on the proportion of compensation to be paid in shares (20–50 percent) is made the day after the annual general meeting of shareholders. The shares required for the share plan are purchased on the market by Bossard Holding AG. The shares may not be sold short, used as collateral or transferred before the end of the lockup period.

## COMPENSATION FOR THE CEO

The mechanism for compensation of the CEO is established by the board of directors on the recommendation of the nomination and compensation committee (NCC) as set out in Art. 38 of the articles of association. The board of directors defines (i) the range of total compensation for the CEO and (ii) the strategic targets. The NCC evaluates the CEO's work and determines the variable compensation amount within the defined parameters. The CEO's compensation consists of a fixed basic salary (around 65 percent of the total compensation) and a performance-related, variable component, at the discretion of the employer (approx. 35 percent of total compensation or 54 percent of the fixed compensation). The CEO's variable compensation cannot exceed the level of his or her fixed salary. The target value of the CEO's compensation is within the range reviewed annually by the board of directors and set at its discretion. The variable compensation is divided into two components. The first component is tied to the operational result of the operational business units, and the second component is linked to the achievement of strategic targets, which are defined and reviewed annually by the board of directors. The variable component of the compensation came to 70 percent of fixed compensation in 2014 (2013: 76 percent).

## COMPENSATION FOR THE EXECUTIVE COMMITTEE

The procedures for compensation of the members of the executive committee are similar to those for the CEO. In Art. 39 of the articles of association the principles are set out. The compensation consists of a fixed basic salary and a performance-related, variable element paid at the employer's discretion. The variable element of the executive committee's compensation is linked to three components: (i) operational profitability achieved in his or her own management area, (ii) consolidated net income and

(iii) the achievement of strategic targets. The variable compensation of an executive committee member cannot exceed the level of his or her basic salary. In accordance with the Bossard Group's compensation mechanism the NCC, at the request of the CEO, defines the range of total compensation for the executive committee's members. As recommended by the CEO, the NCC annually approves the total compensation for the individual members of the executive committee. The NCC informs the board of directors of the total authorized compensation at the following meeting. The variable component of the compensation came to 72 percent of fixed compensation in 2014 (2013: 75 percent).

In 2014, the annual general meeting of shareholders authorized a compensation budget for compensation of the executive committee of CHF 4,900,000 for the period from May 1, 2014 to April 30, 2015. The executive committee was paid a total of CHF 4,544,114 in 2014 (2013: CHF 4,447,305).

The CEO and the other members of the executive committee may draw up to 20 percent of their total compensation in registered A shares of Bossard Holding AG. The shares are subject to a restriction period of three years. This also applies if a member resigns from the executive committee in that time. The shares are priced at market value, less a reduction of approximately 16 percent for the three-year lockup period as permitted under Swiss tax law. The market value is determined at the end of February of each year and is based on the average share price over the previous ten trading days. The decision on the proportion of compensation to be paid in shares (0–20 percent) is made the day after the annual general meeting of shareholders. The shares required for the share plan are purchased on the market. The shares may not be sold short, used as collateral or transferred before the end of the lockup period.

## MANAGEMENT PARTICIPATION PLAN

The main features of a management participation plan (Restricted Stock Unit plan, RSU) are set out in Art. 40 of the articles of association. The finer details are recorded in the plan rules.

This long-term management participation plan is offered by the Bossard Group to specified middle and senior managers of the Group. The board of directors

may not participate in this plan. At the discretion of the board of directors, and in addition to his or her total compensation for services rendered, the manager annually receives a fixed sum which is converted into RSUs on registered A shares in Bossard Holding AG. The conversion is carried out at market value in November and is based on the average share price over the previous ten trading days. The additional compensation converted into RSUs is locked up for three years, during which time the RSUs may not be traded or used as collateral. After three years, every year one third of the allocated RSUs is delivered to the manager as registered A shares provided the beneficiary is still with the company and is not working out his or her notice at the time of delivery. For compliance reasons, the payment may also be made in cash. From that point, the shares are no longer subject to any restrictions other than the rules governing management transactions. The total expenses for the management participation plan charged to operating earnings came to CHF 1.0 million in 2014 (2013: CHF 0.7 million). Even though the allocated values of the RSUs are fixed, they are considered to be variable components.

## LOANS, CREDIT AND PENSION PAYMENTS

As set out in Art. 41 of the articles of association at the request of the nomination and compensation committee, the board of directors may, in justified cases for members of the executive committee and persons related to them, grant:

- \_ mortgage-backed loans or credit up to a maximum of CHF 1 million per person
- \_ unsecured loans or credit up to a maximum of CHF 0.5 million per person
- \_ pension benefits outside the occupational pension scheme up to a maximum of CHF 0.5 million (one-time) per person

# COMPENSATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

## BOARD OF DIRECTORS

### COMPENSATION PAID TO CURRENT MEMBERS OF THE BOARD OF DIRECTORS FOR THE BUSINESS YEAR 2014

IN CHF		FIXED <sup>3)</sup>	VARIABLE	SOCIAL COSTS	TOTAL COMPENSATION	IN SHARES <sup>4)</sup>
Dr. Thomas Schmuckli	Chairman, NCC <sup>1)</sup> , AC <sup>2)</sup>	200,000	75,000	37,626	312,626	126,560
Anton Lauber	Deputy Chairman, NCC	75,000	75,000	20,983	170,983	72,320
Prof. Dr. Stefan Michel	Repr. of registered A shares, NCC	75,000	75,000	20,983	170,983	64,907
Helen Wetter-Bossard	NCC	75,000	75,000	20,983	170,983	72,320
Maria Teresa Vacalli	AC	75,000	75,000	20,983	170,983	72,320
<b>2014</b>		<b>500,000</b>	<b>375,000</b>	<b>121,558</b>	<b>996,558</b>	<b>408,427</b>

1) Nomination and compensation committee (NCC)

2) Audit committee (AC)

3) The compensation of the committee work is now included in the fixed compensation.

4) Members of the board of directors must draw at least 20 percent, but may draw up to 50 percent of their total compensation in registered A shares of Bossard Holding AG (according to article 37 of the articles of association). The shares are priced at market value, less a reduction of approximately 16 percent for the three years lockup period. The purchase price was 90.40 CHF and took place one day after the annual general meeting of shareholders 2014.

### COMPENSATION PAID TO CURRENT MEMBERS OF THE BOARD OF DIRECTORS FOR THE BUSINESS YEAR 2013

IN CHF		FIXED	VARIABLE	COMMITTEE- WORK	SOCIAL COSTS	TOTAL COMPENSATION	IN SHARES <sup>3)</sup>
Dr. Thomas Schmuckli	Chairman, NCC, AC	185,000	75,000	30,000 <sup>1)</sup>	39,679	329,679	103,846
Anton Lauber	Deputy Chairman, NCC	55,000	75,000	15,000	20,284	165,284	28,919
Urs Fankhauser	Repr. of bearer shares, NCC, AC	55,000	75,000	30,000	22,327	182,327	57,958
Prof. Dr. Stefan Michel		55,000	75,000	15,000 <sup>2)</sup>	20,284	165,284	28,919
Helen Wetter-Bossard	NCC	55,000	75,000	15,000	20,284	165,284	28,919
Maria Teresa Vacalli	AC	55,000	75,000	15,000	20,284	165,284	0
<b>2013</b>		<b>460,000</b>	<b>450,000</b>	<b>120,000</b>	<b>143,142</b>	<b>1,173,142</b>	<b>248,561</b>

1) On behalf of the board of directors, Dr. Thomas Schmuckli worked on the acquisition of KVT-Fastening. For this exceptional performance, he received a one-time compensation of CHF 30,000.

2) Prof. Dr. Stefan Michel provided consulting on behalf of the board of directors of Bossard Group for the project "Branding@Bossard". For this work, he received a compensation of CHF 15,000.

3) Members of the board of directors must draw for at least 20 percent, but may buy up to 50 percent of their total compensation in registered A shares of Bossard Holding AG (according to article 37 of the articles of association). The shares are subject to a restriction period of three years. The shares are priced at market value, less a reduction of approximately 16 percent for the lockup period. The purchase price was CHF 59.75 and took place one day after the annual general meeting of shareholders 2013.

### PAYMENTS TO FORMER BOARD MEMBERS

In 2014, Urs Fankhauser received a compensation of CHF 182,327 (CHF 85,000 fixed, CHF 75,000 variable, CHF 22'327 social costs) for his final year in office, 2013/2014.

In 2013, Dr. Beat E. Lüthi received a compensation of CHF 164,358 (CHF 70,000 fixed, CHF 75,000 variable, CHF 19'358 social costs) and Erica Jakober-Tremp CHF 51,530 (CHF 15,000 fixed, CHF 30,000 variable, CHF 6'530 social costs) both for their final year in office, 2012/2013.

### PAYMENTS TO RELATED PARTIES OF BOARD MEMBERS

In 2014, as well as in 2013 no compensation was paid to related parties of present or former members of the board of directors.

## EXECUTIVE COMMITTEE

### COMPENSATION PAID TO CURRENT MEMBERS OF THE EXECUTIVE COMMITTEE

IN CHF	EXECUTIVE COMMITTEE TOTAL		DAVID DEAN, CEO	
	2014	2013	2014	2013
Fixed compensation	2,193,589	2,136,571	499,992	491,908
Variable compensation <sup>1)</sup>	1,273,495	1,302,173	301,000	325,100
Other benefits <sup>2)</sup>	99,158	85,025	9,600	9,600
Subtotal (salary)	3,566,242	3,523,769	810,592	826,608
Management participation plan (RSU) <sup>3)</sup>	300,000	300,000	50,000	50,000
Social and pension costs	677,872	623,536	225,614	209,161
<b>Total</b>	<b>4,544,114</b>	<b>4,447,305</b>	<b>1,086,206</b>	<b>1,085,769</b>
Share payment <sup>4)</sup>	567,712	216,893	160,008	-
<b>Members of the executive committee</b>	<b>6</b>	<b>6</b>		

1) The disclosed variable compensation is accrued for the reporting year. This may differ from the actual payment made in the following year. Any deviations between accruals and actual payments are recognized in the following reporting year for which the compensation was paid. The compensation disclosed for 2013 is the actual total payment made.

2) Private share in company vehicle, child allowances, anniversary bonus

3) The market value of the RSUs allocated in the 2014 business year was CHF 102.10 (2013: CHF96.45).

4) Members of the executive committee may draw up to 20 percent of their total compensation in registered A shares of Bossard Holding AG of the previous year (according to article 38 and 39 of the articles of association). The shares are priced at market value, less a reduction of approximately 16 percent for the three years lockup period. The draw always takes place one day after the annual general meeting of shareholders. For the drawn shares in 2014 the price was CHF 90.40 (2013: CHF 59.75).

### COMPENSATION PAID TO FORMER MEMBERS OF THE EXECUTIVE COMMITTEE

In 2014, as well as in 2013 no compensation was paid to former members of the executive committee.

### COMPENSATION PAID TO RELATED PARTIES OF MEMBERS OF THE EXECUTIVE COMMITTEE

In 2014, as well as in 2013 no compensation was paid to related parties of present or former members of the executive committee.

## LOANS AND CREDITS

### PRESENT AND FORMER MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

As of December 31, 2014 as well as of December 31, 2013 no such loans or credits payments existed to present or former members of the board of directors and the executive committee.

### RELATED PARTIES OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

As of December 31, 2014 as well as of December 31, 2013 no such loans or credits existed to related parties of present or former members of the board of directors and the executive committee.

## PARTICIPATIONS

At December 31, the individual members of the board of directors and of the executive committee (including persons closely associated with them) held the following numbers of registered A shares of Bossard Holding AG:

		2014	2013
<b>Board of directors</b>			
Dr. Thomas Schmuckli	Chairman, NCC, AC	14,000	12,600
Anton Lauber	Deputy chairman, NCC	7,374	6,574
Prof. Dr. Stefan Michel	Representative of registered A shares, NCC	2,582	1,864
Helen Wetter-Bossard	NCC	22,358	22,558
Maria Teresa Vacalli	AC	800	-
<b>Total</b>		<b>47,114</b>	<b>43,596</b>
<b>Executive committee</b>			
David Dean	CEO	23,270	21,500
Stephan Zehnder	CFO	15,026	13,526
Beat Grob	CEO Central Europe	28,006	26,746
Dr. Daniel Bossard	CEO Northern & Eastern Europe	5,120	5,100
Steen Hansen	CEO America	3,586	3,586
Robert Ang	CEO Asia	7,004	5,874
<b>Total</b>		<b>82,012</b>	<b>76,332</b>

At December 31, the individual members of the executive committee held the following numbers of awarded restricted stock units (RSU):

		2014	2013
David Dean	CEO	2,936	2,446
Stephan Zehnder	CFO	2,936	2,446
Beat Grob	CEO Central Europe	2,936	2,446
Dr. Daniel Bossard	CEO Northern & Eastern Europe	2,936	2,446
Steen Hansen	CEO America	2,936	2,446
Robert Ang	CEO Asia	2,936	2,446
<b>Total</b>		<b>17,616</b>	<b>14,676</b>

# REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT 2014



Report of the statutory auditor  
to the general meeting on the  
compensation report 2014 of  
Bossard Holding AG  
Zug

We have audited the compensation report of Bossard Holding AG for the year ended December 31, 2014. The audit was limited to the information according to articles 14–16 of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on pages 38 to 39 of the compensation report.

#### **Board of directors' responsibility**

The board of directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The board of directors is also responsible for designing the compensation system and defining individual compensation packages.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the compensation report of Bossard Holding AG for the year ended December 31, 2014 complies with Swiss law and articles 14–16 of the Ordinance.

Norbert Kühnis  
Audit expert  
Auditor in charge

Roger Leu  
Audit expert

Zürich, February 27, 2015

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# FINANCIAL REVIEW 2014

## FURTHER IMPROVED PROFITABILITY

The Bossard Group was once again able to improve its performance in the financial year 2014: Sales, operating profit and net income increased to a new record level. The net sales increased by 2.0 percent to CHF 617.8 million. Following the significant advances of previous years, the operating profit (EBIT) increased again by 4.3 percent to CHF 72.8 million. The increased performance is also reflected by the operating margin, which increased from 11.5 percent to 11.8 percent. Despite a higher tax load, the profit with CHF 57.1 million was 2 percent higher than in the previous year. For the financial year 2014, Bossard is presenting a changed income statement which was converted from the total-costs method to the cost-of-sales method.

Despite a challenging market environment, the Bossard Group made progress in 2014 on different levels. We consider the performance to be a reward for our efforts and investments that focus specifically on profitable growth.

### GROWTH IN EUROPE

In Europe, the groundwork in recent years contributed to the fact that sales increased by 3.5 percent to CHF 394.7 million (in local currency: +4.4 percent). All European markets contributed to this growth. Unfortunately, the weakness of the Euro as from the second half of the year had a negative impact. The conflict in the Ukraine and the boycott measures against Russia led to some uncertainty which had an impact on demand in the last months of 2014. Nevertheless, the European sales of Bossard showed even in the difficult fourth quarter a slight upward trend.

### WEAKNESS IN DEMAND OF A MAJOR CUSTOMER IN THE USA

In America, Bossard felt the weakness in demand of a key customer. This contributed significantly to the decline in sales by 9.2 percent to CHF 122.0 million (–8 percent in local currency). The development in the USA was below our expectations. This was also compounded by the fact that the cooperation with the biggest US electric vehicle manufacturer started off at a much slower pace than we initially expected. These sales volumes are now shifting chronologically: The cooperation with this customer is secured by means of a three-year contract, which includes a total of USD 140 million and thus creates the prospect of increasing volumes.

### DYNAMIC DEVELOPMENT IN ASIA

Business developments in Asia were particularly gratifying: Sales increased across all Asian markets; in some countries even with pronounced dynamics. In this environment, Asia sales increased by 12.3 percent to CHF 101.1 million, in local currency even by 14.7 percent. Bossard Asia thus distinguished itself for the second successive year by a double-digit growth rate. Hence, the overall Group is now reaping the rewards of the investments which it has made and continues to make to develop the Asian markets.

### AGAIN INCREASED GROSS PROFIT

The gross profit increased vis-à-vis the previous year by 4.4 percent to CHF 197.1 million. At the same time, the gross profit margin increased from 31.2 percent to 31.9 percent. The increased margin is the result of a change in the product mix, but also of the regionally varying development of sales and the corresponding profit contribution. On the procurement market, prices were generally stable during the year. This does not apply to stainless-steel products which became temporarily more expensive due to the increase in nickel prices.

The selling and administrative expenses increased by CHF 5.3 million to CHF 124.3 million. Especially the selling expenses increased in this connection. The growing costs result from the expansion of our sales organization and efforts to better approach individual markets. Accordingly, the group-wide number of employees increased from 1,842 to 1,926 persons.

### OPERATING PROFIT AT A NEW RECORD LEVEL

Our efforts pay off in a higher operating profitability. For example, the operating profit (EBIT) rose by 4.3 percent to a record high of CHF 72.8 million. Thus, the EBIT margin; which we were able to already improve significantly in previous years; from 11.5 percent to 11.8 percent. The positive development of the business in Asia has contributed to this result. In Europe, Bossard was able to keep the operative margin stable despite the increasingly more demanding market environment. On the other hand, the decline in demand in the USA was coupled also with a pressure on margins.

### AGAIN HIGHER TAX RATE

Financial costs increased significantly in 2013 after the acquisition of KVT-Fastening. In the previous year, these costs declined from CHF 4.1 million to CHF 3.1 million. The capital increase by CHF 80 million in 2013 favored the reduction of the financing costs.

Tax expenditure has increased significantly; our accounts were charged with CHF 12.5 million (previous year: CHF 9.7 million). Thus, the tax rate of 14.8 percent increased to 18.0 percent. It should be noted that in the previous year, we were able to benefit more from losses carried forward. The changed profit components also led to an increase in tax expenditure.

#### **PROFIT INCREASES DESPITE HIGHER TAX EXPENDITURE**

The overall very gratifying development of the Group resulted in a higher profit, despite the increased tax expenditure: On balance, a plus of 2.0 percent on CHF 57.1 million resulted. The return on sales remained with 9.2 percent at a stable level. With a view to the dividend, the Bossard Group intends to maintain its distribution policy, according to which 40 percent of the net income will be passed on to the shareholders. On this basis, the board of directors proposes to the annual general meeting of shareholders a dividend for 2014 of CHF 3.00 (previous year: CHF 6.00) for the registered A shares, which have been split since April 2014 at the ratio of 1:2. The holders of the registered B shares, which were also split at the ratio of 1:2, are to receive a dividend for 2014 of CHF 0.60 (previous year: CHF 1.20). For the registered A shares, this amounts to a dividend yield of 2.7 percent at year-end 2014.

#### **GROWTH LEADS TO HIGHER BALANCE SHEET TOTAL**

The continuous growth of Bossard also led to an increase of the balance sheet total, which comprised a volume of CHF 434.4 million (previous year: CHF 387.0 million) as at December, 31. In particular inventories which we consider as necessary to ensure smooth business operations increased (from CHF 160.7 million to CHF 189.9 million). Of particular significance in this regard is the three-year contract concluded with the US electric vehicle manufacturer. But also the declining sales dynamics in Europe, had an impact on our stocking situation. Overall, the balance sheet ratios improved once again in 2014. The equity ratio increased from 43.2 percent to 48.5 percent and was thus significantly higher than the long-term target of 40 percent. Net debt decreased slightly under review from CHF 101.2 million to CHF 97.9 million, after it had been still at CHF 202.2 million at the end of 2012. Last year's debt reduction results largely from the positive cash flow. At the same time the gearing (the ratio of debt to equity) decreased from 0.8 to 0.6.

Cash flows from operating activities decreased compared with the previous year from CHF 57.0 million to CHF 47.5 million. This development is primarily attribut-

able to the increase in inventories. The cash flow from investment activities increased from CHF 18.6 million to CHF 20.6 million. Investments in financial assets, such as the acquisition of a 19 percent participation in the company bigHead®, increased significantly. Investments in tangible and intangible assets amounted to CHF 11.5 million (previous year: CHF 14.9 million). The free cash flow of the Bossard Group in 2014 added up to a total of CHF 26.9 million (previous year: CHF 38.4 million).

#### **CAUTIOUSLY OPTIMISTIC OUTLOOK**

The leading indicators for most of the Bossard Group's key markets in Europe show a positive development according to the purchasing manager indices. The weakening trend of the Euro vis-à-vis the US dollar and the most recent measures of the European Central Bank may bolster this trend somewhat. These developments are suitable to support a revival of demand in the course of the year. The impact of the strong Swiss franc on our industrial customers in Switzerland, and hence, on our business operations, currently cannot be predicted accurately. Overall, in Europe we expect a slight growth in local currency. In USA we expect, despite the subdued prospects of a key customer, an overall positive development in sales. The rising sales volume from the cooperation with the largest US electric vehicle manufacturer will contribute significantly to this trend. In Asia, we expect further growth in sales in 2015. In summary, there are various grounds to expect that the business of the Bossard Group will also develop in a positive way in 2015, if there is no significant change in the underlying macroeconomic or geopolitical conditions. The most recent acquisitions in Europe and the USA will help us to this trend.

#### **CHANGED PRESENTATION OF THE INCOME STATEMENT**

In this financial report, Bossard presents a changed income statement, which is no longer based on the total-costs method, but on the cost-of-sales method. At the same time, the revised rules on recording sales in accordance with Swiss GAAP FER are applied at an early stage. Bossard is convinced that the new form of presentation provides additional transparency. In doing so, we apply the style presentation of income statement commonly adopted by industrial and manufacturing companies. To create comparability, the figures of the previous years were also accordingly converted to the cost-of-sales method for the purposes of this financial report.

# CONSOLIDATED BALANCE SHEET

IN CHF 1,000	NOTES	31.12.2014	31.12.2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	25,418	25,446
Accounts receivable, trade	5	95,347	89,435
Other receivables		7,602	5,397
Prepaid expenses		6,870	8,050
Inventories	6	189,853	160,748
		<b>325,090</b>	<b>289,076</b>
<b>Long-term assets</b>			
Property, plant and equipment	7	87,062	87,400
Intangible assets	8	3,669	3,364
Financial assets	9	11,450	1,651
Deferred tax assets	10	7,109	5,460
		<b>109,290</b>	<b>97,875</b>
<b>Total assets</b>		<b>434,380</b>	<b>386,951</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable, trade	11	42,918	38,711
Other liabilities		12,387	12,691
Accrued expenses		23,819	24,569
Tax liabilities		11,346	6,577
Provisions	12	533	705
Short-term debts	13	58,293	46,609
		<b>149,296</b>	<b>129,862</b>
<b>Long-term liabilities</b>			
Long-term debts	14	65,000	80,000
Provisions	12	4,945	4,417
Deferred tax liabilities	10	4,536	5,374
		<b>74,481</b>	<b>89,791</b>
<b>Total liabilities</b>		<b>223,777</b>	<b>219,653</b>
<b>Shareholders' equity</b>			
Share capital	15	40,000	40,000
Treasury shares	15	-6,844	-5,430
Capital reserves		106,615	127,708
Retained earnings		67,080	2,034
		<b>206,851</b>	<b>164,312</b>
Minority interest		3,752	2,986
<b>Total shareholders' equity</b>		<b>210,603</b>	<b>167,298</b>
<b>Total liabilities and shareholders' equity</b>		<b>434,380</b>	<b>386,951</b>

The notes on pages 50 to 70 are an integral part of the consolidated financial statements.

# CONSOLIDATED INCOME STATEMENT

IN CHF 1,000	NOTES	2014	2013
Net sales	16/17	617,764	605,716
Cost of goods sold		420,633	416,909
<b>Gross profit</b>		<b>197,131</b>	<b>188,807</b>
Selling expenses		85,102	80,217
Administrative expenses		39,226	38,807
<b>EBIT</b>		<b>72,803</b>	<b>69,783</b>
Financial result	20	3,144	4,083
<b>Income before taxes</b>		<b>69,659</b>	<b>65,700</b>
Income taxes	10	12,531	9,699
<b>Net income</b>		<b>57,128</b>	<b>56,001</b>
<b>Attributable to:</b>			
Shareholders of Bossard Holding AG		56,655	55,960
Minority interest		473	41
<b>IN CHF</b>	<b>NOTES</b>	<b>2014</b>	<b>2013</b>
Earnings per registered A share <sup>1)</sup>	21	7.49	7.40
Earnings per registered B share <sup>1)</sup>	21	1.50	1.48

1) Earnings per share is based on the net income of the shareholders of Bossard Holding AG and the annual average number of outstanding shares entitled to dividend. There is no dilution effect.

The income statement has been changed based on the accounting principles of the consolidated financial statements.

The notes on pages 50 to 70 are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN CHF 1,000	ISSUED SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	RETAINED EARNINGS		SHARE- HOLDERS BOSSARD	MINORITY INTEREST	SHARE- HOLDERS' EQUITY
				RETAINED EARNINGS	TRANSLATION DIFFERENCES			
Balance at January 1, 2013	32,000	-4,900	54,762	42,939	-76,367	48,434	3,427	51,861
Dividend				-17,143		-17,143		-17,143
Net income for the period				55,960		55,960	41	56,001
Management participation plan			582			582		582
Change in treasury shares		-530	376			-154		-154
Capital increase	8,000		71,988			79,988		79,988
Offset goodwill from acquisitions				-1,605		-1,605		-1,605
Translation differences					-1,750	-1,750	-482	-2,232
<b>Balance at December 31, 2013</b>	<b>40,000</b>	<b>-5,430</b>	<b>127,708</b>	<b>80,151</b>	<b>-78,117</b>	<b>164,312</b>	<b>2,986</b>	<b>167,298</b>
Balance at January 1, 2014	40,000	-5,430	127,708	80,151	-78,117	164,312	2,986	167,298
Dividend			-22,681			-22,681		-22,681
Net income for the period				56,655		56,655	473	57,128
Management participation plan			761			761		761
Change in treasury shares		-1,414	827			-587		-587
Offset goodwill from acquisitions				-1,282		-1,282		-1,282
Translation differences					9,673	9,673	293	9,966
<b>Balance at December 31, 2014</b>	<b>40,000</b>	<b>-6,844</b>	<b>106,615</b>	<b>135,524</b>	<b>-68,444</b>	<b>206,851</b>	<b>3,752</b>	<b>210,603</b>

For details regarding share capital, please refer to note 15 on page 61 and regarding the offset goodwill from acquisitions to note 24 on page 65.

The notes on pages 50 to 70 are an integral part of the consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

IN CHF 1,000	NOTES	2014	2013
Net income		57,128	56,001
Income taxes	10	12,531	9,699
Financial income	20	-1,512	-1,248
Financial expenses	20	4,656	5,331
Depreciation and amortization	7/8	12,449	12,315
Increase/(Decrease) provisions	12	343	-652
(Gain)/Loss from disposals of property, plant and equipment	7	-83	375
Loss from disposals of intangible assets	8	22	65
Interest received		835	644
Interest paid		-3,194	-4,505
Taxes paid		-15,567	-8,727
Increase management participation plan (part of equity)		761	582
Other non-cash (income)/expense		-1,553	4,353
Cash flow from operating activities before changes in net working capital		66,816	74,233
Increase accounts receivable, trade		-2,219	-5,782
Decrease other receivables		4,326	559
Increase inventories		-21,512	-7,586
Increase accounts payable, trade		2,626	434
Decrease other liabilities		-2,519	-4,851
<b>Cash flow from operating activities</b>		<b>47,518</b>	<b>57,007</b>
Investments in property, plant and equipment	7	-9,981	-13,292
Proceeds from sales of property, plant and equipment	7	633	253
Investments in intangible assets	8	-1,555	-1,609
Cash flow from purchases of companies	22	0	-3,484
Investments in financial assets	9	-9,899	-550
Divestments of financial assets	9	207	111
<b>Cash flow from investing activities</b>		<b>-20,595</b>	<b>-18,571</b>
Proceeds/Repayment of short-term debts	13	-4,075	-70,665
Proceeds/Repayment of long-term debts	14	0	-30,000
Increase treasury shares		-1,414	-530
Proceeds from capital increase		0	79,988
Dividends paid		-22,681	-17,143
<b>Cash flow from financing activities</b>		<b>-28,170</b>	<b>-38,350</b>
Translation differences		1,219	-269
<b>Change in cash and cash equivalents</b>		<b>-28</b>	<b>-183</b>
Cash and cash equivalents at January 1		25,446	25,629
Cash and cash equivalents at December 31	4	25,418	25,446

The notes on pages 50 to 70 are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SCOPE OF OPERATIONS (1)

Bossard Holding AG, Zug, Switzerland, a limited company subject to Swiss law, is the parent company of all entities within Bossard Group (hereinafter "Bossard"). Bossard is a leading distributor of fasteners of every kind and a provider of related engineering and logistics services including inventory management solutions. The Group operates in three geographic regions, Europe, America and Asia, and is one of the market leaders in its sector of industry.

## ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS (2)

The consolidated financial statements of Bossard are based on the financial statements of the individual Group companies at December 31, 2014 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and liabilities at market value, in accordance with full Swiss GAAP FER. They are consistent with Swiss law and the listing rules of the SIX Swiss Exchange.

The consolidated financial statements were authorized for issue by the board of directors on February 27, 2015 and will be recommended for approval at the annual meeting of shareholders.

### CHANGED PRESENTATION OF THE INCOME STATEMENT

In this Financial Report 2014, Bossard presents a changed income statement, which is no longer based on the total-costs method but on the cost-of-sales method. In doing so, Bossard is exercising the option in accordance to Swiss GAAP FER 3, item 6. At the same time, the revised rules on recording sales in accordance with the Swiss GAAP FER framework and to Swiss GAAP FER 3, which will become effective on January 1, 2016, are applied at an early stage.

For better comparability, Bossard converted not only the figures of the current financial year, but also of the previous year. The positions cost of goods sold, personnel expenses, administrative expenses and other operating expenses as well as depreciation and amortization are structured as follows based on the cost-of-sales method: Cost of goods sold, selling expenses, as well as administrative expenses. In the presentation of the income state-

ment according to the total-costs method, the revenue reductions consisted mainly of discounts, losses on receivables, exchange rate fluctuations and transportation costs. After the conversion of the income statement to the cost-of-sales method, transportation costs are reported as part of the cost of goods sold. Revenue reductions include all positions that can directly assigned to the sales, such as discounts, losses on receivables and exchange rate differences.

The main principles of consolidation and valuation are detailed in the following chapters.

## PRINCIPLES OF CONSOLIDATION (2.1)

The consolidated financial statements include the financial statements of Bossard Holding AG as well as the domestic and foreign subsidiaries over which Bossard Holding AG exercises control. Group companies acquired during the year are included in the consolidation from the date on which control over the company is transferred to Bossard. Group companies are excluded from the consolidation as of the date Bossard ceases to have control over the company. December 31 represents the uniform closing date for all companies included in the consolidated financial statements.

The purchase method of accounting is used for capital consolidation. Intercompany receivables and liabilities as well as transactions and intercompany profits not yet realized through sales to third parties are eliminated.

### INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are fully consolidated. These are entities over which Bossard Holding AG directly or indirectly exercises control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent directly or indirectly holds more than one half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Under the full consolidation method, 100 percent of assets, liabilities, income and expenses are included. The interests of minority shareholders in equity and net income or loss are shown separately in the balance sheet and income statement.

#### MINORITY INTEREST

Minority interest of less than 20 percent is recognized at acquisition cost less any economically necessary impairment.

#### GOODWILL

In accordance to Swiss GAAP FER 30 "Consolidated financial statement" goodwill from new acquisitions is converted once to Swiss francs using the closing rate as at acquisition date and is fully offset against equity at the date of acquisition.

## FOREIGN CURRENCY TRANSLATION (2.2)

The consolidated financial statements are presented in Swiss francs (CHF). The financial statements of the Group companies are drawn up in the applicable local currency.

Transactions in foreign currencies are translated at the time of the transaction at the daily rate applicable on that date. Exchange differences from adjustments of foreign exchange portfolios at the balance sheet date are recognized in the income statements of the Group companies as exchange gains or losses.

For the consolidated financial statements, the annual accounts of Bossard subsidiaries reporting in foreign currencies are translated into Swiss francs as follows: balance sheet items at year-end rates, equity at historical rates, and items on the income statement at the average exchange rate for the year. The translation differences are netted directly with the Group's consolidated translation differences in shareholders' equity.

Exchange differences arising from intercompany loans of an equity nature are booked to equity.

## ACCOUNTING AND VALUATION PRINCIPLES (2.3)

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and at banks, time deposits, and other short-term highly liquid investments with original maturities of up to three months. Cash and cash equivalents are recognized at nominal value.

#### ACCOUNTS RECEIVABLE, TRADE

Accounts receivable are carried at the invoiced amount less allowances. The allowance for bad debts is based on

the aging of accounts receivable and recognized credit risks.

#### INVENTORIES

Goods for trading are recognized at average acquisition cost. Should the net realizable value be lower, the necessary value adjustments are made. Acquisition cost comprises product price and delivery cost (freight, customs duties, etc.). Cash discounts are treated as reductions of the acquisition value. Inventories that lack marketability or have low turnover are written down to the estimated market value less sales costs.

#### PROPERTY, PLANT AND EQUIPMENT

Land is stated at cost, whereas buildings, machinery and equipment, office machines and furniture as well as vehicles are stated at cost less economically necessary depreciation. Depreciation is calculated on a straight-line basis over the expected useful life of the asset. The general applicable useful lives are as follows:

Buildings	30–40 years
Machinery and equipment	5–20 years
Office machines and furniture	3–10 years
Vehicles	4–10 years

Leasehold improvements are depreciated over the shorter of useful life or lease term. Repair and maintenance costs which do not increase the value or useful life of an asset are charged directly as an expense. Replacement work to increase the useful life of assets is capitalized. Fixed assets no longer in use or sold are taken out of the assets at acquisition cost minus the related accumulated depreciation. Any gains or losses arising are recognized in the income statement.

#### LEASING

Leases of assets under which significant risks and rewards of ownership are effectively retained by the lessor are classified as operating leases, and payments are recognized as an expense on a straight-line basis over the lease term.

#### INTANGIBLE ASSETS

##### SOFTWARE

Costs arising from the development of computer software are recognized as intangible assets; provided such costs are clearly associated with an identifiable and business-related computer program, can be reliably

determined, and lead to measurable benefits over a number of years.

Computer software is depreciated using the straight-line method over its estimated useful life, up to a maximum of ten years.

#### **OTHERS**

This item includes rights. Rights are depreciated using the straight-line method over their estimated useful life, up to a maximum of ten years.

#### **FINANCIAL ASSETS**

Financial assets comprise both non-consolidated investments and long-term loans. They are recognized at acquisition cost less economically necessary value adjustments. Changes in fair value are recognized in the income statement for the period in which they arise.

#### **IMPAIRMENT**

The recoverability of long-term assets is monitored annually. Impairment is treated adequately in the financial statements.

#### **DERIVATIVE FINANCIAL INSTRUMENTS**

Financial instruments are recognized in the balance sheet at fair value. Positive replacement values are recognized under financial assets and negative replacement values under current liabilities. Derivative financial instruments held for hedging purposes are carried at the same value as the underlying transactions.

#### **LIABILITIES**

All liabilities of Bossard vis-à-vis third parties are recognized at nominal value.

#### **PROVISIONS**

A provision is recognized if, on the basis of past events, Bossard has reason to assume that it will need to meet an obligation for which the amount and due date are still uncertain but can be reliably estimated.

#### **CONTINGENT LIABILITIES**

Contingent liabilities are valued as at the balance sheet date. A provision is made if an outflow of funds without a utilizable inflow is both probable and assessable.

#### **FINANCIAL DEBTS**

Financial debts are recognized at nominal value. They are classified as current liabilities unless Bossard can

defer the settlement of the liability for at least twelve months after the balance sheet date.

#### **TREASURY SHARES**

Treasury shares are recognized as deduction in the equity at acquisition cost. Any gains and losses from transactions with treasury shares are included in capital reserves and recognized in equity.

#### **SHARE-BASED COMPENSATION**

There is a share purchase plan for the board of directors and the executive committee, and they are required, or may elect, to draw part of their total compensation in shares. The shares are made available at market price, less the allowable tax discount of approximately 16 percent for the three-year lockup period. The market value is always determined in February and is based on the average closing price for the previous ten trading days in February.

There is a restricted stock unit plan (RSU) in place for the members of the management. The eligible participants annually receive a defined sum which is converted into RSUs on Bossard Holding AG registered A shares. The conversion is performed at market value and is based on the average closing price over the last ten trading days in November. The stock options (RSU) are subject to a three-year vesting period. After three years, yearly one-third of the allocated RSUs is passed on to the manager provided as long as he or she has not left the company or been given notice. The share-based compensation is valued at present value when granted and is recognized over the vesting period as personnel costs and as equity (instruments with equity compensation) or liabilities (instruments with cash compensation). If no cash settlement is planned, no subsequent valuation is made unless the terms of exercise and purchase are amended. The subsequent valuation is based on the closing price for the share of the last trading day of the business year.

#### **PENSION BENEFIT OBLIGATIONS**

Bossard operates a number of pension plans in accordance with the legal requirements in the individual countries. Their assets are generally held in autonomous pension institutions or in statutory occupational pension plans. The pension plans are funded by employee and employer contributions. Pension plans are dealt in accordance with Swiss GAAP FER 16.

Any actual economic impacts of pension plans on the company are calculated as at the balance sheet date. An

economic benefit from a surplus is capitalized provided this is admissible and the surplus is to be used to decrease the company's future contributions to its pension plans. An economic liability is recognized if the conditions for forming a provision are met. Contributions by subsidiaries to other pension plans are recognized in the income statement in the year they are made.

#### **NET SALES AND REVENUE RECOGNITION**

Revenue is recognized at fair value and represents the amount receivable for goods supplied and services rendered, net of sales-related taxes and revenue reductions. Revenue reductions include all positions that can be directly assigned to the sales, such as discounts, losses on receivables and exchange rate differences. Sales revenues are recognized when the goods and services have been supplied or rendered.

#### **NON-OPERATING RESULT**

Non-operating results are expenses and income arising from events or transactions which clearly differ from the ordinary operations of Bossard.

#### **INCOME TAXES**

All taxes are accrued irrespective of when such taxes are due. Deferred income taxes are recognized according to the "liability method" for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets on temporary differences can only be capitalized if recovery is probable. Deferred taxes are calculated using the expected applicable local tax rates. Bossard will not capitalize tax savings from tax loss carryforwards. The value of such tax assets is recognized only when realized.

Taxes payable on the distribution of profits of subsidiaries and associates are accrued only for profits that are to be distributed the following year.

#### **RELATED PARTIES**

A party is related to Bossard if the party directly or indirectly controls, is controlled by, or is under common control with Bossard, has an interest in Bossard that gives it significant influence over Bossard, has joint control over Bossard (board of directors and executive committee) or is an associate or a joint venture of Bossard. In addition, members of the key management personnel of Bossard as well as pension plans are also considered related parties.

#### **ACCOUNTING ESTIMATES AND ASSUMPTIONS**

Preparing the financial statements in accordance with Swiss GAAP FER requires the board of directors and the executive committee to make estimates and assumptions which can impact on the recognized assets, liabilities, contingent liabilities and contingent assets at the time of preparation as well as income and expenses for the reporting period. These assessments are based on the board of directors' and the executive committee's best knowledge and belief of current and future Bossard activities. The actual results may deviate from these estimates.

## RISK MANAGEMENT (2.4)

Risk management is a tool to analyze and evaluate all the processes for identifying and assessing risks in the Bossard Group. The results are defined in a report submitted to the board of directors and the executive committee.

### FINANCIAL RISK MANAGEMENT

Within the scope of its international operations, Bossard is exposed to various financial risks arising from its business activities, but also from the Group's financial activities. The Group's main financial risks include foreign exchange and interest rate fluctuations as well as the credit worthiness and solvency of the Group's counter parties.

The board of directors and the executive committee lay down the principles governing the Group's financial risk management with regard to exchange rate, interest rate, credit, liquidity and capital risks. The aim is, where necessary, to hedge against the financial risks listed above and thus to minimize any negative impact on the consolidated result as well as on the Group's performance.

Where this is considered advisable, the Group may hedge individual financial risks using financial instruments such as derivatives. However, these must be linked with the Group's business operations.

The Group has comprehensive insurance cover to safeguard itself against other risks.

### FOREIGN CURRENCY RISK

Given its international operations, the Group is exposed to exchange rate fluctuations that impact on the Group's financial and income situation, because these are disclosed in Swiss francs. The Group continuously monitors its currency risks and, if necessary, hedges against them. The Group's currency risks are essentially confined to the Euro and the US dollar. Business transactions in the Group's individual companies are mainly performed in local currency. Consequently, the currency risks for the Group's ongoing operations can basically be considered as low. In some Group companies, however, there are foreign currency risks in connection with payments outside their local currency, mainly in regard to payments to suppliers. Where necessary, parts of these foreign currency risks are hedged through foreign exchange contracts.

The net assets of foreign subsidiaries are exposed to exchange rate risk. Such risks are partly hedged through taking up loans in the currency concerned and, where

necessary, through foreign exchange contracts of up to a maximum of twelve months.

### INTEREST RATE RISK

Changes in interest rates can negatively affect the Group's financial and income situation and thus lead to changes in interest income and expense. Financing and related interest rate conditions are invariably handled centrally by corporate treasury. In certain market situations the Group can employ interest hedge transactions to safeguard itself against interest rate fluctuations, or it can convert a part of the loan requirements into fixed interest loans.

### CREDIT RISK

Credit risks can arise if, in a transaction, the counter party is either not prepared or not in a position to meet its obligations. The credit loss risk for accounts receivable trade can be confined through setting credit limits, undertaking credit investigations where possible, and by running an efficient system for managing receivables. Given the Group's monthly reporting system, continual monitoring of overdue payments is ensured. Accounts receivable trade are recognized after deducting allowances for bad debts. The danger of risk concentration is limited through the fact that the Group's customer base is composed of numerous customers and is widely spread in geographic terms. Short-term bank deposits are placed in banks with high credit rating.

### LIQUIDITY RISK

One aspect of judicious risk management is ensuring that an adequate sum can be drawn on through approved credit limits and that there is a possibility of refinancing. To ensure that the company is invariably solvent and financially flexible, a liquidity reserve has been established in the form of credit limits and cash in hand. Optimal liquidity control is conducted by means of cash pooling.

### CAPITAL RISK

To minimize its capital risk, Bossard Group ensures that the company's operations can run smoothly and that the shareholders will receive an adequate yield. To achieve this, the company may, if necessary, adjust dividend payments, pay back capital to shareholders, issue new shares or sell assets.

Bossard Group monitors its capital structure on the basis of its equity ratio. The equity ratio is equity as a percentage of total assets.

## CHANGES IN THE SCOPE OF CONSOLIDATION (3)

The scope of consolidation changed in 2014 as follows:

- Bossard Canada, Inc. (founding)
- Bossard Fastening Solutions (Shanghai) Co. Ltd (founding)
- Intrado AG (merger with Bossard AG)
- Trimec AG (merger with Bossard AG)
- Bossard Metrics, Inc. (merger with Bossard North America, Inc.)

In May 2013, Intrado AG, Switzerland was acquired (100 percent).

## CASH AND CASH EQUIVALENTS (4)

IN CHF 1,000	2014	INTEREST RATES IN %	2013	INTEREST RATES IN %
Cash at banks and on hand	24,040	0.0–1.0	25,136	0.0–1.0
Short-term bank deposits	1,378	0.3–9.1	310	1.5–4.0
<b>Total</b>	<b>25,418</b>		<b>25,446</b>	

For details of movements in cash and cash equivalents please refer to the consolidated cash flow statement (page 49).

## ACCOUNTS RECEIVABLE, TRADE (5)

IN CHF 1,000	2014	2013
<b>Accounts receivable, trade gross</b>	<b>95,813</b>	<b>90,431</b>
According to due date	88,160	82,656
not due		
30 days overdue	4,035	4,118
60 days overdue	1,054	1,276
90 days overdue	2,564	2,381
<b>Notes receivable</b>	<b>3,006</b>	<b>2,420</b>
<b>Allowance for bad debts</b>		
Balance at Jan. 1	-3,416	-3,050
Reversals/(Additions)	44	-489
Changes scope of consolidation	0	-17
Translation differences	-100	140
Balance at Dec. 31	-3,472	-3,416
<b>Total</b>	<b>95,347</b>	<b>89,435</b>

The book value of receivables is based on fair value and represents the maximal credit risk on this position.

## INVENTORIES (6)

Inventories that lack marketability or have low turnover are written down to the estimated market value less sales costs. Value adjustments amounted to CHF 26.4 million as per December 31, 2014 (2013: CHF 26.2 million), this is equivalent to 12.2 percent of gross inventory (2013: 14.0 percent).

## PROPERTY, PLANT & EQUIPMENT (7)

IN CHF 1,000	FACILITIES UNDER CONSTRUCTION	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHERS	TOTAL
<b>Cost</b>					
Balance at Jan. 1, 2014	-	101,050	95,678	7,172	203,900
Additions	-	1,084	6,722	2,175	9,981
Disposals	-	-334	-2,698	-2,209	-5,241
Translation differences	-	1,296	1,784	18	3,098
<b>Balance at Dec. 31, 2014</b>	<b>0</b>	<b>103,096</b>	<b>101,486</b>	<b>7,156</b>	<b>211,738</b>
<b>Accumulated depreciation</b>					
Balance at Jan. 1, 2014	-	43,280	69,243	3,977	116,500
Depreciation	-	2,752	7,043	1,409	11,204
Disposals	-	-330	-2,577	-1,773	-4,680
Translation differences	-	328	1,316	8	1,652
<b>Balance at Dec. 31, 2014</b>	<b>0</b>	<b>46,030</b>	<b>75,025</b>	<b>3,621</b>	<b>124,676</b>
<b>Net book amount</b>	<b>0</b>	<b>57,066</b>	<b>26,461</b>	<b>3,535</b>	<b>87,062</b>

The insurance value of property, plant and equipment is CHF 194.0 million (2013: CHF 182.1 million).

IN CHF 1,000	FACILITIES UNDER CONSTRUCTION	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHERS	TOTAL
<b>Cost</b>					
Balance at Jan. 1, 2013	1,528	95,162	97,560	7,449	201,699
Additions	-	4,711	7,363	1,218	13,292
Disposals	-	-19	-8,564	-1,446	-10,029
Reclass	-1,504	1,504	-	-	-
Translation differences	-24	-308	-681	-49	-1,062
<b>Balance at Dec. 31, 2013</b>	<b>0</b>	<b>101,050</b>	<b>95,678</b>	<b>7,172</b>	<b>203,900</b>
<b>Accumulated depreciation</b>					
Balance at Jan. 1, 2013	-	40,687	70,971	3,840	115,498
Depreciation	-	2,646	6,839	1,378	10,863
Disposals	-	-14	-8,171	-1,216	-9,401
Translation differences	-	-39	-396	-25	-460
<b>Balance at Dec. 31, 2013</b>	<b>0</b>	<b>43,280</b>	<b>69,243</b>	<b>3,977</b>	<b>116,500</b>
<b>Net book amount</b>	<b>0</b>	<b>57,770</b>	<b>26,435</b>	<b>3,195</b>	<b>87,400</b>

## INTANGIBLE ASSETS (8)

IN CHF 1,000	SOFTWARE	OTHERS	TOTAL
<b>Cost</b>			
Balance at Jan. 1, 2014	26,248	427	26,675
Additions	1,555	-	1,555
Disposals	-749	-	-749
Translation differences	-42	-	-42
<b>Balance at Dec. 31, 2014</b>	<b>27,012</b>	<b>427</b>	<b>27,439</b>
<b>Accumulated amortization</b>			
Balance at Jan. 1, 2014	23,168	143	23,311
Amortization	1,201	43	1,244
Disposals	-726	-	-726
Translation differences	-59	-	-59
<b>Balance at Dec. 31, 2014</b>	<b>23,584</b>	<b>186</b>	<b>23,770</b>
<b>Net book amount</b>	<b>3,428</b>	<b>241</b>	<b>3,669</b>
<b>IN CHF 1,000</b>			
<b>Cost</b>			
Balance at Jan. 1, 2013	26,253	427	26,680
Additions	1,609	-	1,609
Disposals	-1,671	-	-1,671
Translation differences	57	-	57
<b>Balance at Dec. 31, 2013</b>	<b>26,248</b>	<b>427</b>	<b>26,675</b>
<b>Accumulated amortization</b>			
Balance at Jan. 1, 2013	23,303	100	23,403
Amortization	1,409	43	1,452
Disposals	-1,606	-	-1,606
Translation differences	62	-	62
<b>Balance at Dec. 31, 2013</b>	<b>23,168</b>	<b>143</b>	<b>23,311</b>
<b>Net book amount</b>	<b>3,080</b>	<b>284</b>	<b>3,364</b>

No internally generated intangible assets were capitalized during the financial years 2014 and 2013.

## FINANCIAL ASSETS (9)

IN CHF 1,000	2014	INTEREST RATES IN %	2013	INTEREST RATES IN %
Loans and deposits to third parties	10,710	0.0–10.0	1,616	0.0–3.0
Other financial assets	740		35	
<b>Total</b>	<b>11,450</b>		<b>1,651</b>	

## INCOME TAXES (10)

The tax expenses are made up as follows:

IN CHF 1,000	2014	2013
Current taxes	14,353	9,316
Deferred taxes	-1,822	383
<b>Total</b>	<b>12,531</b>	<b>9,699</b>

The effective tax rate on the Group's profit differs from the average basic tax rate of the various countries in which Bossard operates as follows:

IN %	2014	2013
<b>Group's average tax rate</b>	<b>26.1</b>	<b>30.1</b>
Non tax deductible expenses	0.7	0.4
Non-taxable income	-6.4	-6.6
Expenses taxed at special rate	0.2	0.1
Unrecognized current year tax losses	0.7	0.6
Utilization unrecognized prior year tax losses	-2.5	-9.9
Others	-0.8	0.1
<b>Effective tax rate</b>	<b>18.0</b>	<b>14.8</b>

The Group's average tax rate is the weighted average based on the various individual results and the local tax rates.

The deferred taxes consist of the following:

IN CHF 1,000	ASSETS 2014	LIABILITIES 2014	ASSETS 2013	LIABILITIES 2013
Accounts receivable	366	635	416	5
Inventories	2,689	1,680	1,763	256
Property, plant and equipment	246	345	245	341
Intangible assets	2,554	1	2,566	25
Liabilities	1,254	1,875	470	4,747
<b>Total deferred taxes</b>	<b>7,109</b>	<b>4,536</b>	<b>5,460</b>	<b>5,374</b>
Net		-2,573		-86

The gross values of unused tax loss carryforwards which have not been capitalized expire as follows:

EXPIRY OF UNUSED TAX LOSS CARRYFORWARDS IN CHF 1,000	WITHIN 5 YEARS	OVER 5 YEARS	TOTAL
2014	893	39,858	40,751
2013	8,799	34,168	42,967

This results in not capitalized deferred tax assets for unused tax loss carryforwards of CHF 12.2 million (2013: CHF 12.1 million).

## ACCOUNTS PAYABLE, TRADE (11)

IN CHF 1,000	2014	2013
Accounts payable, trade	42,667	38,363
Notes payable	251	348
<b>Total</b>	<b>42,918</b>	<b>38,711</b>

## PROVISIONS (12)

IN CHF 1,000	PENSION AND OTHER TERMINATION BENEFITS	MANAGEMENT PARTICIPATION PLAN	OTHERS	TOTAL
Balance at Jan. 1, 2014	1,936	178	3,008	5,122
Additions	471	276	78	825
Usage	-25	-	-379	-404
Reversals	-6	-	-40	-46
Translation differences	-37	20	-2	-19
<b>Balance at Dec. 31, 2014</b>	<b>2,339</b>	<b>474</b>	<b>2,665</b>	<b>5,478</b>
Thereof short-term	86	-	447	533

Pension and other termination benefits include liabilities for pension and granted legal benefits based on affiliation to the company.

The provision management participation plan pertains a long-term orientated program which is offered by Bossard Group to specified middle and top management personnel. The manager annually receives a defined sum which is converted into restricted stock units on Bossard Holding AG registered A shares. The additional compensation is locked up for three years.

Other provisions include CHF 2.3 million (2013: CHF 2.5 million) for assumed obligations for renovations related to the acquisition of KVT-Fastening.

IN CHF 1,000	PENSION AND OTHER TERMINATION BENEFITS	MANAGEMENT PARTICIPATION PLAN	OTHERS	TOTAL
Balance at Jan. 1, 2013	2,190	37	3,517	5,744
Additions	224	141	419	784
Usage	-449	-	-422	-871
Reversals	-58	-	-519	-577
Translation differences	29	-	13	42
<b>Balance at Dec. 31, 2013</b>	<b>1,936</b>	<b>178</b>	<b>3,008</b>	<b>5,122</b>
Thereof short-term	-	-	705	705

## SHORT-TERM DEBTS (13)

IN CHF 1,000	2014	INTEREST RATES IN %	2013	INTEREST RATES IN %
Bank overdrafts	7,144	0.6–4.5	6,828	0.6–5.0
Bank loans	30,459	1.1–6.3	19,527	1.1–6.0
Personnel savings accounts	20,646	2.0	20,211	2.0
Other	44	0.0	43	0.0
<b>Total</b>	<b>58,293</b>		<b>46,609</b>	

The personnel savings accounts corresponds to savings of employees. The effective weighted average interest rate on all borrowings was 1.8 percent (2013: 2.0 percent).

## LONG-TERM DEBTS (14)

IN CHF 1,000	2014	INTEREST RATES IN %	2013	INTEREST RATES IN %
Bank loans	65,000	1.1	80,000	1.1–1.8
<b>Total</b>	<b>65,000</b>		<b>80,000</b>	

The loan provided is a credit facility with a maturity date of November 2017 and running amortization payments.

## SHARE CAPITAL (15)

DETAILS OF SHARE CAPITAL	PAR VALUE IN CHF	NUMBER OF SHARES	TOTAL IN CHF 1,000
Registered A shares	5	6,650,000	33,250
Registered B shares	1	6,750,000	6,750
<b>Total</b>			<b>40,000</b>

442,542 registered A shares of CHF 5 par value are held by Bossard Holding AG and have neither voting rights nor dividend entitlement. 370,000 of these shares have been held by the company since the capital increase.

The consolidated retained earnings and reserves include non-distributable legal reserves of CHF 22 million (2013: CHF 22 million).

### DIVIDEND/DISTRIBUTION FROM RESERVES FROM CAPITAL CONTRIBUTION

At the upcoming annual general meeting of shareholders on April 13, 2015 the board of directors of Bossard Holding AG will propose a distribution for the 2014 fiscal year from reserves of capital contributions in the amount of CHF 3.00 (2013: CHF 3.00) per registered A share or CHF 0.60 (2013: CHF 0.60) per registered B share.

### TREASURY SHARES

IN CHF	2014	2013
Balance at Jan. 1: 67,208 shares (2013: 67,174 shares)	3,580,187	3,049,735
Purchase: 18,268 registered A shares of CHF 5 par value (2013: 9,108 shares)	1,979,806	864,866
Used for share option program: 12,934 registered A shares of CHF 5 par value (2013: 9,074 shares)	–566,077	–334,414
Balance at Dec. 31: 72,542 shares, rate 109.30 (2013: 67,208 shares, rate 103.25)	4,993,916	3,580,187

Based on the share split in the ratio of 1:2 in 2014, the previous year value was adjusted accordingly. 71,639 registered A shares (2013: 59,112) are reserved for the management participation plan (RSU).

## SEGMENT INFORMATION (16)

The Bossard Group, with all of its Group companies, operates globally in the industrial fastening technology segment. All the Group companies are managed according to a consistent business strategy with a centralized decision-making structure. Key elements of Bossard's strategy include a consistent business model with uniform customer and product focus in the world's most important industrial regions. Bossard provides industrial companies with fastening technology products at their different production sites around the world and offers associated services with consistently high standards of quality, as well as standardized systems and processes. The board of directors and CEO manage the Bossard Group on the basis of the financial statements of the individual Group companies as well as the Group's consolidated financial statements. Due to their economic similarity, uniform strategy and similar product and service solutions for all Bossard customers, as well as the central management of the Group by the CEO, Bossard reports its business together in one segment in compliance with Swiss GAAP FER 31.

## SALES BY REGIONS (17)

IN CHF MILLION	EUROPE		AMERICA		ASIA		GROUP	
	2014	2013	2014	2013	2014	2013	2014	2013
Sales	398.1	384.7	122.3	134.6	100.9	90.4	621.3	609.7
Sales deductions	3.4	3.4	0.3	0.2	-0.2	0.4	3.5	4.0
<b>Net sales</b>	<b>394.7</b>	<b>381.3</b>	<b>122.0</b>	<b>134.4</b>	<b>101.1</b>	<b>90.0</b>	<b>617.8</b>	<b>605.7</b>

## PERSONNEL EXPENSES (18)

IN CHF 1,000	2014	2013
Salaries and variable compensation	104,941	98,829
Social security expenses	13,947	13,752
Pension expenses	7,604	7,764
Other personnel expenses	2,909	3,043
<b>Total</b>	<b>129,401</b>	<b>123,388</b>

The expense recognized for share-based compensation in the results for the period is CHF 1,006,202 (2013: CHF 723,189).

## OTHER OPERATING EXPENSES (19)

IN CHF 1,000	2014	2013
Occupancy costs	9,837	9,347
Capital taxes, insurance and charges	2,431	2,439
Other operating expenses	5,962	5,285
<b>Total</b>	<b>18,230</b>	<b>17,071</b>

## FINANCIAL RESULT (20)

IN CHF 1,000	2014	2013
<b>Financial income</b>		
Income from interests and securities	823	303
Income from non-consolidated investments	76	40
Exchange gains	613	905
<b>Total</b>	<b>1,512</b>	<b>1,248</b>
<b>Financial expenses</b>		
Interest expenses	3,837	4,528
Exchange losses	819	803
<b>Total</b>	<b>4,656</b>	<b>5,331</b>
<b>Total Financial result</b>	<b>3,144</b>	<b>4,083</b>

## EARNINGS PER SHARE (21)

	2014	2013
Net income in CHF 1,000	56,655	55,960
Average number of shares entitled to dividend <sup>1)</sup>	7,562,974	7,567,846
Earnings per registered A share in CHF	7.49	7.40
Earnings per registered B share in CHF	1.50	1.48

1) Registered B shares adjusted to the nominal value of the registered A shares.

Earnings per share are calculated by dividing the net income attributable to "Shareholders of Bossard Holding AG" by the weighted average number of shares entitled to dividend during the year.

## ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES (22)

### ACQUISITIONS 2014

There was no acquisition in 2014.

A subsequent tax payment of CHF 1.3 million in connection with the acquisition of KVT-Fastening in 2012 led in an adjustment to the purchase price allocation, which resulted in a goodwill increase of CHF 1.3 million.

### ACQUISITIONS 2013

In May 2013, Intrado AG was acquired. Intrado serves Swiss industry with a wide range of electro-technical products.

IN CHF 1,000	MARKET VALUE AS PER ACQUISITION
Cash and cash equivalents	399
Accounts receivable, trade	253
Inventories	515
Other current assets	64
Accounts payable, trade	113
Other current liabilities	119
<b>Net assets acquired</b>	<b>999</b>
Goodwill	1,001
Total	2,000
Less acquired cash and cash equivalents	-399
<b>Cash flow from acquisitions</b>	<b>1,601</b>

### DISPOSALS 2014

In 2014, no subsidiaries were disposed.

### DISPOSALS 2013

In 2013, no subsidiaries were disposed.

## DERIVATIVE FINANCIAL INSTRUMENTS (23)

Open forward contracts at December 31 were as follows:

IN CHF MILLION	2014	2013
Contract value	56.6	19.6
Fair value	0.4	0.0
Balance sheet value	0.4	-

The contract value shows the volume of open forward exchange contracts at the balance sheet date.

## GOODWILL (24)

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalization and amortization of goodwill is disclosed below:

IN CHF 1,000	2014	2013
<b>Equity incl. minority interest</b>	<b>210,603</b>	<b>167,298</b>
Equity ratio	48.5%	43.2%
<b>Cost</b>		
Balance at Jan. 1	181,211	179,606
Additions	1,282	1,605
<b>Balance at Dec. 31</b>	<b>182,493</b>	<b>181,211</b>
<b>Amortization over 5 years</b>		
Balance at Jan. 1	39,115	2,993
Additions	36,446	36,122
<b>Balance at Dec. 31</b>	<b>75,561</b>	<b>39,115</b>
<b>Theoretical net book value goodwill as per 31.12.</b>	<b>106,932</b>	<b>142,096</b>
<b>Theoretical equity incl. minority interest and nbv goodwill</b>	<b>317,535</b>	<b>309,394</b>
Theoretical equity ratio	58.7%	58.5%

Goodwill is theoretically amortized on a straight-line basis usually over 5 years. Goodwill from new acquisitions is converted once to Swiss francs using the closing rate as at acquisition date. With this procedure no exchange differences result in the movement schedule.

Impact on income statement:

IN CHF 1,000	2014	2013
Operating result (EBIT) without theoretical amortization goodwill	72,803	69,783
Theoretical amortization goodwill	-36,446	-36,122
<b>Operating result (EBIT) incl. theoretical amortization goodwill</b>	<b>36,357</b>	<b>33,661</b>

## PENSION BENEFIT OBLIGATIONS (25)

The Group has various pension plans to which most of its employees contribute. With the exception of companies in Switzerland, the pension institution is responsible for providing coverage for retirement, survivors' and disability benefits.

The pension plan institution for the Swiss companies is an independent pension plan in accordance with the Swiss federal law on occupational retirement, survivors' and disability pension plans (BVG).

Economic benefit/economic obligation and pension plan expenses:

IN CHF 1,000	SURPLUS/DEFICIT ACCORDING TO PENSION PLANS		ECONOMIC SHARE OF THE COMPANY		CHANGE OR CAPITALIZED IN BUSINESS YEAR	CONTRI- BUTIONS ACCRUED	PENSION PLAN EXPENSES IN PERSONNEL EXPENSES	
	31.12.2014	31.12.2014	31.12.2013		2014	2014	2014	2013
Patronage funds/pension institutions	3,030					85	85	500
Pension institutions without surplus/deficit						5,063	5,063	4,820
Pension institutions with surplus								
Pension institutions with deficit								
Pension institutions abroad						2,456	2,456	2,444
<b>Total</b>	<b>3,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,604</b>	<b>7,604</b>	<b>7,764</b>

In accordance with Swiss GAAP FER 26, the provisional financial statements of the pension plan institution serve as a basis for calculation. The surplus in the patronage fund corresponds to the non-committed funds. The patronage fund may, at its own discretion, make contributions to the pension plan institution.

Items comprising the pension plan expenses:

IN CHF 1,000	2014	2013
Contributions to pension institutions charged to the company	7,604	7,764
Contributions to pension plans paid out of the employer contribution reserve (ECR)	-	-
<b>Total contributions</b>	<b>7,604</b>	<b>7,764</b>
Changes in ECR from asset development, value adjustments, discounting, interest, etc.	-	-
<b>Contributions and changes in employer contribution reserve</b>	<b>7,604</b>	<b>7,764</b>
Changes in economic benefit of the company from surplus	-	-
Changes in economic obligations of the company from deficit	-	-
<b>Total changes of economic impact through surplus/deficit</b>	<b>-</b>	<b>-</b>
<b>Pension plan expenses in personnel expenses</b>	<b>7,604</b>	<b>7,764</b>

Financing is through employer and employee contributions. The contributions are calculated as a percentage of the insured compensation.

## PARTICIPATIONS BY THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE (26)

At December 31, the individual members of the board of directors and of the executive committee (including persons closely associated with them) held the following registered A shares of Bossard Holding AG:

		2014	2013
<b>Board of directors</b>			
Dr. Thomas Schmuckli	Chairman, NCC <sup>1)</sup> , AC <sup>2)</sup>	14,000	12,600
Anton Lauber	Deputy chairman, NCC	7,374	6,574
Prof. Dr. Stefan Michel	Representative of registered A shares	2,582	1,864
Helen Wetter-Bossard	NCC	22,358	22,558
Maria Teresa Vacalli	AC	800	-
<b>Total</b>		<b>47,114</b>	<b>43,596</b>

1) Nomination and compensation committee

2) Audit committee

### Executive committee

David Dean	CEO	23,270	21,500
Stephan Zehnder	CFO	15,026	13,526
Beat Grob	CEO Central Europe	28,006	26,746
Dr. Daniel Bossard	CEO Northern & Eastern Europe	5,120	5,100
Steen Hansen	CEO America	3,586	3,586
Robert Ang	CEO Asia	7,004	5,874
<b>Total</b>		<b>82,012</b>	<b>76,332</b>

As of December 31, the individual members of the executive committee held the following amount of awarded restricted stock units (RSU):

		2014	2013
David Dean	CEO	2,936	2,446
Stephan Zehnder	CFO	2,936	2,446
Beat Grob	CEO Central Europe	2,936	2,446
Dr. Daniel Bossard	CEO Northern & Eastern Europe	2,936	2,446
Steen Hansen	CEO America	2,936	2,446
Robert Ang	CEO Asia	2,936	2,446
<b>Total</b>		<b>17,616</b>	<b>14,676</b>

## RELATED PARTY TRANSACTIONS (27)

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a group of shareholders as defined in article 20 of SESTA (Swiss Federal Act on Stock Exchanges and Securities Trading). They hold 56.1 percent (2013: 56.2 percent) of total voting rights or 28.0 percent (2013: 28.1 percent) of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.

The following related party transactions were undertaken:

BALANCE SHEET POSITIONS AS PER YEAR END IN CHF MILLION	2014	INTEREST RATES IN %	2013	INTEREST RATES IN %
Deposits in the personnel savings accounts	4.0	2.0	3.5	2.0

In 2012, the Kolin Holding AG has granted Bossard Group an interest-bearing loan in the amount of CHF 10.0 million. This loan had an interest rate of 1.2 percent and was repaid in 2013.

## LEASE AND RENTAL OBLIGATIONS (28)

At December 31, future operating lease payments not recorded in the balance sheet amounted to:

OPERATING LEASE COMMITMENT IN CHF 1,000	DUE WITHIN 1 YEAR	DUE WITHIN 2 YEARS	DUE WITHIN 3 YEARS	DUE WITHIN 4 YEARS	DUE AFTER 4 YEARS	TOTAL
2014	1,006	781	544	195	34	2,560
2013	793	432	197	49	2	1,473

At December 31, future rental liabilities for office and warehouse premises amounted to:

LONG-TERM RENTAL LIABILITIES IN CHF 1,000	DUE WITHIN 1 YEAR	DUE WITHIN 2 YEARS	DUE WITHIN 3 YEARS	DUE WITHIN 4 YEARS	DUE AFTER 4 YEARS	TOTAL
2014	5,651	4,226	3,320	2,840	17,164	33,201
2013	5,466	4,592	2,505	1,920	15,717	30,200

## ASSETS PLEDGED OR OTHERWISE RESTRICTED (29)

IN CHF 1,000	2014	2013
Inventories	4,055	3,329
Property, plant and equipment	888	1,158
<b>Total</b>	<b>4,943</b>	<b>4,487</b>

The pledged or restricted assets are used as collateral for outstanding bank loans which are not encumbered with any special conditions. The assets are after the repayment of the credits freely available again. The total credit lines amount to CHF 3.3 million (2013: CHF 3.3 million). The current borrowings amount to CHF 0.9 million (2013: CHF 0.9 million).

## CONTINGENT LIABILITIES (30)

As per December 31, 2014 contingent liabilities of CHF 0.1 million exist (2013: CHF 0.1 million). They result mainly from discounted notes given to third parties in the course of normal business operations. There are no other contingent liabilities or capital commitments.

## EVENTS OCCURRING AFTER BALANCE SHEET DATE (31)

Between December 31, 2014 and the approval of the consolidated financial statements by the board of directors, no major events occurred which would require additional disclosures or changes in the consolidated financial statements for 2014.

## EXCHANGE RATES (32)

	31.12.2014 YEAR-END EXCHANGE RATE	01.01.2014- 31.12.2014 AVERAGE EXCHANGE RATE	31.12.2013 YEAR-END EXCHANGE RATE	01.01.2013- 31.12.2013 AVERAGE EXCHANGE RATE
1 EUR	1.20	1.21	1.23	1.23
1 USD	0.99	0.92	0.89	0.93
1 GBP	1.55	1.51	1.47	1.45
1 AUD	0.81	0.83	0.80	0.90
1 RON	0.27	0.27	0.27	0.28
1 CAD	0.86	0.83	0.84	0.90
100 DKK	16.15	16.29	16.43	16.50
100 SEK	12.69	13.36	13.85	14.23
100 CZK	4.34	4.41	4.48	4.74
100 HUF	0.38	0.39	0.41	0.41
100 PLN	27.97	29.02	29.48	29.34
100 SGD	75.21	72.21	70.30	74.10
100 TWD	3.14	3.02	2.98	3.12
100 RMB	16.24	14.89	14.59	14.96
100 MYR	28.40	27.96	27.12	29.46
100 THB	3.02	2.82	2.71	3.02
100 INR	1.57	1.50	1.44	1.59
100 KRW	0.09	0.09	0.09	0.08

## LIST OF GROUP COMPANIES (33)

	COMPANIES AND BRANCHES	HEADQUARTERS	CURRENCY	CAPITAL IN 1,000	SHAREHOLDING	FASTENING TECHNOLOGY	FINANCE/OTHERS
<b>Holding and finance companies</b>							
Switzerland	Bossard Holding AG	Zug	CHF	40,000	100		■
	Bossard Finance AG	Zug	CHF	100	100		■
Germany	Bossard-KVT Beteiligungs GmbH	Illerrieden	EUR	25	100		■
	KVT-Fastening Beteiligungs GmbH	Illerrieden	EUR	25	100		■
<b>Europe</b>							
Switzerland	Bossard AG	Zug	CHF	12,000	100	■	
	KVT-Fastening AG	Dietikon	CHF	1,000	100	■	
Germany	KVT-Fastening GmbH	Illerrieden	EUR	100	100	■	
	Bossard Deutschland GmbH	Illerrieden	EUR	25	100	■	
Italy	Bossard Italia S.r.l.	Legnano	EUR	100	100	■	
Austria	Bossard Austria Ges.m.b.H.	Schwechat	EUR	1,017	100	■	
	KVT-Fastening GmbH	Asten	EUR	509	100	■	
Denmark	Bossard Denmark A/S	Skovlunde	DKK	9,000	100	■	
Sweden	Bossard Sweden AB	Malmö	SEK	400	100	■	
France	Bossard France SAS	Souffelweyersheim	EUR	26,000	100	■	
Spain	Bossard Spain SA	Sant Cugat del Vallès	EUR	745	100	■	
Poland	Bossard Poland Sp.Z o.o.	Radom	PLN	1,300	100	■	
	KVT-Fastening Sp.Z o.o.	Warsaw	PLN	100	100	■	
Romania	KVT-Fastening S.R.L.	Bucharest	RON	0.2	100	■	
Slovakia	KVT-Fastening spol. s.r.o.	Bratislava	EUR	5	100	■	
Slovenia	KVT-Fastening d.o.o.	Ljubljana	EUR	8.2	100	■	
Czech Republic	Bossard CZ s.r.o.	Brno	CZK	1,000	100	■	
	KVT-Fastening s.r.o.	Brno	CZK	200	100	■	
Hungary	KVT-Fastening Kft.	Budapest	HUF	500	100	■	
<b>America</b>							
USA	Bossard U.S. Holdings, Inc.	Hampton, NH	USD	40,000	100		■
	Bossard North America, Inc.	Cedar Falls, IA	USD	2,255	100	■	
Canada	Bossard Canada, Inc.	Montreal	CAD	-	100	■	
Mexico	Bossard de México, S.A. de C.V.	Monterrey	USD	755	100	■	
<b>Asia/Oceania</b>							
Singapore	Bossard Pte. Ltd	Singapore	SGD	42,600	100	■	
India	LPS Bossard Pvt. Ltd	Rohtak	INR	48,000	51	■	
China	Bossard Industrial Fasteners International Trading (Shanghai) Co. Ltd	Shanghai	RMB	110,488	100	■	
	Bossard Fastening Solutions (Shanghai) Co. Ltd	Shanghai	RMB	-	100	■	
Malaysia	Bossard (M) Sdn. Bhd.	Penang	MYR	300	100	■	
Thailand	Bossard (Thailand) Ltd	Bangkok	THB	45,000	100	■	
Taiwan	Bossard Ltd Taiwan Branch	Taichung	TWD	-	100	■	
South Korea	Bossard (Korea) Ltd	Cheonan	KRW	2,500,000	100	■	
Australia	Bossard Australia Pty. Ltd	Melbourne	AUD	500	100	■	

As per December 31, 2014

# REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS



Report of the statutory auditor  
to the general meeting of  
Bossard Holding AG  
Zug

## REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Bossard Holding AG, which comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 46 to 70), for the year ended December 31, 2014.

### Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

## REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis  
Audit expert  
Auditor in charge

Roger Leu  
Audit expert

Zürich, February 27, 2015

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# BALANCE SHEET OF BOSSARD HOLDING AG

IN CHF	NOTES	31.12.2014	31.12.2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		285,832	245,630
Marketable securities – treasury shares	3	4,993,916	3,580,187
Accruals		9,622	7,703
<b>Total current assets</b>		<b>5,289,370</b>	<b>3,833,520</b>
<b>Long-term assets</b>			
Loans to Group companies		44,022,551	63,212,371
Investments	2	118,023,215	118,023,215
Costs of capital increase		859,373	1,718,747
Own shares	3	1,850,000	1,850,000
<b>Total long-term assets</b>		<b>164,755,139</b>	<b>184,804,333</b>
<b>Total assets</b>		<b>170,044,509</b>	<b>188,637,853</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable others		13,400	33,375
Accrued expenses		723,341	811,340
<b>Total current liabilities</b>		<b>736,741</b>	<b>844,715</b>
<b>Shareholders' equity</b>			
Share capital		40,000,000	40,000,000
Legal reserve			
General reserve		16,000,000	16,000,000
Reserves from capital contributions		49,517,566	72,198,142
Capital reserves		2,049,686	2,049,686
Reserve for own shares	3	6,843,916	5,430,187
Other reserves		27,267,784	28,681,513
Retained earnings		27,628,816	23,433,610
<b>Total shareholders' equity</b>		<b>169,307,768</b>	<b>187,793,138</b>
<b>Total liabilities and shareholders' equity</b>		<b>170,044,509</b>	<b>188,637,853</b>

# INCOME STATEMENT AND APPROPRIATION OF AVAILABLE EARNINGS OF BOSSARD HOLDING AG

## INCOME STATEMENT

IN CHF	2014	2013
<b>Income</b>		
Dividend income, income from marketable securities	5,289,734	20,536,453
Interest income	1,113,211	994,254
Service fees from Group companies	300,000	336,000
<b>Total income</b>	<b>6,702,945</b>	<b>21,866,707</b>
<b>Expenses</b>		
General and administrative expenses	1,599,373	1,560,200
Depreciation	859,373	859,373
Financial expenses	48,993	235,792
<b>Total expenses</b>	<b>2,507,739</b>	<b>2,655,365</b>
<b>Income before taxes</b>	<b>4,195,206</b>	<b>19,211,342</b>
Taxes	0	28,247
<b>Net income</b>	<b>4,195,206</b>	<b>19,183,095</b>

## CHANGES IN RETAINED EARNINGS

IN CHF	2014	2013
Retained earnings at beginning of year	23,433,610	21,393,353
Net income	4,195,206	19,183,095
Appropriation of available profit determined by the annual general meeting of shareholders		
Dividends for 2013 and 2012 respectively	0	-17,142,838
<b>Retained earnings at end of year</b>	<b>27,628,816</b>	<b>23,433,610</b>

## CHANGES IN CAPITAL CONTRIBUTION RESERVE

IN CHF	2014	2013
Capital contribution reserve at beginning of year <sup>1)</sup>	72,198,142	0
Distribution	-22,680,576	0
Capital surplus from capital increase	0	72,198,142
<b>Capital contribution reserve at end of year</b>	<b>49,517,566</b>	<b>72,198,142</b>

1) Subject to adjustments by the Swiss tax authorities.

## THE BOARD OF DIRECTORS PROPOSES TO THE ANNUAL GENERAL MEETING THE FOLLOWING APPROPRIATION OF AVAILABLE RETAINED EARNINGS AND CAPITAL CONTRIBUTION RESERVES

IN CHF	2014
Available retained earnings before distribution	27,628,816
Transfer from capital contribution reserve	22,672,374 <sup>2)</sup>
<b>Total available for distribution</b>	<b>50,301,190</b>
Distribution from capital contribution reserve, exempt from withholding tax	-22,672,374 <sup>2)</sup>
60.0 percent on the share capital of max. CHF 37,787,290 eligible for dividends	
<b>To be carried forward</b>	<b>27,628,816</b>

2) The figure is based on the issued share capital as of December 31, 2014 eligible for dividends. It may change due to movements on treasury shares after the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS OF BOSSARD HOLDING AG

IN CHF	2014	2013
<b>1. Guarantees, contingent liabilities, assets pledged in favour of third parties</b>	<b>182,493,367</b>	<b>199,281,424</b>
thereof used	101,679,306	104,637,131
Bossard Group concentrates its main credit facilities in Bossard Holding AG. Bossard subsidiaries can draw on the credit lines, for which right Bossard Holding AG has undertaken guarantee obligations.		
<b>2. Investments contain:</b>		
Bossard Finance AG, Zug, wholly owned (2013: wholly owned)		
<b>3. Balance of own shares</b>		
<b>a) Treasury shares</b>		
Balance at Jan. 1: 67,208 shares (2013: 67,174 shares)	3,580,187	3,049,735
Purchase: 18,268 registered A shares of CHF 5 par value (2013: 9,108 shares)	1,979,806	864,866
Used for share option program: 12,934 registered A shares of CHF 5 par value (2013: 9,074 shares)	-566,077	-334,414
Balance at Dec. 31: 72,542 shares, rate 109.30 (2013: 67,208 shares, rate 103.25)	4,993,916	3,580,187
Based on the share split in the ratio of 1:2 in 2014, the previous year value was adjusted accordingly.		
<b>b) Own shares</b>		
Balance of own shares: 370,000 registered A shares of CHF 5 par value (no voting rights and dividend entitlement – never issued)	1,850,000	1,850,000
<b>c) Reserve for own shares</b>		
Cost of treasury shares	4,993,916	3,580,187
Own shares – never issued	1,850,000	1,850,000
Reserve for own shares	6,843,916	5,430,187
<b>4. Share holdings by board of directors and executive committee</b>		
The disclosure of share holdings of the board and the executive committee as per Swiss Code of Obligations article 663c can be found in the notes of the consolidated financial statements (note 26 on page 67).		
<b>5. Other information required by law</b>		
Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a shareholder group in accordance with article 20 SESTA. They hold 56.1 percent (2013: 56.2 percent) of the voting rights.		
Kolin Holding AG, Zug, is wholly owned by the Bossard families.		
<b>6. Risk management</b>		
The risk management of Bossard Holding AG is continually documented and its effectiveness tested. At meetings held annually, a standardized procedure is used to examine all business activities and balance sheet items for potential risks. Thus, the comprehensive overview of the potential risk situation is updated every year. Each identified risk is evaluated in terms of the loss that might be incurred; targets and countermeasures are then drawn up on this basis. The results of the risk evaluation procedure are defined in a report submitted to the board of directors and the executive committee.		
Overall, hazards that could negatively impact on the future development of Bossard Holding AG can never be ruled out completely; wars, terror attacks, acts of God, or pandemics are examples of such events.		

# REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS OF BOSSARD HOLDING AG



Report of the statutory auditor  
to the general meeting of  
Bossard Holding AG  
Zug

## REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Bossard Holding AG, which comprise the balance sheet, income statement and notes (pages 72 to 74), for the year ended December 31, 2014.

### Board of directors' responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the company's articles of incorporation.

## REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings and reserves comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis  
Audit expert  
Auditor in charge

Roger Leu  
Audit expert

Zürich, February 27, 2015

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# INVESTOR INFORMATION

	2014	2013	2012	2011	2010
<b>Share capital</b>					
Registered A shares at CHF 5 par					
Capital stock in CHF 1,000	33,250	33,250	26,600	26,600	26,600
Number of shares issued	6,650,000	6,650,000	5,320,000	5,320,000	5,320,000
Number of shares entitled to dividend	6,207,458	6,212,792	4,882,826	4,873,590	4,853,904
Registered B shares at CHF 1 par					
Capital stock in CHF 1,000	6,750	6,750	5,400	5,400	5,400
Number of shares issued	6,750,000	6,750,000	5,400,000	5,400,000	5,400,000
Number of shares entitled to dividend	6,750,000	6,750,000	5,400,000	5,400,000	5,400,000
Registered A shares equivalents, entitled to dividend at Dec. 31					
	7,557,458	7,562,792	5,962,826	5,953,590	5,933,904
<b>Market price</b>					
Ticker symbol (BOSN)					
Volume traded (daily average)	13,014	11,964	8,160	12,882	8,516
Closing price at Dec. 31	109.3	103.3	67.0	51.0	54.8
Registered A share high in CHF	130.8	104.3	73.0	88.9	55.0
Registered A share low in CHF	88.0	59.1	50.9	47.6	28.3
<b>Dividend per share</b>					
Registered A share in CHF	3.00 <sup>1)</sup>	3.00	2.88	3.00	3.00
Registered B share in CHF	0.60 <sup>1)</sup>	0.60	0.58	0.60	0.60
In % of share capital	60.0	60.0	57.5	60.0	60.0
<b>Dividend yield (Basis: price at Dec. 31)</b>					
	2.7%	2.9%	4.3%	5.9%	5.5%
<b>Earnings per share<sup>2) 5)</sup></b>					
Registered A share in CHF	7.49	7.40	7.29	7.58	7.41
Registered B share in CHF	1.50	1.48	1.46	1.52	1.48
<b>Cash flow per share<sup>2) 4)</sup></b>					
Registered A share in CHF	9.20	9.03	9.05	9.33	9.27
Registered B share in CHF	1.84	1.81	1.81	1.87	1.85
<b>Price/Earnings ratio (Basis: price at Dec. 31)</b>					
	14.6	14.0	9.2	6.7	7.4
<b>Net worth per share<sup>3)</sup></b>					
Registered A share in CHF	27.9	22.1	8.7	34.8	30.2
Registered B share in CHF	5.6	4.4	1.7	7.0	6.0
<b>Market capitalization (Basis: price at Dec. 31)</b>					
In CHF million <sup>3)</sup>	826.0	780.9	399.5	303.6	324.9
In % of shareholders' equity	392.2	466.7	770.3	146.6	181.1

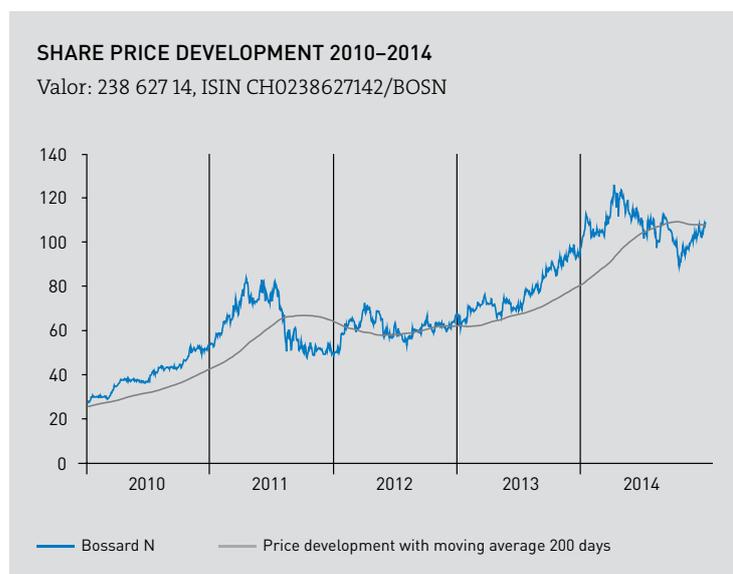
IN CHF MILLION	2014	2013	2012	2011	2010
<b>Economic value added analysis</b>					
Gross sales	621.3	609.7	487.1	473.5	477.6
Earnings before interest and taxes (EBIT)	72.8	69.8	48.4	51.3	47.3
Effective tax rate in %	18.0	14.8	12.7	7.3	1.0
<b>Net operating profit after tax (NOPAT)</b>	<b>59.7</b>	<b>59.5</b>	<b>42.2</b>	<b>47.6</b>	<b>46.8</b>
Equity	210.6	167.3	51.9	207.1	179.4
Gross financial debt	123.3	126.6	227.8	45.3	44.7
Less cash and cash equivalents	25.4	25.4	25.6	15.6	19.0
Capital employed (year end)	308.5	268.5	254.1	236.8	205.1
<b>Average annual capital employed (A)</b>	<b>288.5</b>	<b>261.3</b>	<b>245.5</b>	<b>221.0</b>	<b>202.9</b>
<b>Return on average capital employed (ROCE) in %</b>					
<b>capital employed (ROCE) in %</b>	<b>20.7</b>	<b>22.8</b>	<b>17.2</b>	<b>21.5</b>	<b>23.1</b>
<b>Cost of financial debt in %</b>					
Average cost of financial debt	1.8	2.0	1.7	2.4	2.8
Less effective tax	18.0	14.8	12.7	7.3	1.0
Cost of financial debt after tax	1.5	1.7	1.5	2.2	2.7
<b>Cost of equity in %</b>					
Risk free rate					
(Basis: yearly average of yield Swiss government bond)	0.7	0.9	0.7	1.5	1.6
Risk premium	5.5	5.5	5.5	5.5	5.5
Cost of equity	6.2	6.4	6.2	7.0	7.1
Equity ratio	48.5	43.2	13.8	62.6	61.3
<b>Weighted average cost of capital (WACC) in %</b>	<b>3.8</b>	<b>3.7</b>	<b>2.1</b>	<b>5.2</b>	<b>5.4</b>
Economic profit in % (ROCE – WACC) (B)	16.9	19.1	15.1	16.3	17.7
<b>Economic profit in CHF million (A) * (B)</b>	<b>48.9</b>	<b>49.8</b>	<b>37.0</b>	<b>36.0</b>	<b>35.9</b>

- 1) Proposal to annual general meeting of shareholders
- 2) Basis: Average number of outstanding shares entitled to dividend
- 3) Basis: Number of outstanding shares entitled to dividend at year end
- 4) Net income + depreciation and amortization
- 5) Share attributable to shareholders of Bossard Holding AG

The articles of association do not include any provisions for opting-out or opting-up.

IN CHF MILLION	2014	2013	2012	2011	2010
<b>Economic book value (EBV)</b>					
Market value added (economic profit/WACC)	1,297.3	1,333.8	1,733.2	690.3	664.8
Capital employed	308.5	268.5	254.1	236.8	205.1
Implied enterprise value	1,605.8	1,602.3	1,987.3	927.1	869.9
Less gross financial debt	123.3	126.6	227.8	45.3	44.7
Plus cash and cash equivalents	25.4	25.4	25.6	15.6	19.0
<b>Economic book value at Dec. 31</b>	<b>1,507.9</b>	<b>1,501.1</b>	<b>1,785.1</b>	<b>897.4</b>	<b>844.2</b>
<b>Market valuation and key ratios</b>					
Share price at Dec. 31 in CHF	109.3	103.3	67.0	51.0	54.8
Market capitalization	826.0	780.9	399.5	303.6	324.9
Net financial debt	97.9	101.2	202.2	29.7	25.7
<b>Enterprise value (EV)</b>	<b>923.9</b>	<b>882.1</b>	<b>601.7</b>	<b>333.3</b>	<b>350.6</b>
EV in % of gross sales	148.7	144.7	123.5	70.4	73.4
EV/EBITDA	10.8	10.7	10.2	5.5	6.1
EV/EBIT	12.7	12.6	12.4	6.5	7.4
EV/NOPAT	15.5	14.8	14.3	7.0	7.5
Price/book value per share	3.9	4.7	7.7	1.5	1.8
Return on equity in %	30.2	51.1	33.6	23.6	26.3

EBIT	Earnings Before Interest and Taxes
NOPAT	Net Operating Profit After Taxes
ROCE	Return On Capital Employed
WACC	Weighted Average Cost of Capital
EV	Enterprise Value
EVA	Economic Value Added
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization





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