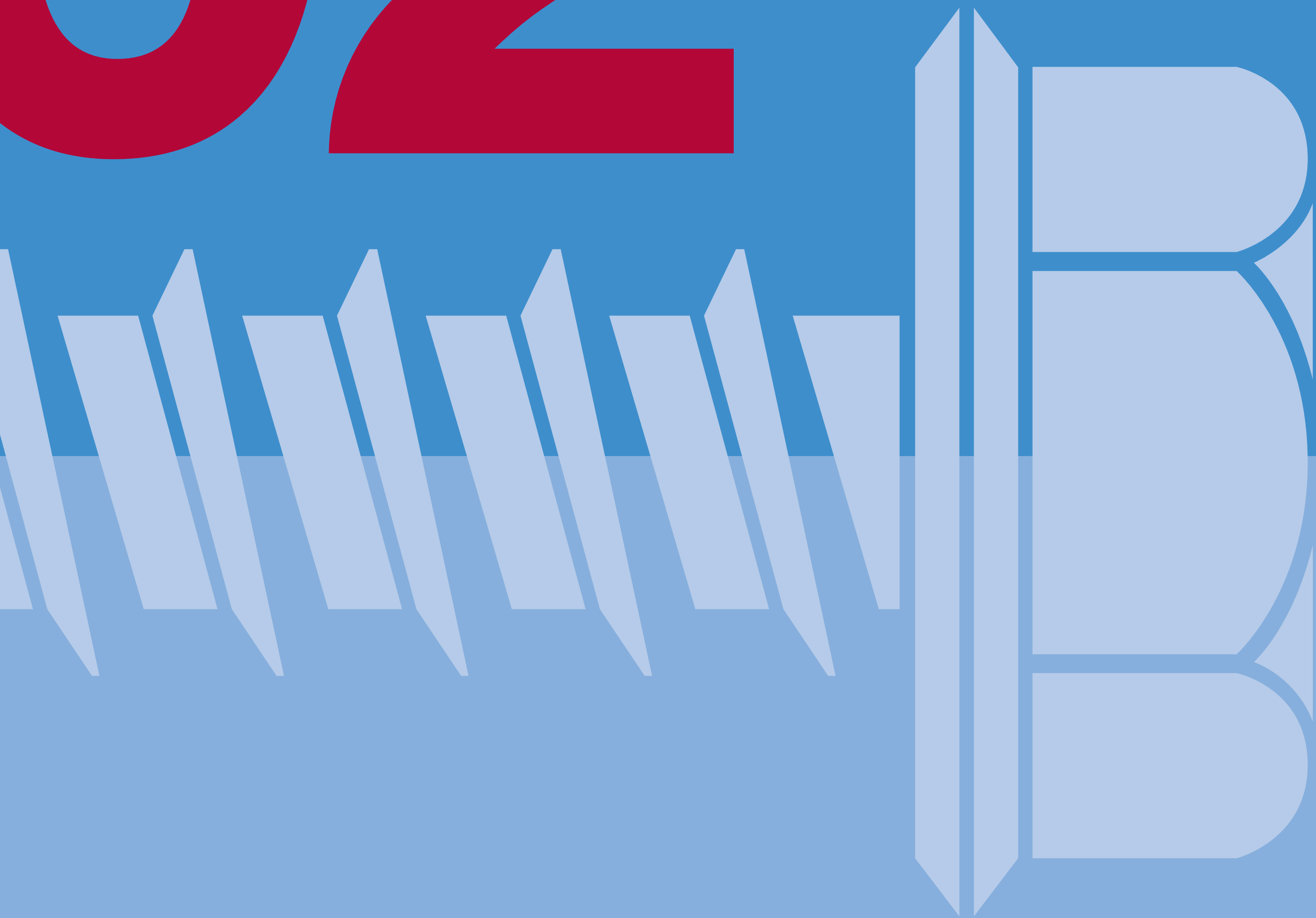
# Bossard Holding AG Zug
# Annual Report 2002



Bossard

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**Important Dates**

June 11, 2003
Annual General Meeting

June 11, 2003
Interim Report 1st four months 2003

October 3, 2003
Interim Report 2nd four months 2003

January 29, 2004
First results 2003


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This annual report is also available in German and on our website www.bossard.com.

Dieser Geschäftsbericht ist auch in deutscher Sprache wie auch auf dem Internet unter www.bossard.com erhältlich.

# Key Figures

| in CHF 1,000 | **2002** | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Gross sales | **449,737** | 507,585 | 536,217 | 339,682 | 296,636 |
| Net sales | **432,029** | 488,221 | 514,495 | 325,089 | 283,323 |
| Change to prior year in % | **– 11.5** | – 5.1 | 58.3 | 14.7 | 2.5 |
| Gross profit | **159,731** | 175,977 | 186,049 | 131,682 | 128,509 |
| Gross profit margin in % | **35.5** | 34.7 | 34.7 | 38.8 | 43.3 |
| Personnel expenses | **89,766** | 108,027 | 105,766 | 75,517 | 69,509 |
| in % of gross profit | **56.2** | 61.4 | 56.8 | 57.3 | 54.1 |
| EBITDA | **33,529** | 22,564 | 38,984 | 28,713 | 35,506 |
| in % of net sales | **7.8** | 4.6 | 7.6 | 8.8 | 12.5 |
| EBIT | **18,421** | 5,913 | 24,169 | 18,159 | 25,133 |
| in % of net sales | **4.3** | 1.2 | 4.7 | 5.6 | 8.9 |
| Net income/(loss) | **9,128** | – 11,477 | 14,514 | 19,526 | 18,438 |
| in % of net sales | **2.1** | – 2.4 | 2.8 | 6.0 | 6.5 |
| in % of stockholders' equity at Dec. 31 | **6.8** | – 8.6 | 9.4 | 13.1 | 13.6 |
| Cash flow [1] | **24,236** | 5,174 | 29,329 | 30,080 | 28,811 |
| in % of net sales | **5.6** | 1.1 | 5.7 | 9.3 | 10.2 |
| Capital expenditures | **3,856** | 9,879 | 16,456 | 10,974 | 13,983 |
| Current assets | **208,421** | 226,985 | 253,815 | 175,313 | 170,769 |
| Current liabilities | **93,356** | 95,654 | 122,719 | 62,718 | 46,550 |
| Operating net working capital [2] | **151,269** | 178,980 | 185,503 | 113,831 | 108,538 |
| in % of gross sales | **33.6** | 35.3 | 34.6 | 33.5 | 36.6 |
| Long-term assets | **129,347** | 153,621 | 165,184 | 136,235 | 105,060 |
| Long-term liabilities | **109,169** | 150,037 | 141,612 | 99,672 | 93,559 |
| Net debt | **120,721** | 160,941 | 158,373 | 73,152 | 64,170 |
| Stockholders' equity | **133,935** | 133,733 | 153,966 | 148,895 | 135,720 |
| in % of total assets | **39.7** | 35.1 | 36.7 | 47.8 | 49.2 |
| Total assets | **337,768** | 380,606 | 418,999 | 311,548 | 275,829 |
| Return on equity | **6.8** | – 8.1 | 9.6 | 13.7 | 14.2 |
| Return on average capital employed (ROCE) | **5.8** | 1.9 | 7.7 | 6.6 | 10.3 |
| Dividend yield (basis: price at Dec. 31) | **2.6** | – | 2.5 | 2.3 | 3.0 |
| Earnings per share [3] | | | | | |
| Bearer share in CHF | **3.14** | – 3.89 | 4.91 | 6.62 | 6.14 |
| Registered share in CHF | **0.63** | – 0.78 | 0.98 | 1.32 | 1.23 |
| Cash flow per share [3] | | | | | |
| Bearer share in CHF | **8.35** | 1.75 | 9.91 | 10.19 | 9.59 |
| Registered share in CHF | **1.67** | 0.35 | 1.98 | 2.04 | 1.92 |
| Price/earnings ratio (basis: at Dec. 31) | **9.9** | – 7.7 | 14.0 | 11.3 | 9.4 |
| Enterprise value in % of gross sales [4] | **46.8** | 49.1 | 67.3 | 86.5 | 79.2 |
| Enterprise value/EBITDA [4] | **6.3** | 11.0 | 9.3 | 10.2 | 6.6 |
| Price/book value per share | **0.7** | 0.7 | 1.3 | 1.5 | 1.3 |
| Headcount at year end | **1,316** | 1,366 | 1,530 | 1,015 | 885 |
| Annual average number of employees [5] | **1,254** | 1,440 | 1,417 | 959 | 848 |
| Sales per employee [6] | **358.6** | 352.4 | 378.4 | 354.2 | 349.8 |

[1] Net income plus depreciation/amortization
[2] Accounts receivable, inventories less accounts payable
[3] Basis: capital entitled to dividend
[4] Enterprise value = market capitalization + net financial debt
[5] Full time equivalent
[6] Basis: annual average number of employees

# Lower sales – higher profit

Heinrich Bossard
Chief Executive Officer

Dr. Kurt Reichlin
Chairman of the Board

Once again the board of directors and the executive committee look back on a varied and difficult year with regard to the business environment. As in the prior year, the first few months brought sales slightly above budget although, of course, at a noticeably lower level. This gave rise to tentative expectations that we might surpass the targets set. However, from the summer months onwards demand weakened again. The resulting decline in sales was further exacerbated by negative foreign exchange developments. The difference between 2001 and the reporting year was that this time the group was prepared for such a scenario. Thanks to the measures agreed and implemented in 2001, we started the reporting year with a substantially reduced cost structure. A year ago in our letter to the shareholders we said in our forecast for 2002 that "the cost reduction measures implemented in the early summer of 2001 have led to lower fixed costs, which will allow us to be profitable with a sales level of CHF 460–470 million".

With actual sales of CHF 450 million in 2002 and a net profit of CHF 9.1 million, we did not only fulfill these expectations but, in fact, surpassed them. Using structured processes and maintaining our existing know-how, we reached the target set in 2001 of adjusting our cost structure – a structure originally designed for sales in the region of CHF 600 million – to bring it in line with a roughly 25 percent lower business volume.

Thus, at the profit level, we can look back on an exceptional turnaround situation. In 2001, with sales of CHF 507 million, we reported a loss of CHF 11.5 million. In the reporting year, despite lower sales of almost CHF 60 million, the result is up CHF 20 million. These results are also in line with the expectations set out in our report on the first eight months of 2002.

**“We have lost very few customers and gained numerous new ones, with whom we will grow as soon as their sales prospects improve again.”**

The above-average improvement of profitability in the early months of the reporting year when we were somewhat above budget shows that we are not only in a position to react in line with demand, but that we can also operate profit enhancing economies of scale that are immediately visible.

The continued integration in 2002 of subsidiaries acquired in earlier years has contributed to the company's stability. Our group operates worldwide with uniform standards, can play a role in all major industrial markets, and can thus spread the risk both geographically and according to industrial sectors.

This positive overall assessment is reflected in the individual financial data on pages 6–10 of the review. Despite a further decline in sales, our financial structure and key figures improved noticeably in the reporting year. Not only have we returned to the profitability, we have, with an equity ratio of nearly 40 percent, also reestablished one of our longer-term balance sheet targets.

### On firm ground, ready for the upswing

Our timely measures were not only effective rapidly or as possible only with short-term benefits. They also met the requirements for sustainability and a uniform strategy. The products and services including our engineering and supply chain management solutions offered in our comprehensive range are designed to reduce overall costs and thus help our customers to stay competitive even in difficult times. Customer interest remains strong; we have lost very few customers and gained numerous new ones, with whom we will grow as soon as their sales prospects improve again.

Given this reassuringly healthy position, the board of directors will propose to the annual general meeting that dividend payments be resumed after the waiver in 2001. With a dividend payment of 8 percent, which corresponds to CHF 2.4 million or more than 26 percent of the net profit, we are underscoring our belief that we now have the flexibility to cope with the current economic upheavals and, once the economic upswing sets in, we can revert smoothly to the plans and results prior to 2001.

**Further optimization in 2003**

We anticipate that the economic environment will remain unfavorable in 2003. Consequently, we expect business volume to remain at the current level; the same applies to net profit. Our objective, however, is to continue increasing our market share and to maintain our ability to react rapidly to an economic upswing – although we do not expect this before 2004. Should the economy weaken further we will, as demonstrated in the past year, react rapidly with the necessary cost adjustments.

**"We are convinced that we will reap early and rapid benefits from an economic upswing."**

Should the economy pick up earlier than expected, there will be an above-average rise in profit as observed at the beginning of the reporting year. We are convinced that we will reap early and rapid benefits from an economic upswing. With our state-of-the-art products and services and our global reach, an increasing number of major industrial enterprises with multinational operations have considered using our offerings despite the ongoing difficult economic climate. The resulting orders are only partially reflected in our business volume so far because such projects generally require a lead time of six to eighteen months before they generate demand for products and services on a larger scale. Turning this potential into accountable results will be among our key tasks in the current year.

**Corporate governance – already a matter of course for us for many years**

For the first time, this annual report contains a chapter on corporate governance. This is a formal response to the directive on this subject issued by the SWX Swiss Exchange, which took effect for all listed companies on July 1, 2002. In its contents, it is closely related to the Swiss Code of Best Practice which sets out guidelines and recommendations drawn up by economiesuisse, the federation of Swiss businesses. This Swiss Code was published on March 25, 2002, and is supported by Switzerland's major companies and professional associations.

The organizational principles for the board of directors and the executive committee defined in these documents have only led to very marginal changes for us. Our group has for many years been guided by the aims embodied in these guidelines and has often expressed itself accordingly. It is with a certain satisfaction that we note that many of the management and organizational principles applied over many years in our family business have gained new acceptability in view of the business scandals that came to light during the past two years. The above notwithstanding, we have revised our organizational rules and regulations to clarify them and to bring them in line with the recommended checks and balances. With this new chapter on corporate governance in our annual report, we fulfill all formal disclosure requirements.

> **"Our group has for many years been guided by the aims embodied in the guidelines of Corporate Governance."**

**Our thanks**

We started 2003 with some 1,300 employees, roughly the same number as in the previous year. We are pleased to note that as a small global player we have been able to show stability in a reporting year characterized by dismissals and lay-offs. Our thanks go to our employees at all levels who, in the past year, clearly demonstrated their commitment and professionalism in the face of an adverse business environment. You, as shareholders, can rest assured that you are participating in a company that is built on solid foundations and one that can look to the future with confidence even in such difficult time as these.

We are looking forward to welcoming you to our annual general meeting on Wednesday, June 11, 2003, where we will also inform you on business developments in the first four months of this year.

Dr. Kurt Reichlin
Chairman of the Board

Heinrich Bossard
Chief Executive Officer

# Rapid turnaround despite adverse environment

Lower sales, higher profit
Result up CHF 20 million
Substantial free cash flow
Healthy balance sheet structure strengthened

Our aim in 2002 was to return to the profit wedge as rapidly as possible after the disappointing loss of CHF 11.5 million in the previous year and, at the same time, to reduce the debt that was above our target level. These were challenging targets, given the background of collapsed industrial demand and little chance of a rapid reversal of the ongoing trend.

Compared to both budget and expectations, these targets were noticeably surpassed despite the extremely unfavorable economic climate prevailing. With declining investment activity worldwide, industrial demand remained at an unsatisfactory low level. Yet although our customers were strongly affected by this adverse situation, our turnaround was impressively successful. The bottom line shows that our profit improved by more than CHF 20 million to CHF 9.1 million, and this with sales down 11 percent to CHF 450 million. This was only achieved through stringent and rapid implementation of counter measures in 2001. This required the unconditional commitment of employees and management, and they all contributed substantially to ensuring the last year's loss remains a onetime event.

Our second aim, the improvement of the balance sheet structures, was also realized in full. Through efficient asset management and systematic focusing on cash-generating activities the group reached a healthy free cash flow of CHF 45 million (2001: CHF 15 million). This inflow of funds allowed us to reduce the net debt by CHF 40 million or 25 percent. At the same time, this raised the equity ratio from 35 to 40 percent.

All this was achieved through our business operations and not through precipitate divestments of entire business segments or companies as has frequently occurred at the present time under pressure from banks and other lending sources and has often led to considerable loss of substance.

## Market success despite declining demand

Market share enhanced
Cost-optimized, state-of-the-art supply concepts
Ready for economic recovery

Although we focused strongly on our two primary objectives of regaining profitability and improving our balance sheet structure, we were not idle on the marketing front and did not ignore the need to enhance our market position. Through technical and logistics service concepts we increased our market share with existing customers and also acquired new customers. This served to absorb sales losses arising from the widespread decline in industrial demand.

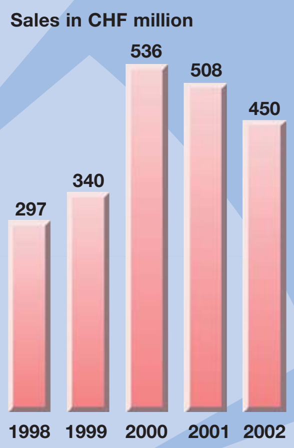
The group's consistent focus over the past few years on cost-optimized overall supply concepts for fasteners and other components used in production is increasingly paying off. With our products and services we are offering precisely what modern industrial customers need. We make a decisive contribution to enhancing efficiency and productivity through our technical support and our fully automated, usage-based supply systems. These systems noticeably rationalize the customers' purchasing, logistics and quality assurance processes and thus, in a time of high cost pressure, lower the customers' overall procurement costs for these low-value small parts. We are confident – given this situation and the fact that the decline in sales is primarily attributable to lower demand and foreign exchange differences rather than to a decrease of our customer base – that when recovery sets in we will move out of this recessive phase even stronger than before. The average normal demand potential of our customer portfolio is more than 20 percent higher than the 2002 sales level. Thus an industrial upswing will have a more than proportional impact on our growth and earnings.

## Financial development in detail

Declining sales, better margins
Operating costs down 18 percent
Equity ratio up from 35 to 40 percent
Free cash flow tripled

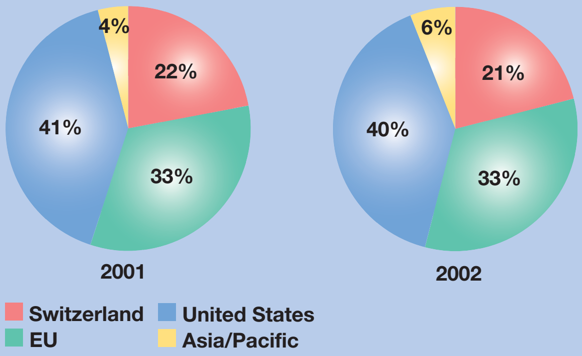
### Sales and gross profit development

The perceptible decline in industrial production worldwide following the first eight months of 2001 already led to a first decline in sales. The full effect of the lower sales level was really felt in 2002. Of the 11 percent sales decrease, 4 percent was attributable to a clearly weaker exchange rate for the U.S. dollar and the euro against the Swiss franc.



There are no major changes in sales distribution by region compared to the prior year. With 15 percent growth, however, the Asia/Pacific region noticeably increased its share of sales.

Geographic sales distribution




The recessive effect on sales was noticeable in all markets and at more or less the same time. The group's broad geographic diversification could not ease the situation. It has become apparent that globalization and the resulting linking of production and sales markets lead to parallel development and that differences merely tend to be confined to the various industrial sectors. Whereas such sectors as wind energy, textile machines and railroad rolling stock reported good capacity utilization, other sectors such as telecom equipment, electronics and machine tool production are strongly hit by the ongoing sluggish investment activity worldwide.

Despite the adverse economic environment, the gross profit margin rose by 34.7 percent to 35.5 percent compared to the prior year, which compensated somewhat for the lower contribution margin arising from lower sales.

**Development of operating costs and EBIT**

Operating costs without depreciation and amortization were cut by almost 18 percent or CHF 27.2 million, with 3 percent of this attributable to exchange differences. Timely measures to achieve this substantial reduction and allow the group to return to profitability were introduced in the second half of 2001. Rapid implementation, which clearly lowered the breakeven point, ensured that in the first month of 2002 the group was again making a profit, and this after it had made a loss of almost CHF 13 million in the last four months of 2001.

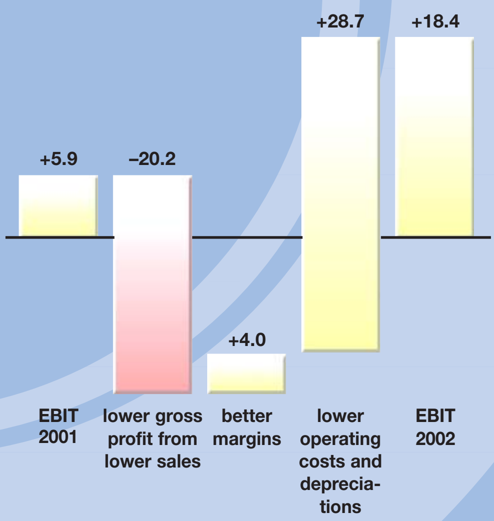
It is all the more remarkable that the costs could be adjusted so rapidly because Bossard's business has a very high share of fixed costs. Almost all the operating costs for our business segments spread over 75 operating locations are not directly revenue dependent in the short term. As for all service industries, personnel costs of more than 70 percent account for the largest share of operating costs and will only decrease or increase after a certain time span. There must be a critical mass and a minimum configuration to maintain an operating location. That is why our operating result is enormously sensitive to short-term sales fluctuations, and this both positively and negatively.

As we assumed early on that demand would remain weak for a longer period, we did not hesitate to make the adjustments required for a substantially lower sales level. As an average for the year, the personnel capacity was cut by 186 employees. However, as we had hired additional employees in the first half of 2001 when sales were still growing strongly, the actual reduction of the number of employees from the highest level in spring 2001 to the end of 2002 was much higher and totaled 250.

Substantially lower investment activity and less depreciation on lower levels of operating equipment made it possible to reduce depreciation and amortization by CHF 1.5 million.

On balance this led to an EBIT result of CHF 18.4 million compared to CHF 5.9 million in the prior year. The main factors for this improvement, as summarized below, were the cost savings which more than compensated the lower earnings resulting from lower sales.

**Factors influencing improved result in CHF million**




## Consolidated net income

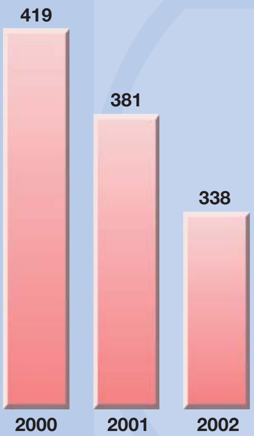
The group concluded 2002 with a net profit of CHF 9.1 million after reporting a loss of CHF 11.5 million in the prior year. This major leap is attributable to the substantial improvements in operations on the one hand, but naturally also to the fact that contrary to 2001 there were no extraordinary expenses in the reporting year. Apart from these factors the group also benefited from lower financial expenses, which resulted from lower interest as well as the reduction of net debt. The net reduction, however, was only CHF 0.6 million because the substantially higher interest savings were partially eliminated through exchange losses. Compared to the prior year, taxes rose again slightly. The comparatively low tax burden of 14 percent of profit before taxes can be attributed to the use of tax loss carryovers from prior years.

## Balance sheet and cash flow statement

The fruits of our intensive efforts to manage assets efficiently are manifest in the development of the balance sheet and cash flow. In the past two years the balance sheet total was reduced by 9 percent and 11 percent respectively through less tied-up capital in current and fixed assets.

Apart from the active management of current assets, lower investments in fixed assets after years of larger expansion investments have helped to reduce total assets.

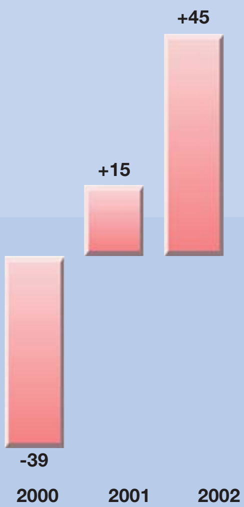
**Positive development of balance sheet total in CHF million**



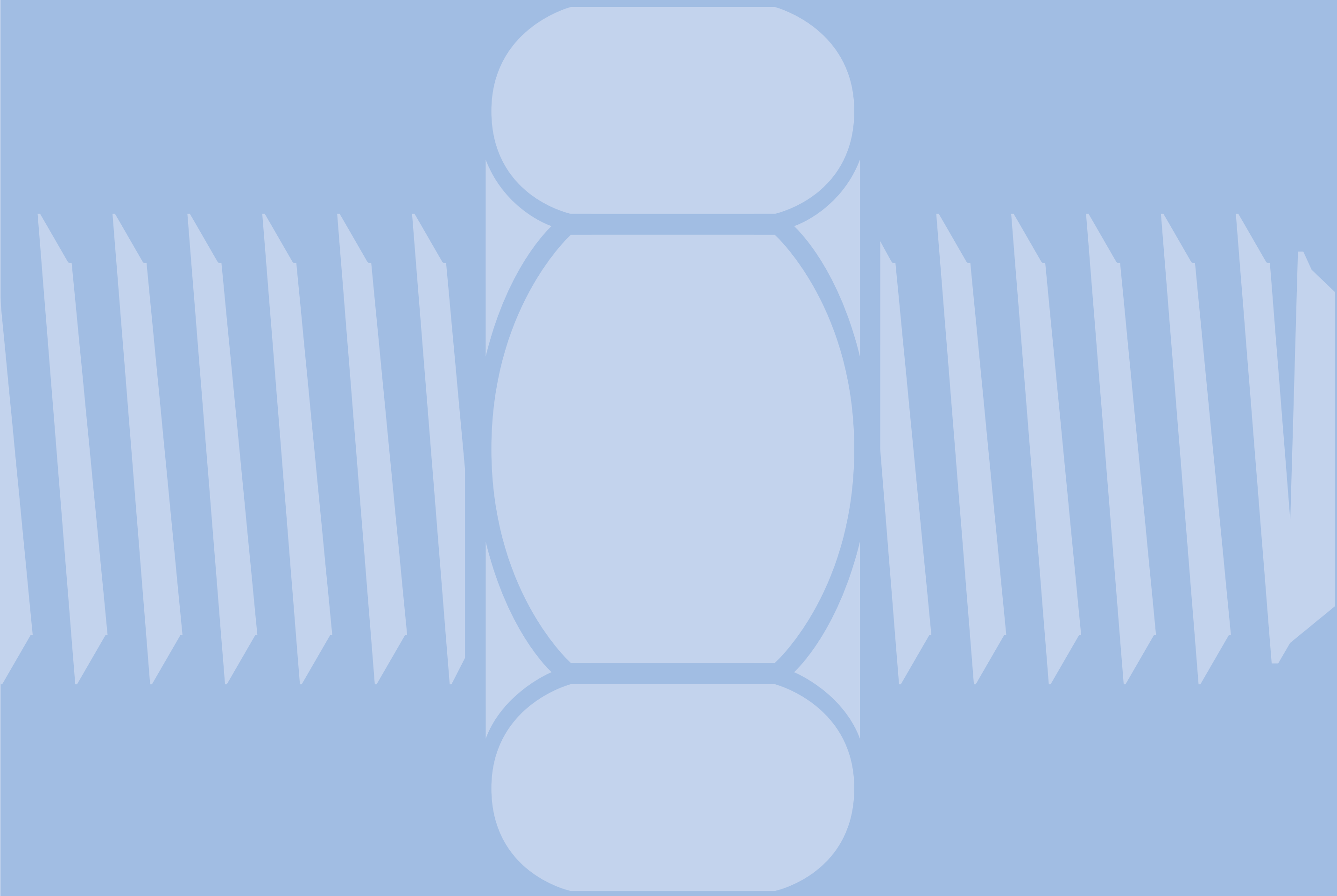

The cash flows generated from lower tied-up funds were fully used to reduce financial debt. Net debt was cut by CHF 40 million to CHF 121 million. This means that the group's gearing (net debt/equity) is 0.9, after it was still 1.2 in mid 2001.

Equity in absolute terms has changed little compared to the prior year. The growth from net income for the year was compensate with the repurchase of own shares in the amount of CHF 1.7 million and the translation losses of CHF 7.4 million from translation of the balance sheets of foreign subsidiaries. The translation loss is primarily attributable to the fact that the U.S. dollar depreciated by more than 17 percent compared to the prior year. Two-thirds of the resulting loss of approximately CHF 21 million was absorbed through foreign exchange hedging. Despite this the equity ratio rose from 35 percent to just under 40 percent – the group's long-term target. For a trading and services company this is a very healthy and sound financing base.

**Development of free cash flow in CHF million**




A glance at the cash flow statement shows that there was a positive free cash flow of CHF 45.2 million compared to CHF 14.5 million in 2001. Apart from the improved result, the main contributors to this substantial increase in the free cash flow were lower tied-up funds in current assets and reduced operational investments.



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# Summary of Accounting Policies

## General

The consolidated financial statements of the Bossard Group are prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidation is based on audited annual accounts of the individual Group companies prepared in accordance with the Group's uniform accounting policies.

## Principles of Consolidation

The consolidated financial statements include all active companies in which the Group directly or indirectly holds more than 50 percent of the voting rights of the share capital. Associated companies in which the Group holds between 20 percent and 50 percent of the voting rights and over which the Group exercises significant influence are accounted for by the equity method. Other minority investments are carried at acquisition cost. Appropriate provisions are made for permanent impairment in the value of such investments.

Companies acquired during the year are consolidated from their date of acquisition and subsidiaries disposed of are included up to the effective date of their disposal.

December 31 represents the uniform closing date for all companies included in the consolidated financial statements.

All intercompany transactions and balances between companies included in the consolidation are eliminated.

The valuation of assets and liabilities is based on historical cost, except the financial assets and the derivatives.

## Gross Sales and Revenue Recognition

Gross sales comprise all invoiced sales to third parties, net of sales or value-added taxes.

Revenue is recognized on delivery or on fulfillment of contract. Income from long-term contracts is recognized in accordance with the percentage of completion method.

Interest income is recognized on an effective yield basis.

## Foreign Currency Translation

Group companies translate assets and liabilities denominated in foreign currencies to the reporting currency using year-end exchange rates. Items which are hedged against exchange rate exposures are translated at the hedged rate of exchange. Translation differences in individual Group company accounts are included in the statement of income as exchange gains or losses.

For the purposes of consolidation, assets and liabilities of foreign Group companies reporting in currencies other than Swiss francs are translated to Swiss francs at year-end exchange rates, income and expense items are translated at the average exchange rate for the year, and the resulting translation differences are adjusted directly against the translation differences in shareholders' equity.

## Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and raw material prices. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Group management provides principles of overall risk management, as well as policies covering specific areas, such as foreign exchange and interest rate risk, raw material price risk, use of derivative financial instruments and investing excess liquidity.

*Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Subsidiaries are encouraged, but not required, to use forward contracts to hedge their exposure to foreign currency risk.

The net investment in foreign entities is exposed to currency exchange risk. The currency exposure is hedged through borrowings denominated in the relevant foreign currency and forward exchange contracts. These forward exchange contracts have terms up to 12 months.

*Interest rate risk*

To minimize the interest expenses the Group borrows substantially at variable interest rates. In certain market situations the Group uses derivative financial instruments to hedge against interest rate fluctuations or to effectively convert borrowings from floating rates to fixed rates. The Group has no significant interest-bearing assets.

*Credit risk*

The Group’s cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are recognized net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited because of the large number of customers comprising the Group’s customer base. The Group has no significant concentration of credit risk.

*Fair values*

The carrying amounts of the financial assets and liabilities approximate to their fair value.

*Accounting for derivative financial instrument and hedging activities*

All derivative financial instruments are recognized in the balance sheet at cost and are remeasured at their fair value. Changes in the fair value of derivatives that are designated to hedges of net investment in foreign entities are recognized in the translation differences in shareholders‘ equity. Certain derivative transactions, while providing effective economic hedges under the Group’s risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Any changes that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

**Financial Debts**

*Short-term borrowings*

Borrowings are recognized initially at the proceeds received, net of transactions cost incurred. At the balance sheet date the short-term borrowings are recognized at their fair value.

*Long-term borrowings*

Borrowings are recognized initially at the proceeds received, net of transactions costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings. At the balance sheet date the long-term borrowings are recognized at their fair value.

**Accounts Receivable**

Accounts receivable are carried at nominal value. The allowance for bad debts is based on the ageing of accounts receivable and recognized credit risks. Apart from specific allowances for known credit risks, the Group also makes a general provision based on statistical calculations on the historical loss experience.

**Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the average purchase price (purchased goods) or production cost (manufactured goods). Work in progress for long-term contracts is accounted for in accordance with the percentage of completion method.

Profits on intercompany sales not yet realized through sales to third parties as at year end are eliminated in the consolidation.

**Property, Plant and Equipment**

Land is stated at cost, whereas buildings, plant, machinery, vehicles and equipment are stated at cost less cumulative depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of major classes of depreciable assets are as follows:

| | |
|---|---|
| **Buildings** | 30–40 years |
| **Machinery and equipment** | 5–20 years |
| **Computer systems** | 3– 6 years |
| **Furniture** | 5–10 years |

Repair and maintenance costs, which do not increase the value or useful life of an asset, are charged directly as an expense.

**Intangible Assets**

Generally, costs associated with developing computer software programs are recognized as an expense as incurred. However, costs are recognized as an intangible asset if they are clearly associated with an identifiable and unique computer program, which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure, which enhances and extends the benefits of computer software programs beyond their original specifications, is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 10 years.

Goodwill is defined as the excess of the cost of acquisition of a subsidiary or associated company over the fair value of the attributable net assets at the acquisition date (purchase method). The goodwill is recognized as an asset and amortized on a straight-line basis over its estimated useful life but not exceeding a maximum period of 20 years. The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

**Research and Development**

Research and development costs are recognized as an expense in the period in which they are incurred. Development costs are recognized as an asset only if certain specific criteria are met and the asset can be recovered from related future economic benefits, after deducting further development, production, selling and administrative costs directly incurred in marketing the product.

**Pension Obligations**

The Group operates a number of defined contribution plans for most employees in accordance with the legal requirements in the individual countries. Their assets are generally held in separate trustee-administered funds or state-managed retirement benefit schemes. The pension plans are generally funded by payments from employees and by the relevant Group companies.

In addition the Group operates pension plans, which have the characteristics of defined benefit plans. The assets are also held in separate trustee-administered funds. The pension obligation is determined using the project unit credit method, with actuarial valuations being carried out every two to three years. Under this method, the projected benefit obligation is calculated on the basis of the completed and expected future service years of employees, the future salary development and changes in retirement benefits. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

**Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

**Taxes**

All taxes are accrued irrespective of when such taxes are due.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Potential savings related to tax loss carry-forwards are generally only recognized if the recovery is assured beyond reasonable doubt. Deferred taxes are calculated using the expected applicable local tax rates.

Taxes payable on distribution of the undistributed profits of subsidiaries and associates are accrued only if those profits are to be distributed the following year.

**Share Capital**

Treasury shares are deducted from equity at cost price. Any gains and losses from transactions with treasury shares are included in retained earnings.

# Consolidated Balance Sheet at December 31

| in CHF 1,000 | Notes | 2002 | % | 2001 | % |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash at banks and marketable securities | 3 | **7,052** | 2.1 | 4,307 | 1.1 |
| Accounts receivable, trade | 4 | **58,291** | 17.2 | 68,920 | 18.1 |
| Other receivables and prepaid expenses | 5 | **12,417** | 3.7 | 5,072 | 1.3 |
| Inventories | 6 | **130,661** | 38.7 | 148,686 | 39.1 |
| | | **208,421** | 61.7 | 226,985 | 59.6 |
| **Long-term assets** | | | | | |
| Long-term loans and deposits | 7 | **1,479** | 0.4 | 2,035 | 0.5 |
| Investments in associated companies | 8 | **849** | 0.3 | 966 | 0.3 |
| Intangible assets | 9 | **62,025** | 18.4 | 76,426 | 20.1 |
| Property, plant and equipment | 10 | **64,994** | 19.2 | 74,194 | 19.5 |
| | | **129,347** | 38.3 | 153,621 | 40.4 |
| **Total assets** | | **337,768** | 100.0 | 380,606 | 100.0 |
| **Liabilities and shareholders' equity** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable, trade | | **37,683** | 11.2 | 38,626 | 10.1 |
| Other liabilities and accrued expenses | 11 | **16,949** | 5.0 | 21,108 | 5.5 |
| Current tax liabilities | | **5,951** | 1.8 | 3,750 | 1.0 |
| Short-term debt | 12 | **32,773** | 9.7 | 32,170 | 8.5 |
| | | **93,356** | 27.7 | 95,654 | 25.1 |
| **Long-term liabilities** | | | | | |
| Long-term debt | 13 | **95,000** | 28.1 | 133,078 | 35.0 |
| Other liabilities | 14 | **6,900** | 2.0 | 9,192 | 2.4 |
| Provisions | 15 | **2,112** | 0.6 | 3,226 | 0.9 |
| Deferred taxes | 16 | **5,157** | 1.5 | 4,541 | 1.2 |
| | | **109,169** | 32.2 | 150,037 | 39.5 |
| **Total liabilities** | | **202,525** | 59.9 | 245,691 | 64.6 |
| **Minority interest** | | **1,308** | 0.4 | 1,182 | 0.3 |
| **Shareholders' equity** | | | | | |
| Share capital | 17 | **32,000** | 9.5 | 32,000 | 8.4 |
| Retained earnings | | **101,935** | 30.2 | 101,733 | 26.7 |
| **Total shareholders' equity** | | **133,935** | 39.7 | 133,733 | 35.1 |
| **Total liabilities and shareholders' equity** | | **337,768** | 100.0 | 380,606 | 100.0 |

The board of directors approved the financial statements on February 27, 2003.

# Consolidated Income Statement

| *in CHF 1,000* | *Notes* | ***2002*** | *2001* |
|---|---|---|---|
| **Gross sales** | 22 | **449,737** | 507,585 |
| Sales deductions | | **17,708** | 19,364 |
| **Net sales** | | **432,029** | 488,221 |
| Cost of goods sold | | **272,298** | 312,244 |
| **Gross profit** | | **159,731** | 175,977 |
| Personnel expenses | 23 and 24 | **89,766** | 108,027 |
| Sales, marketing and administration expenses | | **17,681** | 24,189 |
| Other operating expenses | 25 | **18,755** | 21,197 |
| **EBITDA** | | **33,529** | 22,564 |
| Depreciation and amortization | 26 | **15,108** | 16,651 |
| **EBIT** | | **18,421** | 5,913 |
| Nonrecurring expense | 27 | **–** | 8,668 |
| Operating profit/(loss) | | **18,421** | – 2,755 |
| Financial expenses net | 28 | **7,376** | 7,928 |
| (Income)/loss from associated companies | 8 | **– 103** | – 113 |
| **Profit/(loss) before taxes** | | **11,148** | – 10,570 |
| Taxes | 29 | **1,573** | 535 |
| **Profit/(loss) after taxes** | | **9,575** | – 11,105 |
| Income from minority interest | | **– 447** | – 372 |
| **Net profit/(loss)** | | **9,128** | – 11,477 |
| **Earnings per bearer share – basic** | 30 | **3.14** | – 3.89 |
| Earnings per bearer share – diluted | | **3.14** | – 3.89 |
| **Earnings per registered share – basic** | 30 | **0.63** | – 0.78 |
| Earnings per registered share – diluted | | **0.63** | – 0.78 |

# Consolidated Statement of Changes in Equity

| in CHF 1,000 | *Issued share capital* | *Own shares* | *Retained earnings and reserves* | *Cumul. translat. differences* | *Share-holders' equity* |
|---|---|---|---|---|---|
| Balance at Jan. 1, 2001 | 32,000 | – 2,416 | 131,659 | – 7,277 | 153,966 |
| Net income for the year | | | – 11,477 | | – 11,477 |
| Dividend | | | – 5,006 | | – 5,006 |
| Treasury shares purchased (note 18) | | – 135 | – 823 | | – 958 |
| Premium income from option scheme (note 18) | | | 388 | | 388 |
| Translation differences | | | | – 3,180 | – 3,180 |
| Balance at Dec. 31, 2001 | 32,000 | – 2,551 | 114,741 | – 10,457 | 133,733 |
| | | | | | |
| Balance at Jan. 1, 2002 | 32,000 | – 2,551 | 114,741 | – 10,457 | 133,733 |
| Net income for the year | | | 9,128 | | 9,128 |
| Dividend | | | – | | – |
| Treasury shares purchased (note 18) | | – 553 | – 1,185 | | – 1,738 |
| Premium income from option scheme (note 18) | | | 262 | | 262 |
| Translation differences | | | | – 7,450 | – 7,450 |
| Balance at Dec. 31, 2002 | 32,000 | – 3,104 | 122,946 | – 17,907 | 133,935 |

# Consolidated Cash Flow Statement

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit/(loss) before financial expenses and taxes | **18,077** | – 3,014 |
| Taxes | **1,244** | – 2,035 |
| Depreciation and amortization | **15,108** | 16,651 |
| Other non cash expenses | | |
| – Minority share | **447** | 372 |
| Cash flows from operating activities before changes in working capital | **34,876** | 11,974 |
| Decrease receivables | **3,284** | 21,928 |
| Decrease inventories | **18,025** | 4,213 |
| Decrease payables | **– 8,508** | – 19,019 |
| Cash flows from changes in working capital | **12,801** | 7,122 |
| Cash flow from operations | **47,677** | 19,096 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and computer software | **3,856** | 9,879 |
| Purchase of associates | **–** | 507 |
| Proceeds from sale of property, plant and equipment | **– 1,367** | – 5,831 |
| Net cash used for investing activities | **2,489** | 4,555 |
| **Free cash flow** | **45,188** | 14,541 |
| **Cash flows from financing activities** | | |
| Decrease of loans and deposits | **548** | 744 |
| Purchase of treasury shares/employee options | **– 1,476** | – 570 |
| Increase/(repayment) of debts | **– 25,177** | 380 |
| Financial expenses net | **– 7,376** | – 7,928 |
| Dividends paid | **–** | – 5,006 |
| Cash flows from financing activities | **– 33,481** | – 12,380 |
| Translation differences | **3,570** | – 4,501 |
| **Change in net cash position** | **15,277** | – 2,340 |
| Net cash position at January 1 | **– 18,758** | – 16,418 |
| **Net cash position at December 31** | **– 3,481** | – 18,758 |
| **Reconciliation of net cash position** | | |
| Cash and cash equivalents | **7,052** | 4,307 |
| Bank overdrafts | **– 10,533** | – 23,065 |
| **Net cash position as at December 31** | **– 3,481** | – 18,758 |

# Notes to the Consolidated Financial Statements

### Scope of Operations (1)

Bossard Holding AG, Zug, is the ultimate parent company of all entities within the Bossard Group of companies. Bossard is a leading distributor of fasteners and small component parts and a provider of engineering and inventory management solutions to original equipment manufactures in three geographic regions: Europe, America and Asia/Pacific.

### Changes in the Scope of Consolidation (2)

The scope of consolidation did not change in 2002.

### Cash at Banks and Marketable Securities (3)

| *in CHF 1,000* | ***2002*** | *Interest rates %* | *2001* |
|---|---|---|---|
| Cash at banks and in hand | **6,305** | 0.0–3.9 | 3,385 |
| Short-term bank deposits | **602** | 0.5–8.5 | 757 |
| Marketable securities | **145** | | 165 |
| **Total** | **7,052** | | 4,307 |

### Accounts Receivable, Trade (4)

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Accounts receivable, trade | **57,399** | 66,883 |
| Notes receivable | **7,131** | 8,335 |
| Allowance for bad debts | **– 6,239** | – 6,298 |
| **Total** | **58,291** | 68,920 |

### Other Receivables and Prepaid Expenses (5)

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Other receivables | **1,228** | 1,893 |
| Prepaid expenses | **11,189** | 3,179 |
| **Total** | **12,417** | 5,072 |

Prepaid expenses include the revaluation of the open forward contracts in the amount of CHF 7.9 million (2001: CHF 0). See note 31.

### Inventories (6)

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Purchased goods | **122,244** | 139,945 |
| Work in progress | **1,950** | 2,085 |
| Compulsory inventories (pledged) | **6,467** | 6,656 |
| **Total** | **130,661** | 148,686 |

### Long-term Loans and Deposits (7)

| *in CHF 1,000* | ***2002*** | *Interest rates %* | *2001* |
|---|---|---|---|
| Other loans and deposits | **1,479** | 0.0–4.2 | 2,035 |
| **Total** | **1,479** | | 2,035 |

### Investments in Associates (8)

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Investments in associates: Bossard Korea, 40% | **347** | 464 |
| Other investments: Bossard & Staerkle AG, Zug, 10% | **360** | 360 |
| Others | **142** | 142 |
| **Total** | **849** | 966 |

| | | |
|---|---|---|
| (Profit)/loss investments in associates | **– 103** | – 113 |

**Intangible Assets (9)**

| *in CHF 1,000* | *Goodwill* | *Computer Software* | *Total* |
|---|---|---|---|
| **Cost** | | | |
| Balance at Dec. 31, 2001 | 76,482 | 32,653 | 109,135 |
| Exchange differences | – 8,967 | – 871 | – 9,838 |
| Additions | – | 719 | 719 |
| Disposals | – | – 295 | – 295 |
| Balance at Dec. 31, 2002 | 67,515 | 32,206 | 99,721 |
| **Accumulated depreciation** | | | |
| Balance at Dec. 31, 2001 | 16,303 | 16,406 | 32,709 |
| Exchange differences | – 1,272 | – 300 | – 1,572 |
| Amortization | 3,609 | 3,083 | 6,692 |
| Disposals | – | – 133 | – 133 |
| Balance at Dec. 31, 2002 | 18,640 | 19,056 | 37,696 |
| **Net book amount** | **48,875** | **13,150** | **62,025** |
| 2001 | 60,179 | 16,247 | 76,426 |

| *in CHF 1,000* | *Goodwill* | *Computer Software* | *Total* |
|---|---|---|---|
| **Cost** | | | |
| Balance at Dec. 31, 2000 | 76,643 | 31,433 | 108,076 |
| Exchange differences | 1,203 | 1 | 1,204 |
| Additions | – | 3,022 | 3,022 |
| Disposals | – 1,364 | – 1,803 | – 3,167 |
| Balance at Dec. 31, 2001 | 76,482 | 32,653 | 109,135 |
| **Accumulated depreciation** | | | |
| Balance at Dec. 31, 2000 | 14,167 | 15,666 | 29,833 |
| Exchange differences | 54 | – 10 | 44 |
| Amortization | 3,447 | 2,492 | 5,939 |
| Disposals | – 1,365 | – 1,742 | – 3,107 |
| Balance at Dec. 31, 2001 | 16,303 | 16,406 | 32,709 |
| **Net book amount** | **60,179** | **16,247** | **76,426** |
| 2000 | 62,476 | 15,767 | 78,243 |

**Property, Plant and Equipment (10)**

| *in CHF 1,000* | *Land and Buildings* | *Machinery and Equipment* | *Total* |
|---|---|---|---|
| **Cost** | | | |
| Balance at Dec. 31, 2001 | 78,037 | 84,475 | 162,512 |
| Exchange differences | – 2,199 | – 4,375 | – 6,574 |
| Additions | 83 | 3,054 | 3,137 |
| Disposals | – 1,171 | – 3,482 | – 4,653 |
| Balance at Dec. 31, 2002 | 74,750 | 79,672 | 154,422 |
| **Accumulated depreciation** | | | |
| Balance at Dec. 31, 2001 | 26,463 | 61,855 | 88,318 |
| Exchange differences | – 669 | – 3,185 | – 3,854 |
| Depreciation | 2,101 | 6,309 | 8,410 |
| Disposals | – 488 | – 2,958 | – 3,446 |
| Balance at Dec. 31, 2002 | 27,407 | 62,021 | 89,428 |
| **Net book amount** | **47,343** | **17,651** | **64,994** |
| 2001 | 51,574 | 22,620 | 74,194 |

The insurance value of property, plant and equipment is CHF 159.8 million (2001: CHF 167.4 million).

| *in CHF 1,000* | *Land and Buildings* | *Machinery and Equipment* | *Total* |
|---|---|---|---|
| **Cost** | | | |
| Balance at Dec. 31, 2000 | 87,098 | 82,769 | 169,867 |
| Exchange differences | 97 | 249 | 346 |
| Additions | 875 | 5,982 | 6,857 |
| Disposals | – 10,033 | – 4,525 | – 14,558 |
| Balance at Dec. 31, 2001 | 78,037 | 84,475 | 162,512 |
| **Accumulated depreciation** | | | |
| Balance at Dec. 31, 2000 | 28,025 | 57,325 | 85,350 |
| Exchange differences | 13 | 164 | 177 |
| Depreciation | 2,428 | 8,286 | 10,714 |
| Disposals | – 4,003 | – 3,920 | – 7,923 |
| Balance at Dec. 31, 2001 | 26,463 | 61,855 | 88,318 |
| **Net book amount** | **51,574** | **22,620** | **74,194** |
| 2000 | 59,073 | 25,444 | 84,517 |

**Other Liabilities and Accrued Expenses (11)**

Other payables and accrued expenses include liabilities for success participation, accruals for compensated absences, social security, sales taxes as well as short-term provisions (see note 15).

**Short-term Debt (12)**

| *in CHF 1,000* | ***2002*** | *Interest rates %* | *2001* |
|---|---|---|---|
| Bank overdrafts | **10,533** | 1.1–7.6 | 23,065 |
| Bank loans | **15,677** | 1.6–3.6 | – |
| Notes payable | **5,423** | 1.0–6.0 | 7,728 |
| Other | **923** | 1.0–3.2 | 1,153 |
| Pension plans | **217** | – | 224 |
| **Total** | **32,773** | | 32,170 |

**Long-term Debt (13)**

| *in CHF 1,000* | ***2002*** | *Interest rates %* | *2001* |
|---|---|---|---|
| Personnel savings accounts | **17,425** | 3.3–3.8 | 18,097 |
| Bank loans | **77,319** | 1.6–6.8 | 114,597 |
| Other borrowings | **256** | – | 384 |
| **Total** | **95,000** | | 133,078 |

CHF 50 million (2001: CHF 50 million) of the bank loans are borrowing facilities at fixed interest rates. All other borrowings are at floating rates. The weighted average effective interest rate on all borrowings was 4.3% (2001: 4.9%).

| | *Due for repayment* | | | |
|---|---|---|---|---|
| *in CHF 1,000* | *1–2 years* | *3–5 years* | *over 5 years* | *Total* |
| Personnel savings accounts | 2,000 | 4,000 | 11,425 | 17,425 |
| Bank loans | 27,319 | 50,000 | – | 77,319 |
| Other borrowings | 256 | – | – | 256 |
| **Total** | **29,575** | **54,000** | **11,425** | **95,000** |
| 2001 | 67,887 | 53,094 | 12,097 | 133,078 |

The personnel savings accounts include savings of employees which are in principle repayable short-term. As these accounts are generally long-term in nature, they are classified as such.

**Other Liabilities (14)**

Other liabilities include deferred acquisition cost related to the acquisitions made in 1999 and 2000, which will become due over the next years.

**Provisions (15)**

| *in CHF 1,000* | ***2002*** | *Additions* | *Used* | *Exchange differences* | *2001* |
|---|---|---|---|---|---|
| Provisions for restructuring | **1,480** | 725 | – 334 | – 3 | 1,092 |
| Pension and other termination benefits | **1,341** | 53 | – 881 | – 32 | 2,201 |
| Other provisions | **1,020** | – | – 330 | – | 1,350 |
| Total provisions | **3,841** | 778 | – 1,545 | – 35 | 4,643 |
| ./. Short-term provisions | **– 1,729** | | | | – 1,417 |
| **Total long-term provisions** | **2,112** | | | | 3,226 |

The provision for restructuring mainly includes the cost for merging operations.
Pension and other termination benefits include liabilities for pension and similar commitments.
Other provisions include provisions for warranties from sales of products and services.

**Deferred Taxes (16)**

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Deferred income taxes attributable to timing differences:<br>Property, plant, equipment and intangible assets | **855** | 538 |
| Inventory | **3,236** | 2,897 |
| Other liabilities | **1,066** | 1,106 |
| **Total deferred taxes** | **5,157** | 4,541 |

**Share Capital (17)**

| *Details of share capital* | *Par value CHF* | *Number of shares* | *Total CHF 1,000* |
|---|---|---|---|
| Registered shares | 2 | 2,700,000 | 5,400 |
| Bearer shares | 10 | 2,660,000 | 26,600 |
| **Total** | | | **32,000** |

310,392 bearer shares of CHF 10 par value are held by Bossard Holding AG and have neither voting rights nor dividend entitlement.
185,000 of these shares have been held by the company since the capital increase.
In connection with the option scheme introduced in 1998, the company has acquired own shares through purchases on the Swiss Exchange. These shares are being held as treasury shares to cover the underlying liability from the employee option scheme (see note 18).
The consolidated retained earnings and reserves include non-distributable legal reserves of CHF 23.1 million (2001: CHF 23.1 million).
The board of directors of Bossard Holding AG will propose a dividend of CHF 0.80 per bearer share and CHF 0.16 per registered share to the shareholders at the forthcoming Annual General Meeting. In 2001 no dividend was paid.

**Employee Options (18)**

According to the employee option scheme introduced in 1998, share options are granted to managers of the Group and the board of directors for parts of their bonus entitlement and board compensation. The options are granted at market prices on the date of issue. The options can be exercised within four years at a predetermined strike price.

The 2002 share options were issued at CHF 8.35 (2001: CHF 3.56) and a strike price of CHF 48.75 (2001: CHF 35) per share. The Bossard shares traded at CHF 38.75 (2001: CHF 25) on the issue date of the options. The liability resulting from this option scheme is hedged through purchases of own shares from the stock exchange.

**Outstanding share options**

| *in CHF 1,000* | *Number* | *Amount* | *Market value*)* |
|---|---|---|---|
| Balance at Jan. 1, 2002 | 132,943 | 537 | 745 |
| Issue of share options | 46,506 | 388 | 388 |
| Repurchased/exercised | – 12,372 | – 53 | – 50 |
| Expired/converted | – 1,790 | – 10 | – |
| Change option obligation | – | – | – 377 |
| Balance at Dec. 31, 2002 | 165,287 | 862 | 706 |

*) The market value is determined by a bank and is based on the binominal model (Cox, Ross, Rubinstein).

**Treasury shares for option scheme**

| | *Number* |
|---|---|
| Balance at Jan. 1, 2002 | 70,094 |
| Purchased | 75,321 |
| Sold | – 20,023 |
| Balance at Dec. 31, 2002 | 125,392 |

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Options exercised/converted | **– 132** | – 6 |
| Realised gain on sale of treasury shares | **6** | – |
| Option premiums received | **388** | 394 |
| Net profit from option plan, recognized in shareholders' equity | **262** | 388 |

### Leasing and Rental Liabilities (19)

Future minimum lease payments under noncancellable operating leases amount to CHF 3.7 million (2001: CHF 5.8 million).

At December 31, 2002 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** |
|---|---|---|---|---|---|---|
| **2002** | **4,596** | **3,940** | **2,462** | **1,038** | **1,214** | **13,250** |
| 2001 | 4,458 | 4,168 | 2,942 | 1,539 | 1,951 | 15,058 |

### Contingent Liabilities (20)

Contingent liabilities in the amount of CHF 3.8 million (2001: CHF 4.7 million) result mainly from performance bonds and discounted drafts given to third parties in the course of normal business operations.

### Assets Pledged or Otherwise Restricted (21)

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Accounts receivable, drafts | **8,703** | 8,471 |
| Inventories | **8,009** | 8,369 |
| Goodwill | **3,936** | 4,199 |
| Land and buildings | **12,158** | 13,413 |
| Others | **349** | 539 |
| **Total** | **33,155** | 34,991 |

The pledged or restricted assets are used as collateral for the outstanding bank loans and performance bonds. The total credit lines account for CHF 32.6 million (2001: CHF 35.4 million). The current borrowings amount of CHF 24.6 million (2001: CHF 29.0 million).

### Gross Sales (22)

Sales by geographic area are as follows:

| | ***2002*** *CHF million* | *in %* | *2001* *CHF million* | *in %* |
|---|---|---|---|---|
| Switzerland | **96.1** | 21.4 | 108.9 | 21.4 |
| Rest of Europe | **146.0** | 32.5 | 167.4 | 33.0 |
| United States | **183.2** | 40.7 | 210.1 | 41.4 |
| Asia/Pacific | **24.4** | 5.4 | 21.2 | 4.2 |
| **Total** | **449.7** | 100.0 | 507.6 | 100.0 |

### Personnel Expenses (23)

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Salaries | **73,008** | 89,321 |
| Social cost | **11,130** | 12,861 |
| Pension cost | **3,047** | 3,055 |
| Other personnel expenses | **2,581** | 2,790 |
| **Total** | **89,766** | 108,027 |

Salaries include CHF 0.4 million of success participation (2001: CHF 0.4 million) to the management which was granted in the form of share options (see note 18).

### Pension Obligations (24)

The Group has established a number of pension schemes around the world covering most employees. The assets of the funded plans are held independent of the Group's asset in separate trustee-administered funds or state-managed pension schemes. Those pension schemes which qualify as defined benefit plans under revised IAS 19 are subject to actuarial valuations every two to three years. The latest actuarial valuations were carried out as of Jan. 1, 2002.

The transitional asset amounts to CHF 1.5 million (2001: CHF 1.7 million). This amount is usually recognized as an asset. However, it has been fully provided for because of the legal restrictions associated with any use for future reductions of contributions.

Status of the defined benefit plans (all amounts according to an actuarial valuation):

| *in CHF 1,000* | ***Dec. 31, 2002*** | *Dec. 31, 2001* |
|---|---|---|
| Present value of funded obligation | **92,682** | 77,657 |
| Fair value of plan assets | **91,272** | 86,651 |
| | **– 1,410** | 8,994 |
| Less accum. unrecognized net loss/(gain) | **9,877** | – 656 |
| Less unrecognizable part of benefit asset | **– 7,013** | – 6,613 |
| **Defined benefit asset** | **1,454** | 1,725 |

The amounts recognized in the income statement are as follows:

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Current service cost | **1,785** | 1,546 |
| Interest cost | **3,766** | 3,226 |
| Expected return on plan assets | **– 4,551** | – 4,918 |
| Actuarial losses recognized in year | **117** | – |
| Net periodic pension cost | **1,117** | – 146 |
| Change of unrecognizable part of benefit asset | **400** | 1,926 |
| Defined benefit asset adjusted | **– 271** | – 250 |
| **Total included in personnel expenses** | **1,246** | 1,530 |

The movement of the defined benefit asset was as follows:

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Defined benefit asset at January 1 | **1,725** | 1,975 |
| Contributions | **1,246** | 1,530 |
| Net periodic pension cost | **– 1,117** | 146 |
| Change of unrecognizable part of benefit asset | **– 400** | – 1,926 |
| **Defined benefit asset at December 31** | **1,454** | 1,725 |

The defined benefit asset has been fully provided for.

The principal actuarial assumptions used for accounting purposes were:

| *in %* | ***Dec. 31, 2002*** | *Dec. 31, 2001* |
|---|---|---|
| Discount rate | **4.25** | 4.00 |
| Expected return on plan assets | **5.25** | 5.25 |
| Future salary increases | **1.75** | 2.00 |
| Future pension increases | **0.75** | 1.00 |

In addition, CHF 1.8 million (2001: CHF 1.5 million) in contributions to defined contribution pension plans were recognized in the income statement.

**Other Operating Expenses (25)**

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Expenses for office and warehouse space | **9,083** | 9,737 |
| Insurance and charges | **2,487** | 2,781 |
| Other operating expenses | **7,185** | 8,679 |
| **Total** | **18,755** | 21,197 |

**Depreciation and Amortization (26)**

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Buildings | **2,101** | 2,428 |
| Machinery and equipment | **6,309** | 8,284 |
| Computer software | **3,083** | 2,492 |
| Goodwill | **3,609** | 3,447 |
| Other | **6** | – |
| **Total** | **15,108** | 16,651 |

**Nonrecurring Expenses (27)**

In 2001 the following nonrecurring expenses were recorded:

Write-off of development cost in the assembly automation division in view of the decision to abandon the project: CHF 5.2 million.

Provision for a customer account following an imposed debt moratorium: CHF 1.7 million.

One-time inventory write-off to adjust for negative market price development: CHF 1.8 million.

**Financial Expenses Net (28)**

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Interest expense | **6,968** | 9,523 |
| Interest income | **– 798** | – 828 |
| Exchange loss/(gain) | **1,206** | – 767 |
| **Total** | **7,376** | 7,928 |

**Taxes (29)**

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

| *in %* | ***2002*** | *2001* |
|---|---|---|
| Average basic tax rate | **22.1** | 25.8 |
| Income not subject to tax/expense not deductible | **1.9** | – 1.6 |
| Utilization of previously unrecognized tax losses | **– 1.4** | 0.5 |
| Not recognized current tax losses | **– 3.8** | – 33.2 |
| Other | **– 4.7** | 3.4 |
| **Effective tax rate on profit before tax** | **14.1** | – 5.1 |

| *in CHF 1,000* | ***2002*** | *2001* |
|---|---|---|
| Current taxes | **957** | 1,083 |
| Deferred taxes | **616** | – 548 |
| **Total** | **1,573** | 535 |

Available unrecognized tax loss carry-forwards amounted to CHF 5.6 million at the end of 2002 (2001: CHF 6.0 million).

### Earnings per Share (30)

| | **2002** | *2001* |
|---|---|---|
| Net profit/(loss) in CHF 1,000 | **9,128** | – 11,477 |
| Average number of shares entitled to dividend*) | **2,902,916** | 2,952,165 |
| Basic earnings per bearer share | **3.14** | – 3.89 |
| Basic earnings per registered share | **0.63** | – 0.78 |

**) The number of registered shares have been considered with the corresponding nominal value of the bearer shares.*

Basic earnings per share are calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of shares entitled to dividend during the year.

### Financial Instruments (31)

The Group adopted IAS 39 at January 1, 2001. The introduction of the standard did not have any impact on equity. Cash flows and net investments in foreign subsidiaries are hedged with forward contracts. The following table summarizes the trading volume by major currency:

| *in CHF million* | **2002** | *2001* |
|---|---|---|
| USD | **1,446** | 4,376 |
| EUR | **193** | 378 |
| JPY | **92** | 55 |
| Other | **54** | 13 |
| **Total** | **1,785** | 4,822 |

Open forward contracts at December 31, 2002 were as follows:

| *in CHF million* | **Contract value** | *Market value* |
|---|---|---|
| USD | **– 8.4** | – 0.5 |
| EUR | **10.0** | 10.0 |
| JPY | **2.6** | 2.6 |
| DKK | **13.9** | 14.0 |
| Other | **2.9** | 2.9 |
| **Total** | **21.0** | 29.0 |
| 2001 | **– 66.6** | – 68.5 |

The contract value shows the volume of open forward exchange contracts at the contracted exchange rate. The market value of the open contracts is based on the exchange rate at December 31.

At year end the following open forward exchange contracts were designated to hedge the net investment in foreign subsidiaries:

| *in CHF million* | **Contract value** | *Market value* |
|---|---|---|
| USD | **– 8.4** | – 0.5 |
| 2001 | **– 75.2** | – 77.1 |

**Segment Information (32)**

The Group is engaged in the distribution of fasteners and is managed through the three principal geographical areas Europe, America and Asia/Pacific.

| *in CHF million* | *Europe* | | *America* | | *Asia/Pacific* | | *Eliminations* | | *Consolidated* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *2002* | *2001* | *2002* | *2001* | *2002* | *2001* | *2002* | *2001* | *2002* | *2001* |
| External sales | 242.1 | 276.3 | 183.2 | 210.1 | 24.4 | 21.2 | | | 449.7 | 507.6 |
| Inter-segment sales | 3.0 | 3.0 | 0.2 | | 0.8 | 1.8 | – 4.0 | – 4.8 | | |
| Total revenue | 245.1 | 279.3 | 183.4 | 210.1 | 25.2 | 23.0 | – 4.0 | – 4.8 | 449.7 | 507.6 |
| Segment EBITDA | 30.0 | 23.7 | 3.4 | 1.6 | 0.2 | – 2.7 | | | 33.6 | 22.6 |
| Segment EBIT | 18.9 | 13.8 | – 0.5 | – 4.2 | 0.0 | – 3.7 | | | 18.4 | 5.9 |
| Nonrecurring expense | | | | | | | | | – | – 8.7 |
| Operating profit/(loss) | | | | | | | | | 18.4 | – 2.8 |
| Finance cost | | | | | | | | | – 7.3 | – 7.8 |
| Share of net profits of associates | | | | | | | | | – 0.4 | – 0.4 |
| Taxes | | | | | | | | | – 1.6 | – 0.5 |
| Net profit/(loss) for the period | | | | | | | | | 9.1 | – 11.5 |
| **Other Information** | | | | | | | | | | |
| Segment assets | 201.3 | 208.7 | 116.4 | 149.1 | 17.7 | 19.8 | | | 335.4 | 377.6 |
| Unallocated corporate assets | | | | | | | | | 2.4 | 3.0 |
| Consolidated total assets | | | | | | | | | 337.8 | 380.6 |
| Segment liabilities | 99.2 | 114.7 | 90.6 | 114.0 | 11.7 | 15.2 | | | 201.5 | 243.9 |
| Unallocated corporate liabilities | | | | | | | | | 1.0 | 1.8 |
| Consolidated total liabilities | | | | | | | | | 202.5 | 245.7 |
| Capital expenditures | | | | | | | | | | |
| – Property, plant, equipment, software | 2.3 | 7.6 | 0.8 | 1.0 | 0.8 | 1.3 | | | 3.9 | 9.9 |
| Depreciation and amortization | | | | | | | | | | |
| – Property, plant, equipment, software | 8.1 | 9.1 | 2.5 | 3.2 | 0.9 | 0.9 | | | 11.5 | 13.2 |
| **Employees** | | | | | | | | | | |
| Headcount at December 31 | 700 | 772 | 431 | 422 | 185 | 172 | | | 1,316 | 1,366 |
| Annual average number of employees | 688 | 783 | 397 | 468 | 169 | 189 | | | 1,254 | 1,440 |

These regions comprise the following countries in which the Group operates with own subsidiaries:

**Europe**
- Austria
- Czech Republic
- Denmark
- France
- Italy
- Spain
- Sweden
- Switzerland

**America**
- Mexico
- USA

**Asia/Pacific**
- China
- India
- Malaysia
- Singapore
- South Korea
- Taiwan

**Research and Development (33)**

The total amount incurred for research and development not qualifying for capitalization amounted to CHF 0.5 million (2001: CHF 0.8 million).

**Events Occurring after Balance Sheet Date (34)**

There were no events between December 31, 2002 and the date of approval of the consolidated financial statements by the board of directors which affect these statements negatively.

**Future Capital Expenditure (35)**

Capital expenditure for 2003 is estimated at approximately CHF 6.4 million (2002: CHF 3.9 million).

**Related Party Transactions (36)**

All transactions with related parties are conducted at arm's length according to the terms and conditions of ordinary business transactions.

The members of the board of directors and the management of the Bossard Group have deposits in the personnel savings accounts. The interest paid on these deposits are in line with the market rates and the terms are the same as for all other employees. See note 13.

**Exchange Rates (37)**

| | | ***2002 Year-end exchange rate*** | ***Annual average exchange rate*** | *2001 Year-end exchange rate* | *Annual average exchange rate* |
|---|---|---|---|---|---|
| EUR | 1 | **1.46** | **1.47** | 1.48 | 1.51 |
| USD | 1 | **1.39** | **1.55** | 1.68 | 1.69 |
| DKK | 100 | **19.61** | **19.73** | 19.94 | 20.25 |
| SEK | 100 | **15.91** | **16.00** | 15.93 | 16.32 |
| SGD | 100 | **79.94** | **86.74** | 90.93 | 94.12 |
| TWD | 100 | **4.00** | **4.48** | 4.80 | 4.99 |
| MXN | 100 | **13.25** | **16.19** | 18.25 | 18.02 |
| CZK | 100 | **4.68** | **4.76** | 4.73 | 4.44 |
| RMB | 100 | **17.73** | **18.84** | 21.25 | 20.39 |
| MYR | 100 | **37.46** | **40.99** | 45.09 | 44.36 |
| INR | 100 | **2.89** | **3.20** | 3.47 | 3.61 |

# Report of the Group Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AG
Stampfenbachstrasse 109
Postfach
8035 Zurich
Telephone 01 630 11 11
Facsimile 01 630 21 15

Report of the group auditors
to the general meeting of
Bossard Holding AG
Zug

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements / pages 12 to 31) of Bossard Holding AG for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with the Swiss law.

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

PricewaterhouseCoopers AG

B. Käppeli

Matthias von Moos　　Béatrice Käppeli

Zurich, February 27, 2003

# Balance Sheet at December 31

| *in CHF* | *Notes* | ***2002*** | *2001* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Marketable securities – treasury shares | 3 | **3,887,152** | 2,067,773 |
| Accounts receivable from Group companies | | **2,619,560** | 3,980,615 |
| Accounts receivable others | | **55,393** | 66,634 |
| **Total current assets** | | **6,562,105** | 6,115,022 |
| | | | |
| **Long-term assets** | | | |
| Investments in Group and associated companies | 2 | **118,879,215** | 118,879,215 |
| Own shares | 3 | **1,850,000** | 1,850,000 |
| **Total long-term assets** | | **120,729,215** | 120,729,215 |
| | | | |
| **Total assets** | | **127,291,320** | 126,844,237 |
| | | | |
| **Liabilities and shareholders' equity** | | | |
| **Current liabilities** | | | |
| Accounts payable | | **36,541** | 36,538 |
| Bank loans | | **5,000,000** | – |
| Accrued expenses | | **384,310** | 396,800 |
| **Total current liabilities** | | **5,420,851** | 433,338 |
| | | | |
| **Long-term liabilities** | | | |
| Bank loans | | **35,000,000** | 40,000,000 |
| **Total long-term liabilities** | | **35,000,000** | 40,000,000 |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | | **32,000,000** | 32,000,000 |
| Legal reserve | | | |
| General reserve | | **16,000,000** | 16,000,000 |
| Reserve for own shares | 3 | **7,237,577** | 5,499,984 |
| Other reserves | | **26,870,911** | 28,608,504 |
| Retained earnings | | **4,761,981** | 4,302,411 |
| **Total shareholders' equity** | | **86,870,469** | 86,410,899 |
| | | | |
| **Total liabilities and shareholders' equity** | | **127,291,320** | 126,844,237 |

# Income Statement

| *in CHF* | ***2002*** | *2001* |
|---|---|---|
| **Income** | | |
| Dividend income, income from marketable securities | **2,634,527** | 3,043,200 |
| Interest income | **121,020** | 443,674 |
| Service fees from Group companies | **336,000** | – |
| **Total income** | **3,091,547** | 3,486,874 |
| | | |
| **Expenses** | | |
| General and administrative expenses | **712,729** | 900,056 |
| Financial expenses, incl. value adjustment of marketable securities | **1,909,248** | 4,093,898 |
| **Total expenses** | **2,621,977** | 4,993,954 |
| | | |
| **Income before taxes** | **469,570** | – 1,507,080 |
| Taxes | **10,000** | 6,000 |
| **Net income/(loss)** | **459,570** | – 1,513,080 |

**Changes in retained earnings at December 31**

| *in CHF* | ***2002*** | *2001* |
|---|---|---|
| Retained earnings at beginning of year | **4,302,411** | 10,821,821 |
| Net income/(loss) | **459,570** | – 1,513,080 |
| Appropriation of available profit determined by the annual general meeting | | |
| Dividends for 2001 and 2000 respectively | **–** | – 5,006,330 |
| **Retained earnings at end of year** | **4,761,981** | 4,302,411 |

**The board of directors proposes to the annual general meeting the following appropriation of retained earnings as at December 31, 2002**

| *in CHF* | ***2002*** |
|---|---|
| Available retained earnings before distribution | **4,761,981** |
| Dividend of 8% on the share capital of max. CHF 30,150,000 eligible for dividends | **– 2,412,000** |
| To be carried forward | **2,349,981** |

# Notes to the Financial Statements

| *in CHF* | ***2002*** | *2001* |
|---|---|---|
| 1. Contingent liabilities, guarantees, assets pledged in | | |
| favour of third parties | **26,000,000** | – |
| thereof used | **25,000,000** | – |
| 2. Investments | | |
| Bossard AG, Zug, wholly-owned | | |
| Bossard International AG, Zug, wholly-owned | | |
| Bossard Finance Ltd., St. Helier, wholly-owned | | |
| Bossard & Staerkle AG, Zug, 10% holding | | |
| 3. Balance of own shares | | |
| a) Treasury shares | | |
| Balance at Jan. 1 – 70,094 shares (2001: 56,610 shares) | **2,067,773** | 3,347,653 |
| Purchases: 75,321 bearer share of CHF 10 par value | | |
| (2001: 13,484 shares) | **2,380,287** | 958,456 |
| Sales: 20,023 bearer shares of CHF 10 par value | | |
| (2001: 0 shares) | **– 642,693** | – |
| Adjustment | **81,785** | –2,238,336 |
| Balance at Dec. 31 – 125,392 shares, rate 31.00 | | |
| (2001: 70,094 shares, rate 29.50) | **3,887,152** | 2,067,773 |
| The treasury shares are held to hedge the liability resulting | | |
| from the Employee Share Option Scheme. | | |
| (no voting rights and dividend entitlement) | | |
| b) Own shares | | |
| 185,000 bearer shares of CHF 10 par value | | |
| (no voting rights and dividend entitlement – never issued) | **1,850,000** | 1,850,000 |
| c) Reserve for own shares | | |
| Cost of treasury shares | **5,387,577** | 3,649,984 |
| Own shares – never issued | **1,850,000** | 1,850,000 |
| Reserve for own shares | **7,237,577** | 5,499,984 |

4. Other information required by law
Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a shareholder group in accordance with article 20 BEHG. They hold 58.44% (last year 57.23%) of the voting rights.
Kolin Holding AG, Zug, is wholly-owned by the Bossard families.

# Report of the Statutory Auditors

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers AG**
Stampfenbachstrasse 109
Postfach
8035 Zurich
Telephone 01 630 11 11
Facsimile 01 630 21 15

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 33 to 35) of Bossard Holding AG for the year ended December 31, 2002.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Matthias von Moos　　Béatrice Käppeli

Zurich, February 27, 2003

# Corporate Governance of the Group

## Organization and Management

Bossard's organizational structure has been designed to meet the international standards in regard to corporate management. Its corporate bodies and management are based on the guidelines set out in the leading codes of best practice.

The Bossard Group's organizational structure clearly defines the duties, competencies and responsibilities of the board of directors and of the executive committee. To ensure separation of power, the functions of chairman of the board of directors and of chief executive officer are vested in two different persons.

**Organizational principles, election to board of directors and terms of office**

The shareholders elect each member of the board. The general meeting of shareholders elects each member of the board of directors for a four-year term of office. The election procedure is based on the principle of total renewal. On first being elected to the board, a member's term of office is limited to the period up to the next total renewal. There are no other statutory limits to the term of office of board members.

The group of holders of bearer shares have the right to one seat on the board of directors and, in general, an employee representative should also sit on the board. The board of directors appoints a chairperson from among its elected members and determines the composition of its various committees. It also appoints the chief executive officer and the members of the executive committee.

The board of directors is the company's highest corporate body. It is responsible for the ultimate direction of the company, determines the strategic goals and oversees the executive committee. The majority of the members of the board should be independent members with no executive functions in the company.

**Organization and composition of board of directors**

On December 31, 2002, the board of directors had seven members (see overview on page 39). At the ordinary shareholders' meeting held June 12, 2002, the shareholders newly elected Helen Wetter-Bossard and Dr. Beat E. Lüthi to the board. Heinrich Bossard, delegate of the board and CEO, is the only executive member of the board of directors. Over the past three years, none of the non-executive members of the board of directors held any line management functions in the company nor did they have any appreciable business connections with the group. Moreover, there was no cross-involvement of the board with the board of directors of other listed companies.

*The board of directors is structured as follows:*

As a rule, ordinary half-day meetings of the board of directors are held 7 to 8 times a year. The board also holds a retreat once a year; this meeting, at which the group's strategy is examined and developed, lasts for several days. The board is available at short notice should this be required. Apart from its scheduled meetings, the board is supplied with monthly information on the group's financial development.

The chairman of the board meets the CEO and other members of the executive committee on a regular basis to discuss fundamental corporate issues such as corporate strategy and medium-term financial, operational and succession planning.

The board of directors appoints committees from among its members as required. Such committees serve to examine certain issues in depth and to make recommendations for action to be taken. The overall responsibility for duties delegated to the committees remains with the board of directors.

The board of directors appoints a committee of the board from among its members to prepare the necessary proposals for issues pertaining to membership and compensation at board and executive committee level. The committee meets two to five times a year.

The board of directors appoints an audit committee from among its independent non-executive members. This committee meets at least three times a year to monitor the work done by the group and statutory auditors. The audit committee itself does not undertake any audits, but supervises the work of the auditors. Its primary task is to review the organization and efficiency of internal control procedures and the financial reporting process.

The following were members of the board of directors at December 31, 2002:

| Name | Function | First appointed | Current term of office ends |
|---|---|---|---|
| Dr. Kurt Reichlin | Chairman<br>Member of the Audit Committee<br>Member of the Committee of the Board | 2001 | 2004 |
| Heinrich Bossard | Delegate of the Board<br>Member of the Committee of the Board | 1977 | 2004 |
| Edwin Huber | Member (employee representative) | 1979 | 2004 |
| Dr. Beat E. Lüthi | Member | 2002 | 2004 |
| Dr. Thomas Schmuckli | Member<br>Chairman of the Audit Committee<br>Member of the Committee of the Board | 2000 | 2004 |
| Rolf E. Thurnherr | Member | 1992 | 2004 |
| Helen Wetter-Bossard | Member | 2002 | 2004 |

***Dr. Kurt Reichlin*** was appointed chairman of the board by the board of directors as of November 30, 2001. He had been a member of the board of directors since 1978. Dr. Kurt Reichlin is a senior partner in the law firm Reichlin & Hess in Zug, Switzerland. Prior to that from 1958 he served in the Swiss Society of Chemical Industries and, from 1965 to 1975, was employed in a management capacity by Ciba-Geigy. He serves on the boards of SMEs and Swiss holdings of foreign enterprises (including mg technologies, RWE, BASF). He was born on August 14, 1932 and is a Swiss citizen.

***Heinrich Bossard*** has served as delegate of the board and president of the executive committee (CEO) since 1977. In the 15 years prior to this he was responsible for various other functions within the Bossard group. Among others, he serves on the board of Clariant AG in Muttenz, Switzerland and Wasserwerke Zug AG in Zug, Switzerland. He was born on March 10, 1943 and is a Swiss citizen.

***Edwin Huber*** has been a member of the board since 1979. As the elected employee representative, he represents employee interests on the board. Edwin Huber has worked for Bossard in various capacities for more than 40 years. Currently he manages the pension funds of Bossard AG. Training: basic training in commerce and economics, with further on-the-job training both in Switzerland and abroad. He was born on January 2, 1941 and is a Swiss citizen.

***Dr. Beat E. Lüthi,*** who took his degree at the Swiss Federal Institute of Technology in Zurich, was elected to the board at the general meeting of shareholders in 2002. Since March 1, 2003 he has been Head of the Laboratory Division and Group Management Committee Member of the Mettler Toledo Group. From 1998 to 2002 he was the delegate of the board and CEO of Feintool International Holding AG in Lyss, Switzerland. From 1990 to 1998 he held a management position at Mettler Toledo. Dr. Beat E. Lüthi was born on January 12, 1962 and is a Swiss citizen.

***Dr. Thomas Schmuckli*** was elected to the board at the general meeting of shareholders in 2000. He had served as secretary to the board between 1997 and 2000. Since March 2000, he has been head of process and product management and responsible for alternative distribution channels at the cantonal bank in Zug, Switzerland. Prior to this, he was employed in various group companies of the Credit Suisse Group; first as a lawyer in Bank Leu and subsequently in the commercial sector of Credit Suisse in Zurich, Switzerland. Dr. Thomas Schmuckli is an accredited lawyer in canton Zug and completed a management training course at Zurich university in 2002. He was born on February 4, 1963 and is a Swiss citizen.

***Rolf E. Thurnherr,*** who studied electrical engineering at the Swiss Federal Institute of Technology in Zurich, has been a member of the board since 1992. He has been a member of the management of Siemens Building Technologies AG and head of the Fire & Security Products Division. Prior to this he served as CEO of the Eurodis Group in Regensdorf, Switzerland for five years and, between 1989 and 1991 as president of the executive committee of Digitron. Apart from serving on the board of Siemens Building Technologies, he is a member of the board of Wiltronic AG in Heerbrugg, Switzerland. He was born on September 16, 1941 and is a Swiss citizen.

***Helen Wetter-Bossard,*** who studied law, was elected to the board at the general meeting of shareholders in 2002, having taken the minutes at board meetings for the previous eighteen months. She is responsible for the business administration of her husband's commercial company. From 1996 to 1999 she worked as a clerk to the Administrative Court of Canton Luzern. Helen Wetter-Bossard was born on April 15, 1968 and is a Swiss citizen.

**Powers and responsibilities**

The powers and responsibilities vested in the board of directors and the executive committee are based on the principle that the board of directors is responsible for the core tasks of defining the strategic goals, of supervision and of control. These core tasks, as set out in article 19 of the articles of incorporation, are permanently vested in the board and cannot be delegated. Essentially, they cover the following points:

- defining corporate goals and policies
- defining the organizational structure
- establishing the accounting system and financial controls
- appointment and removal of the persons entrusted with the management and representation of the company
- the ultimate supervision of the persons entrusted with the management of the company
- preparation of the annual report, preparation of the general meeting of shareholders and the implementation of its resolutions

**Information and control instruments vis-à-vis the executive committee**

The board of directors ensures that the executive committee establishes an internal control system commensurate with the size, complexity and risk profile of the company. Within the scope of the annual audit, the external auditors examine the effectiveness and adequacy of the internal control system and report annually to the board of directors. There are no plans at present to set up an internal audit function.

The board of directors receives a report on the financial development of the company once a month. This information is based on the internal management information system and, apart from the current and budget data, contains regular forecasts on the basis of current developments and expectations.

**Compliance**

At least once a year, the board of directors reviews whether the principles of compliance applicable to the company have been observed. In this, the board is supported by the external auditors as well as by the lawyers employed by the group's local companies. Both are required to evaluate whether executive management has correctly and adequately implemented legal changes relevant for our business. They are also invited to immediately report substantial violations of the law and, should this be the case, to propose any necessary corrective measures or to report the lack of implementation thereof. The ultimate supervision and control of compliance is vested in the board of directors. However, the board delegates the necessary activities to the chairman of the board, who also serves as Bossard's compliance officer.

**Other activities and functions**

Dr. Kurt Reichlin is a senior partner in the law firm Reichlin & Hess in Zug. The company advises Bossard on various legal matters. In 2002, the fees for such services rendered by the company was amounted to CHF 84,000 (2001: CHF 131,000).

**Cross-involvement**

There is no cross-involvement through members of the board of directors.

**Executive committee**

The executive committee is responsible for the company's operations. The executive committee is responsible for the development and implementation of corporate strategy. Together with the other members of the executive committee, the CEO is accountable to the board of directors for the group's performance.

As at December 31, 2002, the following were members of the executive committee:

| Name | Function | in Company since | in Function since |
|---|---|---|---|
| Heinrich Bossard | Delegate of the Board and CEO Group | 1962 | 1977 |
| Julius Brun | Chief of Staff | 1990 | 1998 |
| David Dean | CFO | 1992 | 1998 |
| Peter Erlangsen | CEO north and west Europe | 1994 | 1999 |
| Peter Furrer | CEO south and east Europe | 1963 | 1999 |
| Scott W. Mac Meekin | CEO Asia/Pacific | 1995 | 1996 |
| Peter Vogel | CEO United States | 1973 | 1998 |
| Fredy von Moos | CEO Assembly Automation | 2000 | 2002 |

***Heinrich Bossard,*** delegate of the board and CEO Group, has been president of the executive committee since 1977. He has served the company in various management capacities since 1962. Education: degrees in economics and business administration from various institutes in Switzerland, the U.K. and the U.S.A. Heinrich Bossard was born on March 10, 1943 and is a Swiss citizen.

***Julius Brun,*** chief of staff since 1998, is responsible for the group's service functions which include IT, logistics and quality assurance. From 1992 to 1989 he was head of the fastening technology business segment. He served as corporate controller of the Bossard Group between 1990 and 1992. During the previous 5 years he was corporate controller and member of the executive committee of an international logistics group. Background: Swiss certified accountant/controller; PED IMD, Lausanne, Switzerland. He was born on February 9, 1948 and is a Swiss citizen.

***David Dean*** has served as chief financial officer since 1998. From 1992 to 1997 he was corporate controller of the Bossard Group. Between 1990 and 1992 he was corporate controller and member of the executive committee of an international logistics group. From 1980 to 1990 he worked for PricewaterhouseCoopers in various auditing and business consulting functions. Background: Swiss certified accountant/controller, Swiss certified public accountant, PMD Harvard Business School. David Dean was born on April 5, 1959 and is a Swiss citizen.

***Peter Erlangsen*** has been CEO for the Europe area comprising northern Europe (Scandinavia) and western Europe (France, Spain, Portugal and the U.K.) since 1999. From 1996 to 1999 he was managing director of Bossard France. He joined Bossard in 1994 as head of market development. Between 1990 and 1994 he worked for Arvid Nilsson Boskin A/S, a Danish fastener trading company, where he became managing director. Background: Masters degree in economics and business administration, senior management program at IMEDE. He was born on May 24, 1956 and is a Danish citizen.

***Peter Furrer*** has been CEO for the Europe area comprising Switzerland and the southern and eastern parts of Europe since 1998. From 1989 to 1993 he was managing director of Bossard Switzerland and, from 1993 onwards, was also responsible for Austria. Background: Swiss certified sales manager, systems marketing FAH and business administration SKU. Peter Furrer was born on May 23, 1944 and is a Swiss citizen.

***Scott W. Mac Meekin*** has been CEO for the Asia/Pacific area since 1996. Between 1995 and 1996 he was responsible for the group's logistics. Prior to joining Bossard he filled various management positions, the last being vice president operations for the Porteous Fastener Company, Ca, U.S.A. Background: Graduate UCLA, MBA National University Singapore, TGMP Harvard Business School. He was born on January 17, 1958 and is a U.S. citizen.

***Peter Vogel*** has been CEO for the U.S.A. area since 1998. Between 1980 and 1998 he was chief financial officer of the Bossard Group. From 1973 to 1980 he served in various capacities in Bossard's financial administration. Background: Swiss certified accountant/controller, APM Havard Business School. Peter Vogel was born on April 7, 1944 and is a Swiss citizen.

***Fredy von Moos*** has been CEO for the assembly automation business segment since July 1, 2002. From 2000 to 2002 he was head of the organization and IT service functions in this segment. Prior to this he served in various management positions in assembly automation, the last being head of finance and administration for Sibos AG. Background: Degree in mechanical engineering and postgraduate business management studies. He was born on July 8, 1956 and is a Swiss citizen.

**Management contracts**

There are no further management contracts between the Group and companies or persons entrusted with management tasks.

## Compensation, shareholdings and loans

Bossard attaches great importance to recruiting, retaining, motivating and fostering well qualified staff at all levels. This is particularly significant where positions are being filled that impact strongly on company management and performance. Compensation should not, however, be a false incentive as this could be damaging to company development in the long term.

According to responsibility, individual performance evaluation is based on the results of the entire group and/or of a specific business segment. Both quantitative and qualitative factors are taken into consideration. Apart from current business results, such evaluation also makes reference to those key figures which are decisive for providing long-term value added for Bossard's future results and growth. Thus this evaluation is closely linked with Bossard's management approach of sustainability and of generating economic value added.

Thus the level of compensation depends noticeably on performance assessment and can vary from year to year according to the targets met. The compensation agreed is intended to reflect the sustainable success of the company and consequently depends on the individual contribution made. Employment contracts with top management must also be market oriented with regard to termination of contract and severance payments while also protecting the interests of the company.

Compensation at top management level is made up of a basic salary and a performance-linked component determined at the employer's discretion. One part of the variable compensation is paid out in the form of options on shares at market value at the time of payment. These options must not have a share dilution effect on existing shareholders; if necessary, any commitments arising must be covered by the company through the repurchase of shares on the stock market. Compensation in the form of share options is reported in the financial statements under personnel expenses.

Compensation for the board of directors is also made up of a fixed and a variable component. The fixed basic payment is intended to adequately compensate the members of the board for the time invested. When business is going well, the board members participate through a profit-linked, variable payment. This profit-linked component is tied to the economic profit reached (calculated according to the EVA method), i.e. to the profit after deducting the average weighted cost of capital (debts and equity) and dividends paid to the shareholders. One part of the compensation to board members is paid in options on shares using the same method as described above.

Total compensation to the board of directors and the executive committee members amounted to:

| in CHF 1,000 | **2002** | Number of beneficiaries | 2001 | Number of beneficiaries |
|---|---|---|---|---|
| Non-executive members of the board of directors | **240** | 4 | 454 | 5 |
| Executive members of the board of directors and members of the executive committee | **2,778** | 8 | 3,391 | 8 |
| Total paid in reporting period | **3,018** | 12 | 3,845 | 13 |

No severance payments were made to members who resigned from the board or the executive committee.

The highest total compensation amounted to CHF 571,000 (2001: CHF 736,000).

**Compensation to former members of the board or executive committee**

None

**Additional honorariums and remunerations**

There were no further honorariums or other remunerations billed by members of the board of directors or the executive committee or by persons closely associated with them for additional services rendered during the reporting year.

**Share allotment and share ownership of the board and the executive committee**

No shares were allotted to members of the board or the executive committee as part of their compensation or for other reasons. The registered shares are wholly owned by Kolin Holding AG which, in turn, is wholly owned by the Bossard families.

The members of the board of directors and the executive committee held the following listed bearer shares at December 31, 2002:

| | shares |
|---|---|
| Non-executive members of the board of directors | 31,735 |
| Executive members of the board of directors and members of the executive committee | 66,261 |
| **Total** | **97,996** |

**Options**

An overview of the options on shares in Bossard Holding AG held by members of the board and executive committee at December 31, 2002:

| | **2002** | 2001 | 2000 | 1999 |
|---|---|---|---|---|
| Non-executive members of the board of directors | **4,792** | 9,118 | 3,080 | 1,000 |
| Executive members of the board of directors and members of the executive committee | **29,366** | 57,617 | 1,930 | 1,500 |
| **Total** | **34,158** | 66,735 | 5,010 | 2,500 |

| | | | | |
|---|---|---|---|---|
| Subscription ratio | 1:1 | 1:1 | 1:1 | 1:1 |
| Exercise price | 48.75 | 35.00 | 93.00 | 75.00 |
| Expiration | 2006 | 2005 | 2004 | 2003 |

The options on shares result from the allotment or purchase within the scope of the above-mentioned employee share option program. The allotment or purchase was undertaken at market (calculated according to the binominal model, Cox, Ross, Rubinstein) at the time of the transaction.

**Loans to members of the board of directors or the executive committee**

One member of the executive committee has been granted an interest-free loan in the amount of USD 250,000 to cover relocation costs arising from the business-related change of domicile.

## Principles of disclosure and information policy

With its disclosure policy based on open and transparent communication, Bossard wants to create transparency for investors and financial markets in order to ensure a fair market price for Bossard shares.

We are convinced that in the long term the market will respond to a clear, consistent and informative disclosure policy with a fair valuation of a company's shares. To achieve this goal, Bossard abides by the following principles in its financial reporting and disclosure practices:

- Transparency: The purpose of disclosure is to make the economic drivers that impact on the group more readily comprehensible and to present detailed results of operations.
- Consistency: Disclosure within each reporting period and between the various reporting periods must be consistent and comparable.
- Clarity: Information must be presented as clearly as possible to allow the reader to form a clear picture of business development.
- Relevance: In order to avoid an endless flood of information, data is only disclosed when it is relevant for Bossard's target groups or is required for legal reasons.

**Information policy**

Our consolidated financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and published together with a commentary every four months.

Bossard is committed to the principle of equal rights for all shareholders. All publications are made available to all our shareholders at the same time, so that all have the same access to Bossard information. All publications on business results and all press releases are available in German and English on our website *www.bossard.com* under investor relations.

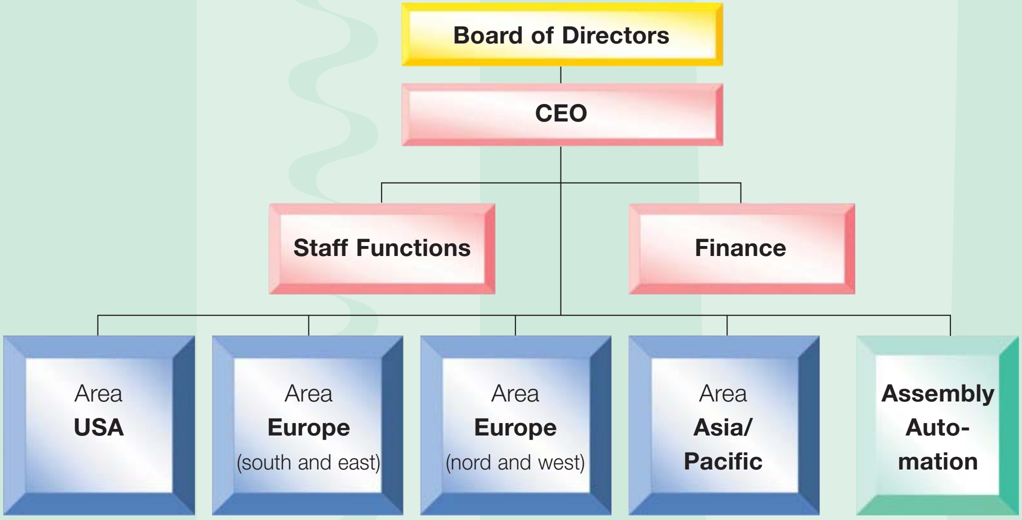
Bossard stays in contact with the capital market via press conferences, meetings for financial analysts and road shows. We also regularly meet individual or groups of institutional investors and financial analysts.

All publications can be ordered at any time via email at *investor@bossard.com* or from Bossard Holding AG, Investor Relations, Steinhauserstrasse 70, CH-6301 Zug.

## Group structure and shareholders

Bossard's group structure had been designed to optimally support business operations efficiently, in compliance with legal, taxation and financial requirements. The aim was to make the structure as straightforward as possible and also transparent for anyone outside the group.

**Operational group structure**




Industrial fastening technology accounts for roughly 98% of Bossard's consolidated group sales. Business operations are spread over some 75 locations in major industrial centers worldwide. Thus the group's management structure is oriented geographically.

The assembly automation business segment concentrates on the production of assembly and transfer systems and focuses on customers in the automotive and automotive supply sector. Production is located in Stans, Switzerland.

# Group and Associated Companies

| | Companies and branches | Headquarters | Local currency | Capital in thousands of local currency | Shareholding | Fastening Technology | Assembly Automation | Finance / Other |
|---|---|---|---|---|---|---|---|---|
| **Holding and finance companies** | | | | | | | | |
| Switzerland | Bossard Holding AG | Zug | CHF | 32,000 | 100 | | | ■ |
| | Bossard International AG | Zug | CHF | 10,000 | 100 | | | ■ |
| Jersey | Bossard Finance Ltd. | St. Helier | CHF | 97 | 100 | | | ■ |
| **Area Europe (south and east)** | | | | | | | | |
| Switzerland | Bossard AG | Zug | CHF | 12,000 | 100 | ■ | | |
| | Trimec AG | Zug | CHF | 50 | 100 | ■ | | |
| | Sigma AG | Stans | CHF | 250 | 100 | | ■ | |
| | Bossard & Staerkle AG | Zug | CHF | 3,600 | 10 | | | ● |
| Italy | Bossard Italia S.p.A. | Milano | EUR | 400 | 100 | ■ | | |
| Austria | Bossard Austria Ges.m.b.H. | Wien | EUR | 1,017 | 100 | ■ | | |
| Czech Republic | Bossard CZ s.r.o. | Brno | CZK | 1,000 | 85 | ■ | | |
| **Area Europe (north and west)** | | | | | | | | |
| Denmark | Bossard Denmark A/S | Skovlunde | DKK | 5,000 | 100 | ■ | | |
| Sweden | Bossard Sweden AB | Malmö | SEK | 400 | 100 | ■ | | |
| France | Bossard France SAS | Souffelweyersheim | EUR | 3,050 | 100 | ■ | | |
| | Bossard System Supply SAS | Tremblay-en-France | EUR | 574 | 100 | ■ | | |
| Spain | Bossard Spain SA | Barcelona | EUR | 745 | 100 | ■ | | |
| **Area America** | | | | | | | | |
| USA | Bossard U.S. Holdings, Inc. | Hampton, NH | USD | 40,000 | 100 | | | ■ |
| | Bossard Metrics, Inc. | Portsmouth, NH | USD | 250 | 100 | ■ | | |
| | Material Management Group, Inc. | Appleton, WI | USD | 2,000 | 100 | ■ | | |
| | Bossard Michigan & Merrick, Inc. | Maspeth, NY | USD | 5 | 100 | ■ | | |
| | Bossard IIP, Inc. | Des Moines, IA | USD | 4 | 100 | ■ | | |
| | Bossard Larson, Inc. | Milwaukee, WI | USD | 83 | 100 | ■ | | |
| Mexico | Bossard IIP de Monterrey, S.A. de C.V. | Monterrey | MXN | 7,048 | 100 | ■ | | |
| **Area Asia/Pacific** | | | | | | | | |
| Singapore | Bossard Pte. Ltd. | Singapore | SGD | 16,200 | 100 | ■ | | |
| India | LPS Bossard Pvt. Ltd. | Haryana | INR | 48,000 | 51 | ■ | | |
| China | Bossard Industrial Fasteners International Trading (Shanghai) Co. Ltd. | Shanghai | RMB | 14,900 | 100 | ■ | | |
| Malaysia | Bossard (M) Sdn. Bhd. | Penang | MYR | 300 | 100 | ■ | | |
| Taiwan | Bossard Ltd. Taiwan Branch | Taichung | TWD | – | 100 | ■ | | |
| Japan | Bossard K.K. | Tokyo | JPY | 60,000 | 1.7 | | | ● |
| South Korea | Bossard (Korea) Ltd. | Yongin-City | KRW | 1,000,000 | 40 | ● | | |

■ Fully consolidated

● Minority investment

Status: December 31, 2002

**Major shareholders**

Kolin Holding AG, Zug and Bossard Unternehmensstiftung, Zug form a group of shareholders as defined in Art. 20 of SESTA (Swiss Federal act on Stock Exchanges and Securities Trading). They hold 58.44% (prior year: 57.23%) of total voting rights or 27.37% of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.

No further shareholders are subject to the obligation to notify as none hold more than 5% of the voting rights.

**Cross-shareholdings**

There are no cross-shareholdings in other companies.

**Capital structure**

Bossard Holding AG holds ordinary share capital in the amount of CHF 32 million; it breaks down as follows:

| *in CHF million* | ***2002*** | *2001* |
|---|---|---|
| Bearer shares at CHF 10 par<br>Capital stock in CHF | **26.6** | 26.6 |
| Registered shares at CHF 2 par<br>Capital stock in CHF | **5.4** | 5.4 |
| **Total share capital** | **32.0** | 32.0 |

| *Number in 1,000* | ***2002*** | *2001* |
|---|---|---|
| Bearer shares issued | **2,660** | 2,660 |
| Registered shares issued | **2,700** | 2,700 |
| **Total shares issued** | **5,360** | 5,360 |

| | | |
|---|---|---|
| Number of bearer shares entitled to dividend | **2,350** | 2,405 |
| Number of registered shares entitled to dividend | **2,700** | 2,700 |
| **Bearer equivalents, entitled to dividend at Dec. 31** | **2,890** | 2,945 |

Only bearer shares are listed on the SWX Swiss Exchange. The registered shares are wholly owned by Kolin Holding AG.

Of the ordinary share capital, 310,392 bearer shares at CHF 10 par are held by Bossard Holding AG. 185,000 of these have been held since the increase in the share capital in 1989 but were never listed and in effect can be viewed as authorized but not issued capital. The remaining own shares were repurchased from the stock exchange and serve to hedge commitments from the employee share option program.

**Authorized and unissued share capital**

Apart from the 185,000 own shares as described above Bossard Holding AG does not hold any further authorized but unissued share capital.

**Changes in company equity**

| in CHF 1,000 | Share capital | General reserve | Reserve for own shares | Other reserves | Rentained earnings | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2000 | 32,000 | 16,000 | 4,970 | 29,139 | 6,571 | 88,680 |
| Profit | | | | | 9,279 | 9,279 |
| Dividends | | | | | –5,029 | –5,029 |
| Changes in reserves | | | –428 | 428 | | – |
| **Balance at Dec. 31, 2000** | **32,000** | **16,000** | **4,542** | **29,567** | **10,821** | **92,930** |
| Loss | | | | | –1,513 | –1,513 |
| Dividends | | | | | –5,006 | –5,006 |
| Changes in reserves | | | 958 | –958 | | – |
| **Balance at Dec. 31, 2001** | **32,000** | **16,000** | **5,500** | **28,609** | **4,302** | **86,411** |
| Profit | | | | | 460 | 460 |
| Dividends | | | | | – | – |
| Changes in reserves | | | 1,738 | –1,738 | | – |
| **Balance at Dec. 31, 2002** | **32,000** | **16,000** | **7,238** | **26,871** | **4,762** | **86,871** |

**Bonus certificates**

The company has issued no bonus certificates.

**Conditions governing the transferability of shares**

According to art. 6 of the articles of incorporation, the board of directors must approve the transfer of registered shares. For substantial reasons such as acquisition by a competitor or fiduciary purchase, the board of directors may reject such a transfer request, primarily to protect the purpose of the company and to maintain its economic independence.

The listed bearer shares are fully transferable.

**Convertible bonds and options**

Currently, the group has no convertible bonds outstanding.

The following options on shares were issued by Bossard Holding AG within the scope of its employee share option program (see note 18 in the notes to the consolidated financial statements). Status at December 31, 2002:

| Allotment year | Expiration | Number | Exercise price | Subscription ratio |
|---|---|---|---|---|
| 1999 | 2003 | 6,240 | 75.00 | 1:1 |
| 2000 | 2004 | 11,170 | 93.00 | 1:1 |
| 2001 | 2005 | 101,371 | 35.00 | 1:1 |
| 2002 | 2006 | 46,506 | 48.75 | 1:1 |
| **Total** | | **165,287** | | |

To cover the option commitments, shares were repurchased from the stock exchange to avoid dilution of shareholder investments and voting rights if the options are exercised.

## Shareholders' participation rights

Bossard's aim is to make it easy for its shareholders to exercise their legal and statutory rights.

**Restrictions on voting rights**

Basically, the articles of incorporation contain no restrictions on voting rights. At the general meeting of shareholders each share carries one vote. The voting right according to the number of shares is not applicable for:

- the election of the auditing company
- the appointment of an expert to assess the activities of the executive committee
- the decision to implement a special audit
- the decision to file a responsibility action

**Statutory quorums**

The general meeting of shareholders passes its resolutions and holds its elections on the basis of the absolute majority of the votes cast, provided the law and/or the articles of incorporation do not rule otherwise. A relative majority is required in a second ballot.

In accordance with art. 15 of the articles of incorporation, the following resolutions require a two-thirds majority of the votes represented and an absolute majority of the share value represented:

- Changes of the purpose of the company
- Increasing the voting power privileges of existing voting shares and the issue of new shares with greater voting power privileges than existing voting shares
- Introducing more stringent restrictions on transferability
- Authorized or conditional increase of capital stock
- Capital increase using equity capital, through capital subscribed in kind or for the purposes of acquisition of assets, and to provide special advantages
- Limiting or abolishing subscription rights
- Relocation of the company's headquarters
- Dissolving the company without liquidation

**Convocation of the general meeting of shareholders and drawing up the agenda**

The general meeting of shareholders is held every year not later than six months after the end of the fiscal year. It is convened by the board of directors at least 20 days before the meeting giving the place, date and time. This information must be published in the company's selected publications and a written invitation sent to all registered shareholders listed in the share register.

The voting rights from registered shares can be exercised by those listed in the share register as owners or beneficiaries.

A shareholder with voting rights can appoint a proxy in writing to represent him at the general meeting of shareholders.

One or more shareholders who, together, represent at least 10% of the share capital may request the board of directors to convene a general meeting of shareholders and/or ask for an item to be placed on the agenda. Shareholders who themselves or together with others represent shares with a nominal value of at least CHF 1 million also have the right to add items to the agenda. Items that go beyond those normally placed on the agenda by the board of directors must be submitted to the board at least 40 days before the meeting. No decision can be taken on items not submitted in time with the exception of the request to convene an extraordinary general meeting of shareholders or to carry out a special audit.

**Registration in the share register**

With a view to attending the general meeting of shareholders, the cut-off date for registering holders of registered shares in the share register is the postmark date on the invitation to the meeting.

**Changes of control and defense measures**

There are no statutory rules on opting out or opting up as that would limit the duty to make an offer as set out in art. 22 SESTA.

There are no agreements or plans concerning clauses on changes of control benefiting members of the board of directors and/or the executive committee and/or other members of company management (e.g. golden parachutes).

**Auditors**

PricewaterhouseCoopers AG, Zurich, has been the statutory auditor for Bossard Holding AG since 1986 and also serves as group auditor. The company has been elected up to the general meeting of shareholders in 2003, where it will be proposed that its mandate be renewed for a further year.

The lead audit partner is Matthias von Moos, Swiss certified public accountant. He has been responsible for this auditing mandate for the past 7 years. Bruno Häfliger, Swiss certified public accountant, will take over the mandate as lead audit partner in 2003.

Apart from its audit and support in tax issues, PricewaterhouseCoopers did not provide any major consulting or other services in the past year.

The total audit fees for 2002 amounted to CHF 555,800. Apart from these fees, additional services performed (primarily tax advice) were charged in the amount of CHF 20,800.

The audit committee of the board of directors annually evaluates the activities of the audit company. Its evaluation is based on experience of working together with the auditors and the auditing company's own quality assurance measures with regard to this mandate. It also ascertains that the lead audit partner meets the legal requirements concerning professional qualification and independence.

# Investor Information

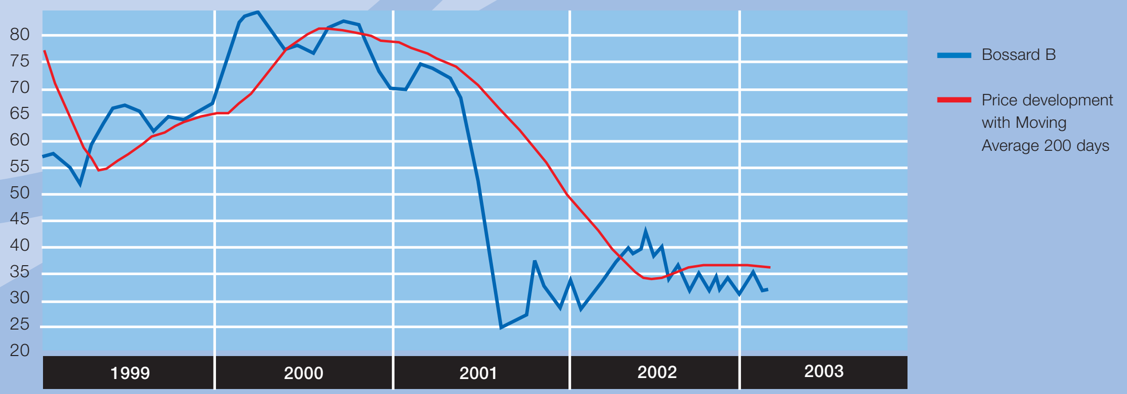
| | | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|---|
| **Economic Value Added Analyse in CHF million** | | | | | | |
| Gross sales | | **449.7** | 507.6 | 536.2 | 339.7 | 296.6 |
| Earnings before interest and taxes (EBIT) | | **18.4** | 5.9 | 24.2 | 18.2 | 25.1 |
| Effective tax rate in % | | **14.1** | – 5.1 | 14.5 | 23.4 | 24.2 |
| **Net operating profit after tax (NOPAT)** | | **15.8** | 6.2 | 20.7 | 13.9 | 19.0 |
| Equity | | **133.9** | 133.7 | 154.0 | 148.9 | 135.7 |
| Gross financial debts | | **127.8** | 165.2 | 163.4 | 97.0 | 101.4 |
| Less cash at banks and marketable securities | | **7.1** | 4.3 | 5.0 | 23.8 | 37.3 |
| Capital employed (year end) | | **254.6** | 294.6 | 312.4 | 222.1 | 199.8 |
| **Average annual capital employed** | (1) | **274.6** | 303.5 | 267.3 | 211.0 | 184.7 |
| **Return on average capital employed (ROCE) in %** | | **5.8** | 1.9 | 7.7 | 6.6 | 10.3 |
| **Cost financial debt in %** | | | | | | |
| Average cost of financial debt | | **4.3** | 4.9 | 5.3 | 4.6 | 4.7 |
| Less effective tax | | **14.1** | -5.1 | 14.5 | 23.4 | 24.2 |
| Cost of financial debt after tax | | **3.7** | 5.1 | 4.5 | 3.5 | 3.6 |
| **Cost of equity in %** | | | | | | |
| Risk free rate (basis: yearly average of yield Swiss government bond) | | **3.2** | 3.7 | 3.8 | 3.5 | 2.8 |
| Risk premium | | **5.5** | 5.5 | 5.5 | 5.5 | 5.5 |
| Cost of equity | | **8.7** | 9.2 | 9.3 | 9.0 | 8.3 |
| Equity of total assets | | **39.7** | 35.1 | 36.7 | 47.8 | 49.2 |
| **Weighted average cost of capital (WACC) in %** | | **5.7** | 6.4 | 6.3 | 6.1 | 5.9 |
| Economic profit in % (ROCE - WACC) | (2) | **0.1** | -4.5 | 1.4 | 0.5 | 4.4 |
| **Economic profit in CHF million** | (1) x (2) | **0.3** | -13.7 | 3.7 | 1.1 | 8.1 |

# Investor Information

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Economic Book Value (EBV) in CHF million** | | | | | |
| Market value added (economic profit/WACC) | **5.3** | NA | 58.7 | 18.0 | 137.3 |
| Capital employed | **254.6** | NA | 312.4 | 222.1 | 199.8 |
| Implied enterprise value | **259.9** | NA | 371.1 | 240.1 | 337.1 |
| Less gross financial debt | **127.8** | NA | 163.4 | 97.0 | 101.4 |
| Add cash at banks and marketable securities | **7.1** | NA | 5.0 | 23.8 | 37.3 |
| Economic book value at Dec. 31 | **139.2** | NA | 212.7 | 166.9 | 273.0 |
| Number of shares entitled to dividend (bearer shares equivalents) in CHF 1,000 | **2,889.6** | 2,944.9 | 2,958.4 | 2,949.4 | 2,971.7 |
| Implied value per share in CHF | **48.2** | NA | 71.9 | 56.6 | 91.9 |
| Share price at Dec. 31 in CHF | **31.0** | NA | 68.5 | 74.8 | 57.5 |
| **Growth opportunity in %** | **55.3** | NA | 4.9 | -24.3 | 59.8 |
| **Market valuation and key ratios in CHF million** | | | | | |
| Market capitalization | **89.6** | 88.3 | 202.6 | 220.6 | 170.9 |
| Net financial debt | **120.7** | 160.9 | 158.4 | 73.2 | 64.1 |
| **Enterprise value (EV)** | **210.3** | 249.2 | 361.0 | 293.8 | 235.0 |
| EV in % of gross sales | **46.8** | 49.1 | 67.3 | 86.5 | 79.2 |
| EV / EBITDA | **6.3** | 11.0 | 9.3 | 10.2 | 6.6 |
| EV / EBIT | **11.4** | 42.2 | 14.9 | 16.1 | 9.4 |
| EV / NOPAT | **13.3** | 40.2 | 17.4 | 21.1 | 12.4 |
| Price / book value per share | **0.7** | 0.7 | 1.3 | 1.5 | 1.3 |
| Return on equity in % | **6.8** | -8.1 | 9.6 | 13.7 | 14.2 |

| | |
|---|---|
| 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 |

**Share price 1999 – March 2003**
Ticker-symbol: BOSZ, BOS Valor: 123 2386



# Investor Information

| Share capital | **2002** | 2001[1] | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Bearer shares at CHF 10 par | | | | | |
| Capital stock in CHF 1,000 | **26,600** | 26,600 | 26,600 | 26,600 | 26,600 |
| Number of shares issued | **2,660,000** | 2,660,000 | 2,660,000 | 2,660,000 | 2,660,000 |
| Number of shares entitled to dividend | **2,349,608** | 2,404,906 | 2,418,390 | 2,409,390 | 2,431,700 |
| Registered shares at CHF 2 par | | | | | |
| Capital stock in CHF 1,000 | **5,400** | 5,400 | 5,400 | 5,400 | 5,400 |
| Number of shares issued | **2,700,000** | 2,700,000 | 2,700,000 | 2,700,000 | 2,700,000 |
| Number of shares entitled to dividend | **2,700,000** | 2,700,000 | 2,700,000 | 2,700,000 | 2,700,000 |
| Bearer equivalents, entitled to dividend at Dec. 31 | **2,889,608** | 2,944,906 | 2,958,390 | 2,949,390 | 2,971,700 |
| **Market price** | | | | | |
| Ticker-symbol (BOSZ/BOS) | | | | | |
| Volume traded (daily average) | **2,532** | 2,070 | 4,430 | 10,440 | 12,600 |
| Closing price at Dec. 31 | **31.0** | 30.0 | 68.5 | 74.8 | 57.5 |
| Bearer share high in CHF | **43.8** | 75.0 | 89.5 | 74.8 | 112.0 |
| Bearer share low in CHF | **28.0** | 24.0 | 68.0 | 50.2 | 40.2 |
| **Dividend per share** | | | | | |
| Bearer share in CHF | **0.80**[2] | – | 1.70 | 1.70 | 1.70 |
| Registered share in CHF | **0.16**[2] | – | 0.34 | 0.34 | 0.34 |
| in % of share capital | **8.0** | – | 17.0 | 17.0 | 17.0 |
| **Dividend yield (basis: price at Dec. 31)** | **2.6%** | – | 2.5% | 2.3% | 3.0% |
| **Earnings per share**[3] | | | | | |
| Bearer share in CHF | **3.14** | – 3.89 | 4.91 | 6.62 | 6.14 |
| Registered share in CHF | **0.63** | – 0.78 | 0.98 | 1.32 | 1.23 |
| **Cash flow per share**[3] | | | | | |
| Bearer share in CHF | **8.35** | 1.75 | 9.91 | 10.19 | 9.59 |
| Registered share in CHF | **1.67** | 0.35 | 1.98 | 2.04 | 1.92 |
| **Price/earnings ratio (basis: at Dec. 31)** | **9.9** | – 7.7 | 14.0 | 11.3 | 9.4 |
| **Net worth per share**[4] | | | | | |
| Bearer share in CHF | **46.4** | 45.4 | 52.0 | 50.5 | 45.7 |
| Registered share in CHF | **9.3** | 9.1 | 10.4 | 10.1 | 9.1 |
| **Market capitalization (basis: at Dec. 31)** | | | | | |
| in CHF million[4] | **90** | 88 | 203 | 221 | 171 |
| in % of stockholders' equity | **66.9** | 66.1 | 131.6 | 148.2 | 125.9 |

1) Share split 1:10 in 2001; prior years have been adjusted accordingly
2) Proposal to annual general meeting
3) Basis: average number of outstanding shares entitled to dividend
4) Basis: number of outstanding shares entitled to dividend at year end

The articles for incorporation do not include any provisions for opting out or opting up.

# Board of Directors, Auditors and Executive Committee

## Board of Directors of Bossard Holding AG

Dr. Kurt Reichlin, Zug; Chairman

Heinrich Bossard, Cham; Delegate

Edwin Huber, Zug; Employee Representative

Dr. Beat E. Lüthi, Zurich

Dr. Thomas Schmuckli, Cham

Rolf E. Thurnherr, Lieli

Helen Wetter-Bossard, Zug

## Auditors

PricewaterhouseCoopers AG, Zurich

## Executive Committee

Heinrich Bossard, Cham; CEO

Julius Brun, Luzern; Chief of Staff

David Dean, Volketswil; CFO

Peter Erlangsen, Walchwil; CEO north and west Europe

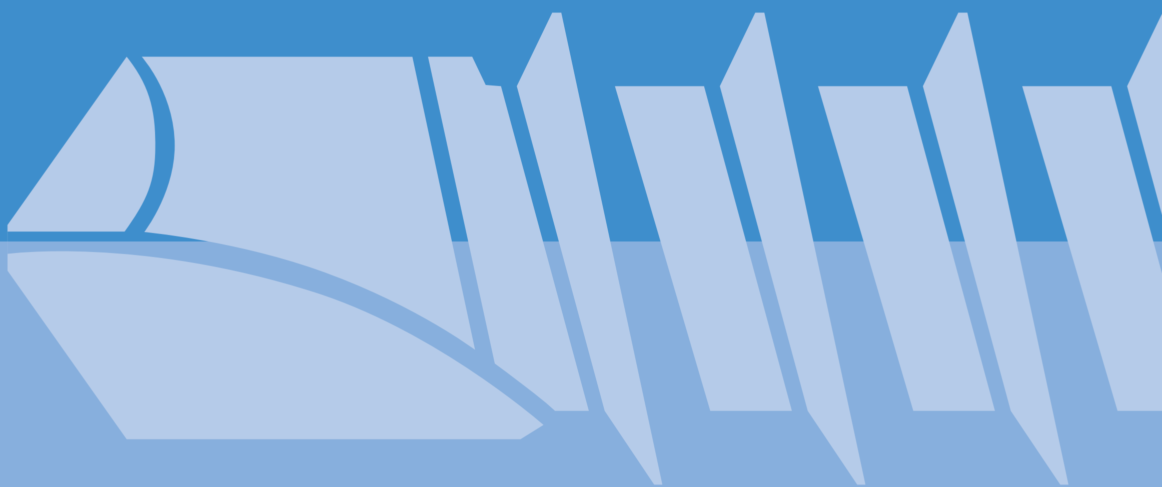
Peter Furrer, Cham; CEO south and east Europe

Scott W. Mac Meekin, Singapore, CEO Asia/Pacific

Peter Vogel, Rye NH; CEO United States

Fredy von Moos, Steinhausen; CEO Assembly Automation

Status: March 2003



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