ANNUAL REPORT

# 20 07

BOSSARD

# A Profile of the Bossard Group

Bossard is a fastening technology and logistics company operating globally. Its full-service package focuses on fasteners and includes worldwide sales, technical and engineering support, and inventory management. Its customer base is made up of local and multinational industrial companies. The Group has 1,800 employees in more than 70 locations worldwide and reports sales of more than 600 million Swiss francs. Bossard is listed on the Swiss Exchange.

The most important key figures are set out on the reverse of this cover.

| IN CHF 1,000 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Gross sales | 600,821 | 559,541 | 514,943 | 497,314 | 433,404 |
| Net sales | 578,256 | 536,830 | 497,084 | 480,534 | 416,749 |
| Ordinary EBIT | 46,485 | 33,081 | 29,029 | 27,170 | 15,879 |
| in % of net sales | 8.0 | 6.2 | 5.8 | 5.7 | 3.8 |
| EBIT after exceptional items [1] | 41,164 | 22,687 | 31,131 | 27,170 | 15,879 |
| in % of net sales | 7.1 | 4.2 | 6.3 | 5.7 | 3.8 |
| Ordinary net income | 35,869 | 22,599 | 18,749 | 18,222 | 9,502 |
| in % of net sales | 6.2 | 4.2 | 3.8 | 3.8 | 2.3 |
| Net income after exceptional items [1] | 30,548 | 12,205 | 20,851 | 18,222 | 9,502 |
| in % of net sales | 5.3 | 2.3 | 4.2 | 3.8 | 2.3 |
| Cash flow [1] | 43,277 | 24,333 | 31,508 | 28,348 | 20,119 |
| Capital expenditures | 10,687 | 12,799 | 20,385 | 16,847 | 4,506 |
| | | | | | |
| Net debt | 112,330 | 113,620 | 123,226 | 104,154 | 103,719 |
| Shareholders' equity | 194,126 | 172,744 | 169,309 | 147,284 | 138,978 |
| in % of total assets | 46.9 | 43.4 | 43.7 | 42.7 | 42.4 |
| Total assets | 413,546 | 398,111 | 387,007 | 344,803 | 327,405 |
| | | | | | |
| Headcount at Dec. 31 | 1,773 | 1,818 | 1,709 | 1,602 | 1,334 |
| Annual weighted average number of employees [3] | 1,754 | 1,695 | 1,607 | 1,441 | 1,277 |
| Net sales per employee [4] | 329.7 | 316.7 | 309.3 | 333.5 | 326.4 |
| | | | | | |
| Closing price at Dec. 31 | 87.0 | 81.5 | 80.0 | 70.0 | 55.0 |
| Bearer share high in CHF | 98.5 | 93.0 | 86.3 | 75.0 | 55.5 |
| Bearer share low in CHF | 76.1 | 73.5 | 66.9 | 51.5 | 26.3 |

1) Ordinary EBIT less exceptional items – 2007/2006: Restructuring expenses America; 2005: Capital gain from sale of investment
2) Net income after exceptional items + depreciation without amortization of goodwill
3) Average full time equivalent
4) Basis: Annual weighted average number of employees

# Contents

# Report to the Shareholders

Ladies and Gentlemen,

The past business year was an exceptionally successful one for Bossard. Our aim for 2007 was to noticeably improve growth and earnings even further – and that through our own efforts. We reached this ambitious target with new record figures. We want you as our shareholders to participate in our success with a new record dividend of 30 percent (2006: 17 percent).

Sales of CHF 601 million represents a record in Bossard's 175 years of trading. Operating profit and consolidated net income also reached an all-time high. This result can primarily be put down to the commitment of our 1,800 employees in more than 70 locations throughout the world, who did not hesitate to grasp the opportunities which presented themselves in an extremely favorable market environment.

These results show that the strategy we have consistently pursued over the past three years is correct: multiplying our strengths, using Group-internal synergies even better and, at the same time, continually improving the quality of the services we offer our customers. Our policy is to harmonize and continually optimize our business processes to the highest level in order to steadily enhance customer satisfaction and productivity even further. It takes time to implement such sustainability measures and they will hardly arouse any degree of excitement among people outside the company; however, they form the foundations on which Bossard's success has been built up over the past few years and they are the basis on which future successful development depends. The many awards such as "best supplier" and "best services provider" that we received yet again in 2007 bear witness to our successful partnerships with our customers. Such awards motivate us to strive for a level of service and product quality which will continue to justify our claim that we are "the best partner for our customers".

Bossard's success is essentially based on three pillars of strength:

1. our market- and customer-oriented products and services package
2. our effective presence in prosperous markets
3. our strong corporate culture

**Offers and Solutions for a perfect Fit**

As a specialist in mechanical fastening technology, Bossard has for many years consistently concentrated on its core business of nuts, bolts, rivets and similar, putting its main focus on industrial production requirements. However, as the material value of the fastening elements is much lower than the costs for procuring, warehousing and handling, we help our customers to automate their order and supply processes. To this end Bossard developed a unique shelf system called SmartBin®. As soon as the bin need replenishing, the system automatically triggers an order for the small parts required by the customer and Bossard supplies them. In 2007 we reached another milestone: we have now installed 100,000 SmartBins. The rage of products has also risen strongly. We now supply our customers worldwide with more than 100,000 standard and special fastening parts.

Our strength is developing products and services ideally suited to the core requirements and processes of our customers. We offer easy and reliable supply together with top quality standards and excellent service. We now have 10,000 customers worldwide who need just that. However, our industrial customers are not only interested in products, but increasingly in intelligent solutions to improve productivity, as our slogan "intelligent solutions for high productivity" indicates. That is why we have a three-tier business model made up of *product*, support intensive *engineering* and *logistics*. Thanks to the skills we have developed in these three sectors and through networking them, our customers benefit from more rational manufacturing and production processes. They save money. Often the saving is higher than the purchasing value of the fasteners. Despite automated supply processes, one thing has remained unchanged: direct customer relations. It is essential to maintain an open dialogue with our customers' decision makers. Close cooperation with customers give us the necessary insight into their organizational and production processes. The long-term nature of this cooperation creates trust, the joint target of improving efficiency brings the two parties together and establishes a clear focus. All this allows us to present our customers with innovative and precise products and services to which they often react with amazement and enthusiasm. In brief: we make our customers successful because our solutions provide value added and thus give them a competitive edge.

**Market Development – Generally very Satisfying**

Economic growth worldwide favored demand in most of the markets relevant for us, particularly in Europe, where growth in the more developed areas was stronger than anticipated. Apart from the advantageous economic climate, we grasped our opportunities and increased our profitability through our own efforts. Overall, we achieved organic growth in Europe of 16.3 percent (2006: 15.5 percent).

In Asia, too, most of the emerging markets showed continuing strong demand. It must be admitted, however, that in this region we did not benefit quite as much from the positive market environment as we have in the past few years. The past year was a year of consolidation. Given the size our business units have now reached in Asia, it is essential to introduce the IT platform used throughout the Group. The aim is to further increase productivity and profitability in Asia and to optimally utilize the growth potential in the booming Asian markets. At the end of the year we successfully implemented our ERP system in Bossard China, the first business unit in Asia to be so equipped. At the same time we adjusted all the procedures to the new processes. The fact that we achieved sales growth of 35 percent there despite preliminary projects and redesigning central organizational processes gives us confidence for the future. In the remaining business units in Asia process optimization will be implemented during 2008 and 2009. We suffered a setback in India, so far our most successful business unit. Here we lost a specialized customer segment to two manufacturers who built up a specific production facility in India for large-volume parts. We are also not satisfied with developments in Taiwan and Korea. Sales in both regions declined because operations were moved to China and projects were postponed. Conversely, sales development in Thailand and Singapore was very satisfactory.

Bossard developed better in America than anticipated: sales in local currency fell by just under 3 percent (in CHF 7 percent) which was less than expected. We benefited from the good development of a major customer, who was not seriously affected by the downturn in the economy. Moreover, we completed our restructuring program on time and within budget. Now that the various U.S. companies have been united into one powerful and dynamic unit, Bossard North America, we have a strong base from which we can grow profitably in this market.

### Strong Corporate Culture creates Strength from within

Integrity, teamwork, high commitment and a winner's mentality are the central factors for success in our corporate culture. In a company that operates globally, these elements form the entrepreneurial spirit that motivates our employees. This spirit is already widespread and we want it to become an even stronger bond within Bossard worldwide. To this end we support our employees on an individual basis. We encourage them to play an active role in the company and motivate them to participate in cross-departmental, interregional projects. We are convinced that this approach leads to a rewarding exchange of know-how and experience. Moreover, we foster young management staff in their careers within the company. In the past three years we managed to fill 90 percent of the top positions in the Group with our own people. They were not only qualified in technical terms but, in their model role, they strengthened our corporate culture.
Open communication, mutual understanding and support, consistent focus on results and a healthy portion of self-confidence create an environment for success. It is most reassuring to see how our active lived Bossard corporate culture is becoming a catalyst for greater achievement.

### Good Prospects – Even in dynamic Markets

In 2007, thanks to above-average performance and a favorable market development we reached the best financial result in the company's history. An equity ratio of around 47 percent and the low net debt underscore the Group's healthy financial base.
This result, which is substantially above expectations, was only partially recognized by the financial market in 2007 with a share price increase of just under 7 percent. The threat of an imminent recession and strong fluctuations on the financial markets overshadowed the pleasing development of our company.
Bossard is in a good starting position for developing further. We will certainly not rest on our laurels; we will strive for further success. But we will continue to pursue our proven strategy: our focus is on sustainable, profitable and especially organic growth. We will give priority to efforts aimed at further enhancing our operational business. For this we can build on our innovative, market- and customer-oriented services and, additionally, we can reproduce our successful business model in Bossard's younger markets in Eastern Europe, North America and Asia.
Our main business segment, the OEM around the globe, will always be subject to cyclical fluctuations. These will impact on our results, but not on our strategy. We are ready to take today's trends as a basis for developing products and services that will be competitive tomorrow and thus to grasp the opportunities the market offers.

We shall work on these premises:
Given the global growth of the world economy to be expected in the next few years, eminent market research organizations assume that demand for fastening technology products will increase annually by 4 percent to 6 percent. With an estimated total market potential of USD 44 billion, roughly half of that is relevant market potential for us.
Globalization is forcing our customers to become more competitive. Hence nationally oriented companies are being forced to internationalize their production efforts. They are looking for possibilities to increase productivity. This is where we, as a competitive, dynamic and interna-

The Board of Directors from left to right:

| | |
|---|---|
| Rolf E. Thurnherr | Helen Wetter-Bossard |
| Dr. Beat E. Lüthi | Urs Fankhauser |
| Erica Jakober | Anton Lauber |
| Dr. Thomas Schmuckli | |

tional partner with strong local networks can offer invaluable support.

Our strengths force our competitors to also develop an international base. If they want to remain competitive they will have to invest substantially in IT systems which we have already implemented. To reposition themselves successfully would be a tremendous challenge in organizational and financial terms because the vast majority of possible competitors are nationally oriented SMEs with limited financial means.

We are very well positioned to make the most of the opportunities these trends offer. We have been successfully active on the market for more then 175 years. We have always been pioneers and innovators. Such strengths together with the robust state of our company are clear signals that we are equipped to reach our target in the future, just as we did in the past: we want to grow steadily and profitably.

**A triple Thank-you**

First of all our thanks go to our employees around the globe for their remarkable commitment in the past year. Our thanks also go to our customers, especially for their confidence in us and their constructive cooperation. We are pleased and honored that they again chose to present us with awards in 2007. This motivates us even more strongly to invariably give of our very best. Top performance, intelligent solutions and reliable service is what our customers deserve and what we promise to deliver.

Finally we would like to thank you, our shareholders, for your confidence in us and for your loyalty.

Dr. Thomas Schmuckli
Chairman

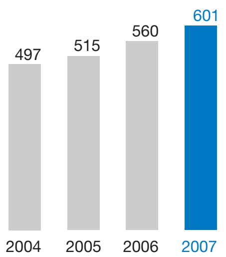
David Dean
CEO

# 2007 – a further year of records

## – Record sales, up 7.4 percent
## – Marked increase of operating profit and consolidated net income
## – Restructuring in America concluded successfully
## – Group's profitability improved noticeably

Bossard Group again reported record sales for 2007. Compared to 2006, sales were up from CHF 560 million to a best ever total of CHF 601 million. This is an increase of 7.4 percent in Swiss francs and of 7.2 percent in local currencies. This result is entirely based on organic growth.

SALES IN CHF MILLION




### Pleasing Growth in Europe

Sales in Europe rose form CHF 298.1 million in 2006 to a new record high of CHF 346.7 million. After growth of 15.5 percent in the prior year, there was again a double-digit rise in sales in the reporting year of 16.3 percent in Swiss francs and 13.3 percent in local currencies. Europe's share of total Group sales was up from 53 percent to 58 percent. Eastern Europe was the main contributor to this growth. Southern Europe and Scandinavia also grew strongly. And double-digit growth was reported by many of the other regions. This pleasing development is partially attributable to the favorable economic environment. However, it also demonstrates that Bossard was ready to take advantage of its opportunities and that it was well positioned in the decisive regions.

### America – Declining Sales halted

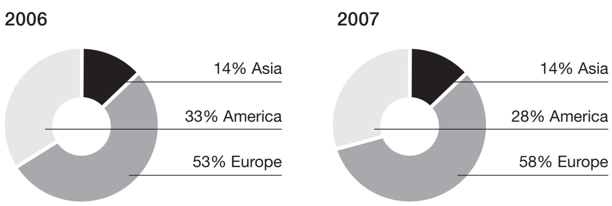
In America sales fell by CHF 12.9 million to CHF 168.4 million. In local currency this was only a drop of 2.8 percent. This was less than anticipated, because demand from individual customers developed much better than they had forecasted. The American share in total Group sales decreased from 33 percent to 28 percent.

| IN CHF MILLION | 2007 | 2006 | CHANGE IN CHF | CHANGE IN LC |
|---|---|---|---|---|
| Europe | 346.7 | 298.1 | 16.3 % | 13.3 % |
| America | 168.4 | 181.3 | –7.1 % | –2.8 % |
| Asia | 85.7 | 80.1 | 7.0 % | 5.4 % |
| Group | 600.8 | 559.5 | 7.4 % | 7.2 % |

### Asia – Growth slowed somewhat

In Asia sales rose by 7 percent to CHF 85.7 million. However, sales remained below expectations. In India Bossard lost a special customer segment to two local manufacturers, which led to a drop in sales compared to the prior year. Conversely, good growth rates were again achieved in China, Singapore and Thailand. Overall, the economic environment was robust. Asia's 14 percent share of total Group sales remained at the prior year's level.

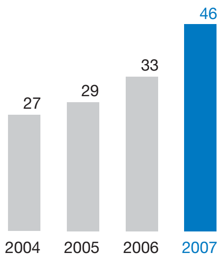
GEOGRAPHIC SALES DISTRIBUTION



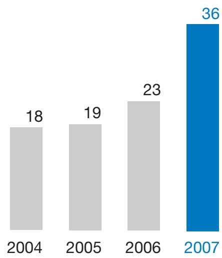

### Increased Gross Profit despite Pressure on Margins

As in 2005 and 2006, prices for raw materials again rose steadily in 2007. This put further pressure on margins because the increases in prices could only partially be

OPERATING PROFIT




NET INCOME




passed on to the customers, and then with a certain time lag. Despite this we managed to maintain the gross profit margin of 35.2 percent at close to the prior year's level. In absolute figures gross profit rose by 7.3 percent from CHF 197.4 million to CHF 211.8 million.

### Favorable Development of Operating Costs

In the past business year, operating costs before depreciation and amortization amounted to CHF 152.6 million. This is a minimal increase and, in relation to sales, it is even less than proportional. Operating costs in relation to sales were down from 27.2 percent to 25.4 percent. The reason for this positive development is primarily attributable to the measures to improve profitability implemented in America. The restructuring costs of CHF 5.3 million were within budget and, moreover, the entire reorganisation was completed on schedule. Measured against sales, personnel expenses fell from 19.6 percent to 18.5 percent. At the end of fiscal 2007, the Group employed 1,773 people worldwide. This is a slight decrease of 2.5 percent.

### Record Operating Profit

In the reporting year, ordinary operating profit climbed from CHF 33.1 million to a record high of CHF 46.5 million. Thus the good 2006 result was surpassed by more than 40 percent. At the same time the operating profit margin improved from 6.2 percent to 8 percent. After restructuring costs, operating profit amounted to CHF 41.2 million, an increase of 81.5 percent as against the prior year. The fact that the Group again achieved double-digit sales growth in Europe primarily led to this more than proportional increase. Stringent cost management and the utilization of productivity reserves also contributed to the higher operating profit.

Operating profit in Asia declined. One of the factors for this development in the Far East was the introduction of our ERP system in China, for which costs in the amount of CHF 0.8 million were incurred. The measures implemented in America bore fruit in the past year and operating costs were cut further. Despite a 7.1 percent decrease in sales in 2007 and a drop of 9.5 percent in 2006, operating profit was improved further. Even if the result is not yet satisfactory, developments in fiscal year 2007 in America justify our optimism for the future.

### Financial Result improved slightly

Financial expenses rose by CHF 1.4 million as a result of increased funds employed and higher interest rates. These higher expenses were more than compensated by the yield from foreign exchange management. Net financial expenses amounted to CHF 3.6 million, CHF 0.3 million lower than in 2006.

### Taxes

Tax expenditure amounted to CHF 7 million compared to CHF 6.6 million in the prior year. The tax ratio fell from 35 percent in 2006 to 18.7 percent in 2007. This decrease is attributable to the noticeably higher operating result and to lower restructuring costs compared to the prior year.

### Consolidated Net Income reached a Record High

Ordinary consolidated net income amounted to CHF 35.9 million. This is a profit increase of 58.7 percent compared to the prior year and by far the best result achieved in the company's history. For the first time the profit margin of 6.2 percent was clearly above the defined target of 5 percent. Consolidated net income after exceptional items was up from CHF 12.2 million to CHF 30.6 million, more

Executive Committee from left to right:

| | |
|---|---|
| Peter Erlangsen | Beat Grob |
| Stephan Zehnder | David Dean |
| Scott W. Mac Meekin | Julius Brun |

than double the prior year's result. This adjusted result is also unique in Bossard's history.

**Balance Sheet**

Total assets rose year on year by 3.9 percent from CHF 398.1 million to CHF 413.5 million. This increase is primarily attributable to higher net current assets, which is also a result of the positive business development. Equity rose from CHF 172.7 million to CHF 194.1 million. Compared to the prior year, the capital ratio was up by 3.5 percentpoints to 46.9 percent, and the gearing (net debt/ equity) dropped from roughly 0.7 to below 0.6.

Accordingly, this record result impacted positively on profitability. We achieved two further records: the return on equity (ROE) rose from 13.2 percent to 19.6 percent, and the return on capital employed (ROCE) rose from 8.8 percent to 13.1 percent.

**Higher Sales put Pressure on Cash Flow**

The cash flow from operations before changes in net working capital rose by CHF 12.3 million to CHF 49.6 million. The marked increase in net working capital impacted negatively on the development of the cash flow from operations. Compared to the prior year this fell from CHF 27.9 million to CHF 16.1 million. The main reason for this decrease is higher inventories resulting from the positive business development and the higher raw material prices. However, turnover of inventories improved.

The cash flow from investing activities fell from CHF 13.1 million in 2006 to CHF 10.7 million. This is primarily attributable to lower purchases in equipment and to lower payments for purchases in investments. The purchase volume of CHF 10.7 million mainly includes replacement of equipments and an increase from 80 percent to 100 percent in the holding in Sal-Pol Sp.Z o.o., Radom, Poland.

The Group reached a free cash flow of CHF 5.3 million compared to CHF 14.8 million in 2006.

More funds were tied up through the increase in net working capital. Despite this, the net debt decreased from CHF 113.6 million to CHF 112.3 million. Moreover, with 51 percent the capital employed was slightly below the prior year's level.

**Prospects**

We want to continue our successful market development in 2008. The orders in hand for many of our customers is high and the orders we received in the past few months gives cause for optimism. Despite this, our customers are showing less confidence than last year and they are much more cautious in their forecasts regarding future developments. The turbulences in the financial sector and the current signs that global economic growth is slowing down have led to insecurity in the other sectors of industry. Certainly many of our customers anticipate slower growth for the entire year.

Despite such careful general forecasts and a more cautious attitude among our customers our target for 2008 – given an unchanged foreign exchange environment – is organic growth in a range of 5 percent and a further increase in profit beyond sales growth.

# Bossard – The best Connection for you

Bossard, with sales of CHF 601 million, is one of the world's leading suppliers of fasteners. In its warehouse in Zug Bossard has 50,000 different fastener parts in stock, and worldwide it can supply more than 100,000. Every year, 20 billion fasteners "flow" out of Bossard's worldwide warehouses, bound for the manufacturing facilities of major multinational enterprises.

Fasteners may not be everything, but next to nothing works without fasteners: razors, lawn mowers, tractors, trains, computers and printers – all of them, products which are essential in our everyday lives. But hardly anyone thinks of the universal product behind these daily necessities: the fastener, or the connection. Yet fasteners are more than a mere product. They are a key product. Indeed, one might almost say that they are a natural resource like electric power or water. If they flow erratically production slows down, if they don't flow at all production breaks down: "The most expensive fastener is the one that's not there".

## Bossard: more than "just" fasteners…

Only a steady flow of high-quality fasteners that never dries up guarantees efficient production and maintenance:

- high-quality fasteners mean durable products,
- a sophisticated logistics system means steady supply and minimal inventories,
- practical engineering means cost savings – even during the planning and preliminary work processes.

And it is these three sectors that make up Bossard's service package, worldwide:

1. Product
2. Logistics
3. Engineering

**1. Bossard's Product**

Reliable Quality at lower Cost

Quality and safety by Bossard: Bossard fulfills the quality criteria of ISO 9000 worldwide. Over and above this, country-specific certification releases the customer from cost intensive testing. For multinational corporations, the fact that they can rely on identical quality worldwide builds confidence.

Rapid Documentation

The customer knows where he stands at any time and anywhere in the world: Bossard product documentation is available in various languages on the Internet around the clock – or, of course, in printed form.

Comprehensive Supply Guarantee

Bossard draws on some 2,500 "sources" for its "fastener resource" – on the suppliers. A global procurement network ensures guaranteed supply. Because there are several sources of supply for every fastener, production can keep rolling. Since the product itself, for example the fastener, only accounts for 15 percent of the customer's total fastening costs (the remaining 85 percent come from procurement, testing, inventories, assembly logistics and similar), savings and efficiency start with the right logistics and with innovative engineering.

**2. Bossard's Logistics**

Ordering high-quality fasteners is good; ordering high-quality fasteners automatically is even better.

## It's the details that put up the costs – but not with Bossard

Because Bossard provides: **SmartBin**

A fully automatic inventory and ordering system. Never again those bottlenecks in the supply of fasteners, no large inventories ever again. SmartBin will save you up to 50 percent of the process costs.

Bossard Inventory Management (BIM)

This is Bossard's smart logistics system for all management-intensive C-parts (high volume, low value), not only for fasteners. With BIM the customers have the procurement costs for all C-parts under control.

### 3. Bossard's Engineering

It's good to use Bossard's logistics systems to save time and to keep down costs and inventories. It's even better to consult Bossard's engineering and development specialists. During the planning and preliminary work processes Bossard's specialists can identify more efficient fastening possibilities and

- can simplify production and assembly by using multi-functional fasteners,
- enhance corrosion and fastening protection, improve assembly conditions, and thus enhance quality.

Bossard helped a transformer manufacturer to construct his product using only 395 different type of fasteners instead of 556. Consequently, process costs (for example procurement, logistics, testing, assembly) fell by 26 percent.

**In a nutshell: Bossard's fasteners and fastening technology enhance quality, efficiency and supply security and, at the same time, cut costs.**

Innovation

Bossard's innovative spirit is legion. Ingenious logistics and engineering solutions have made Bossard an essential partner for many major companies. The figures speak for themselves: so far Bossard's customers have installed no fewer than 100,000 SmartBins, thus setting new logistics standards. In 2007, Bossard received the Swiss Federal Railways (SBB) "Best Services Provider" award for its innovative and trouble-free logistics (see box, page 20).

A reliable Partner throughout the World

Being a global player means feeling at home in different time zones, in foreign languages and in multicultural environments. As a company with global operations Bossard is just as well acquainted with global requirements as its global customers are. And wherever they are located, companies operating globally can rely on Bossard's quality and presence:

- in Europe, America and Asia there are strong Bossard companies to provide customer support.
- in other markets Bossard has established a network of alliances to provide "the right connection".

In other words: Bossard is not just strong locally, it is quite simply the natural supplier of products and services for companies operating worldwide.

# "Tiny fastener, huge effect"

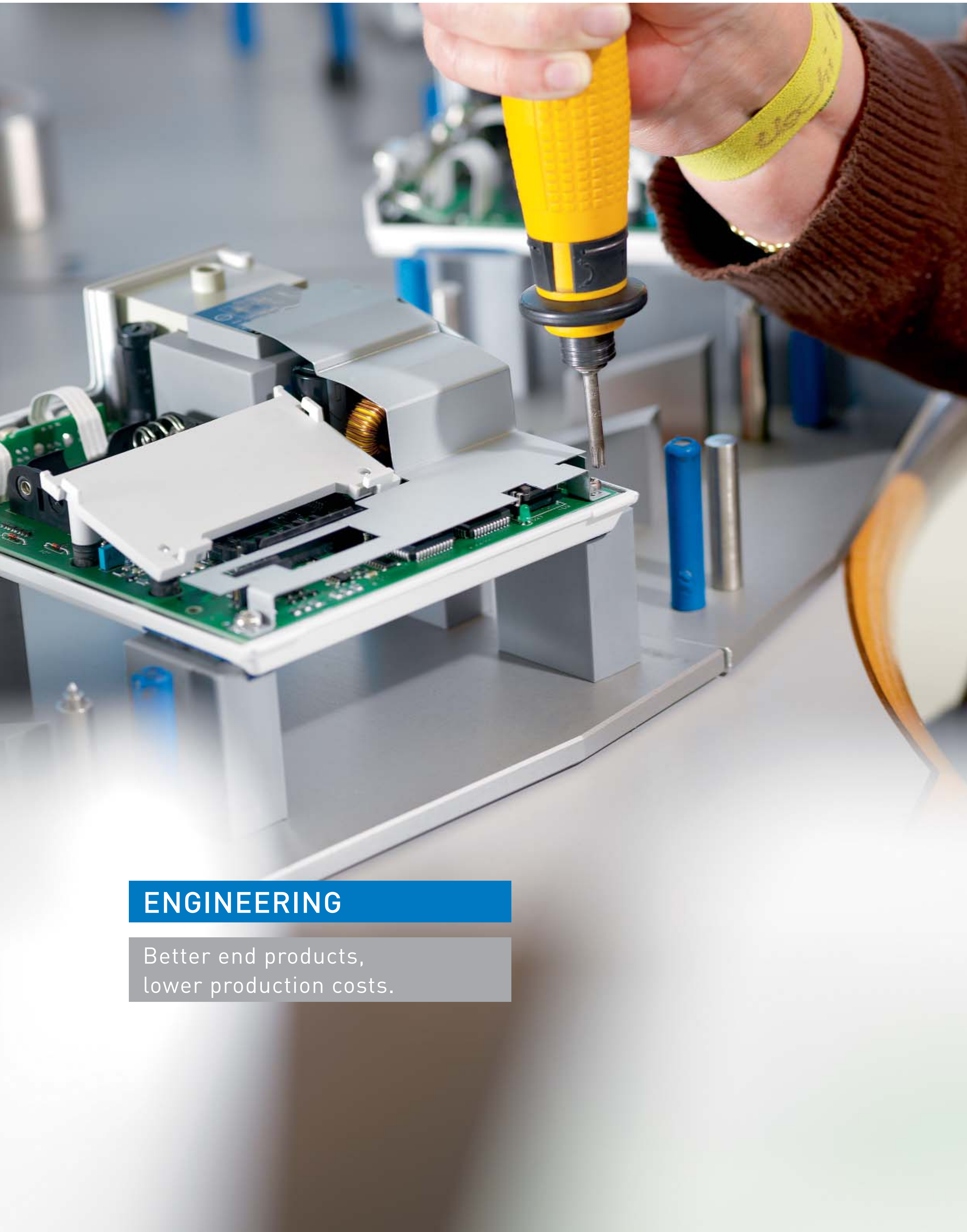
Mettler-Toledo's XP analytical balances measure tiny samples to a weight of 0.000013 grams.

# PRODUCTS

Easy and reliable procurement with the same high quality worldwide.

## “Precision measurement: consistently high accuracy”

The quality of a balance also depends on which fastener was used during the assembly process. Its specifications such as its weight have a decisive impact on accuracy. That is why it is essential for Bossard to supply fasteners exactly as specified and with no quality deviations of any kind.



# ENGINEERING

Better end products,
lower production costs.

## "Non-toxic and corrosion-proof: thanks to a special fastener coating"

In the first place a fastener's coating serves as protection against corrosion. Corrosion changes the nature of the fastener because the weight of corrosion is not the same as that of iron. And, in turn, the weight affects the quality of a balance. Together with Bossard a coating was developed that reliably protects the fastener against corrosion and yet is not toxic.


LOGISTIC
Higher productivity,
lower inventories.

# "Inventory bottlenecks: that is a thing of the past"

To assure on-time delivery, stocks of even the smallest part must never drop to zero. Bossard's logistics system recognizes a supply bottleneck before it can occur and thus guarantees a smooth production process.

# Bossard and the Swiss Federal Railways (SBB)

Bossard fasteners keep the world's cogs rolling, and this includes SBB's rolling stock. With some 3,500 different fastenings, Bossard Switzerland ensures that SBB's trains stay on their rails and that every year some 285 million passengers and 56 million net tons of cargo remain on the move.

**SBB: It is the right Connection that counts**

Bossard's fasteners and fastening technology are used in maintenance work on vital rail systems such as bogies and brakes. The right fastener at the right time in the right place plays a major role in terms of safety and reliability, not to mention punctuality.

Fascinating Bossard innovations such as automatic inventory management ensure that at SBB's maintenance sidings an adequate number of the right fasteners is always available. The fastener bins used by the maintenance engineers are continually weighed. If the weight falls below a given minimum, replacement fasteners are automatically ordered electronically until the bin has reached its maximum weight and is filled with the correct fasteners. No wonder Bossard chose to call this fully automatic electronic system SmartBin.

Bossard's innovative spirit has been recognized and rewarded: Bossard was named the "Best Services Provider" for 2007 by the Swiss Federal Railways (SBB).

# The Power of a sustainable Corporate Policy

At Bossard we live our philosophy and cultivate our relationships. Our company-wide system of values creates a sense of identification, of direction and of support. Our business related, social and ecological corporate culture provides value added for all parties concerned.

**An attractive Employer**

Social responsibility has always been one of Bossard's guiding principles. Our corporate culture is built on mutual trust and respect. Today a climate of trust can almost be called an economic principle, a company needs loyalty to survive. Contented employees give a company a decisive competitive edge. Our employees know the management's long-term targets and strategy – management and superiors are aware of the employees' expectations. This open approach promotes commitment, creativity and efficiency. For Bossard gender equality is a matter of course: performance is the central component for determining compensation. We see our employees at all levels as the actual vehicle for economic success. Our credo: we want to enable our employees to achieve success and to participate in it. Our aim: we want to make top connections.

**Continuing Training is not an Expense, it is an Investment**

Our employee fostering programs are based on exactly the same thinking as our sophisticated overall business solutions. Our continuing training aims at achieving competences beyond departmental skills. In-depth awareness of internal processes promotes understanding and tolerance – in fact it enables employees to work intelligently. A knowledge of our comprehensive product range gives every employee a bird's-eye view of the job required. Our interactive online training program provides a step-by-step introduction to modern fastening technology.

**Farsightedness in the Choice of Partners and the Use of Funds**

We expect permanent top quality from our suppliers. To ensure this we work with them on a partnership basis, make no quality compromises, and pursue a fair price policy. This has led to a unique global procurement network and gives us worldwide access to innovative solutions. Our customers benefit from our international approach.
We are committed to achieving long-term security, not to making quick profits. That is why we employ our funds carefully and professionally – an approach which assures our investors a fair return and which generates sustainable growth.

**Our Contribution to the Public Sphere and the Environment**

Since we are a part of society ourselves, we readily accept our responsibilities and we see ourselves as a company which can and will contribute to social change: through our actions we have a dynamic and sustainable impact on our social and ecological environment.

# Sharing Know-how and Experience

### Fastener Catalogue

- Bossard's catalogue: the standard work for fastening technology, is available in hard copy and online

### e-solutions

- Bossard-Shop: the online catalog which includes the chance of placing orders online
- Smart Purchasing: paperless shopping; suppliers offer their products over the internet – our buyers evaluate the bids electronically (password protected)
- Bossard-Train: e-learning software for Bossard employees, set up to widen the know-how about our products
- Bossard-CAD: the electronic CAD library on fastening technology
- Partner Page: an extranet for our customers, to allow them to exchange documents and information (login required)
- SmartBin: fully-automatic system which uses sensors to continuously monitor inventory status and which can automatically place an order when the need arises
- BIM: Bossard Inventory Management, the comprehensive management system for C-parts

### Bossard Internet Portal

- Information on products and services
- Online ordering of documentation
- Contact addresses for specialists at headquarters and locally
- Information on Bossard Group

### Technical Information

- Thema B: technical information on special aspects of fastening technology; practice related, open, professional:
  - securely fastened joints
  - corrosion resistant fastened joints
  - multifunctional fastening technology
  - cost saving potentials in logistics
- Product literature: technical documentation and product range overview of numerous products
- Technical seminars: platforms where experience and expertise in terms of assembly methods, material issues, cost saving potentials is exchanged with our partners

### Technical Testing

- Testing and measuring laboratory: a laboratory with ISO/IEC 17025 accreditation to verify material, mechanical properties and product standard requirements
- Chemical analyses: to test the chemical composition of metallic materials using a spectrometer
- Torque evaluation: to assure assembly requirements; we apply torque measuring equipment specially developed for Bossard
- Mechanical property/material testing: to verify tensile strength, hardness, corrosion protection and plating thicknesses, etc.

For further information and to order printed matter: www.bossard.com

**“Precision measurement: consistently high accuracy”**
The quality of a balance also depends on which fastener was used during the assembly process. Its specifications such as its weight have a decisive impact on accuracy. That is why it is essential for Bossard to supply fasteners exactly as specified and with no quality deviations of any kind.

**“Non-toxic and corrosion-proof: thanks to a special fastener coating”**
In the first place a fastener's coating serves as protection against corrosion. Corrosion changes the nature of the fastener because the weight of corrosion is not the same as that of iron. And, in turn, the weight affects the quality of a balance. Together with Bossard a coating was developed that reliably protects the fastener against corrosion and yet is not toxic.

**“Inventory bottlenecks: that is a thing of the past”**
To assure on-time delivery, stocks of even the smallest part must never drop to zero. Bossard's logistics system recognizes a supply bottleneck before it can occur and thus guarantees a smooth production process.

Annual Report 2007

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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 und im Internet unter
www.bossard.com erhältlich.

# FINANCIAL REPORT 2007

BOSSARD

# Key Figures

| IN CHF 1,000 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Gross sales | 600,821 | 559,541 | 514,943 | 497,314 | 433,404 |
| Change to prior year in % | 7.4 | 8.7 | 3.5 | 14.7 | –3.5 |
| Net sales | 578,256 | 536,830 | 497,084 | 480,534 | 416,749 |
| Gross profit | 211,782 | 197,438 | 182,561 | 180,794 | 156,615 |
| Personnel expenses | 111,267 | 109,710 | 100,438 | 100,370 | 89,827 |
| in % of gross profit | 52.5 | 55.6 | 55.0 | 55.5 | 57.4 |
| Ordinary EBIT | 46,485 | 33,081 | 29,029 | 27,170 | 15,879 |
| in % of net sales | 8.0 | 6.2 | 5.8 | 5.7 | 3.8 |
| EBIT after exceptional items [9] | 41,164 | 22,687 | 31,131 | 27,170 | 15,879 |
| in % of net sales | 7.1 | 4.2 | 6.3 | 5.7 | 3.8 |
| Ordinary net income | 35,869 | 22,599 | 18,749 | 18,222 | 9,502 |
| in % of net sales | 6.2 | 4.2 | 3.8 | 3.8 | 2.3 |
| Net income after exceptional items [9] | 30,548 | 12,205 | 20,851 | 18,222 | 9,502 |
| in % of net sales | 5.3 | 2.3 | 4.2 | 3.8 | 2.3 |
| Cash flow [1] | 43,277 | 24,333 | 31,508 | 28,348 | 20,119 |
| in % of net sales | 7.5 | 4.5 | 6.3 | 5.9 | 4.8 |
| Capital expenditures | 10,687 | 12,799 | 20,385 | 16,847 | 4,506 |
| Operating net working capital [2] | 229,337 | 203,211 | 190,950 | 167,219 | 154,115 |
| in % of gross sales | 38.2 | 36.3 | 37.1 | 33.6 | 35.6 |
| Net debt | 112,330 | 113,620 | 123,226 | 104,154 | 103,719 |
| Shareholders' equity | 194,126 | 172,744 | 169,309 | 147,284 | 138,978 |
| in % of total assets | 46.9 | 43.4 | 43.7 | 42.7 | 42.4 |
| Total assets | 413,546 | 398,111 | 387,007 | 344,803 | 327,405 |
| Return on equity [3] | 19.6 | 13.2 | 11.8 | 12.7 | 6.9 |
| Return on average capital employed (ROCE) [4] | 13.1 | 8.8 | 8.4 | 8.7 | 4.9 |
| Dividend yield (Basis: price at Dec. 31) | 3.4 | 2.1 | 2.9 | 2.6 | 1.5 |
| Earning per share [3] [5] [6] | | | | | |
| Baerer share in CHF | 11.80 | 7.44 | 5.87 | 5.99 | 3.16 |
| Registered share in CHF | 2.36 | 1.49 | 1.17 | 1.20 | 0.63 |
| Price/Earnings ratio (Basis: price at Dec. 31) [3] | 7.4 | 10.9 | 13.6 | 11.7 | 17.4 |
| Price/Book value per share | 1.3 | 1.4 | 1.4 | 1.4 | 1.2 |
| Annual weighted average number of employees [7] | 1,754 | 1,695 | 1,607 | 1,441 | 1,277 |
| Net sales per employee [8] | 329.7 | 316.7 | 309.3 | 333.5 | 326.4 |

1) Net income after exceptional items + depreciation without amortization of goodwill
2) Accounts receivable, inventories less accounts payable
3) Basis: Ordinary net income
4) Basis: Ordinary EBIT
5) Basis: Average capital entitled to dividend
6) Basis: Share attributable to Shareholders of Bossard Holding AG
7) Average full time equivalent
8) Basis: Annual weighted average number of employees
9) Ordinary profit less exceptional items – 2007/2006: Restructuring expenses America; 2005: Capital gain from sale of investment

# Contents

# Consolidated Balance Sheet

| IN CHF 1,000 | NOTES | 31.12.2007 | 31.12.2006 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | 10,906 | 8,805 |
| Financial assets held for trading | 5 | 146 | 142 |
| Accounts receivable, trade | 6 | 99,845 | 97,116 |
| Other receivables and prepaid expenses | 7 | 8,470 | 8,373 |
| Inventories | 8 | 169,109 | 153,398 |
| | | **288,476** | **267,834** |
| **Long-term assets** | | | |
| Property, plant and equipment | 9 | 70,454 | 71,990 |
| Intangible assets | 10 | 48,655 | 52,313 |
| Financial assets and joint venture | 11 | 2,732 | 2,946 |
| Deferred tax assets | 12 | 3,229 | 3,028 |
| | | **125,070** | **130,277** |
| **Total assets** | | **413,546** | **398,111** |
| **Liabilities and shareholders' equity** | | | |
| **Current liabilities** | | | |
| Accounts payable, trade | 13 | 39,617 | 47,303 |
| Other liabilities and accrued expenses | 14 | 33,143 | 29,494 |
| Tax liabilities | | 6,978 | 7,700 |
| Provisions | 15 | 3,026 | 3,730 |
| Short-term debts | 16 | 66,988 | 68,357 |
| | | **149,752** | **156,584** |
| **Long-term liabilities** | | | |
| Long-term debts | 17 | 56,248 | 54,068 |
| Other liabilities | | 2,237 | 3,771 |
| Provisions | 15 | 2,795 | 3,235 |
| Deferred tax liabilities | 12 | 8,388 | 7,709 |
| | | **69,668** | **68,783** |
| **Total liabilities** | | **219,420** | **225,367** |
| **Shareholders' equity** | | | |
| Share capital | 18 | 32,000 | 32,000 |
| Retained earnings and other reserves | | 158,098 | 137,042 |
| | | **190,098** | **169,042** |
| Minority interest | | 4,028 | 3,702 |
| **Total shareholders' equity** | | **194,126** | **172,744** |
| **Total liabilities and shareholders' equity** | | **413,546** | **398,111** |

The notes on page 6 to 31 are an integral part of the financial statements.

# Consolidated Income Statement

| IN CHF 1,000 | NOTES | 2007 | 2006 |
|---|---|---|---|
| Sales | 19 | 600,821 | 559,541 |
| Sales deductions | | 22,565 | 22,711 |
| **Net sales** | | **578,256** | **536,830** |
| Cost of goods sold | | 366,474 | 339,392 |
| **Gross profit** | | **211,782** | **197,438** |
| Personnel expenses | 20 | 111,267 | 109,710 |
| Sales, marketing and administration expenses | | 22,404 | 23,003 |
| Other operating expenses | 21 | 18,897 | 19,516 |
| Restructuring expenses | 22 | 5,321 | 10,394 |
| **EBITDA** | | **53,893** | **34,815** |
| Depreciation and amortization | 9/10 | 12,729 | 12,128 |
| **EBIT** | | **41,164** | **22,687** |
| Financial income | 23 | 3,473 | 1,702 |
| Financial expenses | 23 | 7,066 | 5,617 |
| **Income before taxes** | | **37,571** | **18,772** |
| Taxes | 12 | 7,023 | 6,567 |
| **Net income** | | **30,548** | **12,205** |
| **Attributable to:** | | | |
| Shareholders of Bossard Holding AG | | 30,173 | 11,919 |
| Minority interest | | 375 | 286 |

| IN CHF | | 2007 | 2006 |
|---|---|---|---|
| Earnings per bearer share – basic[1)] | 24 | 10.03 | 3.98 |
| Earnings per registered share – basic[1)] | 24 | 2.01 | 0.80 |

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

The notes on page 6 to 31 are an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

| IN CHF 1,000 | NOTES | ISSUED SHARE CAPITAL | OWN SHARES | RETAINED EARNINGS AND RESERVES | CUMUL. TRANSLAT. DIFFERENCE | SHARE-HOLDERS BOSSARD | MINORITY INTEREST | SHARE-HOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|---|
| Balance at Jan. 1, 2006 | 18 | 32,000 | –2,083 | 162,556 | –27,697 | 164,776 | 4,533 | 169,309 |
| Translation difference | | | | | –214 | –214 | 387 | 173 |
| **Total income/(expense) recognized directly in equity** | | | | | **–214** | **–214** | **387** | **173** |
| Net income for the period | | | | 11,919 | | 11,919 | 286 | 12,205 |
| **Total recognized income and expense for the period** | | | | **11,919** | **–214** | **11,705** | **673** | **12,378** |
| Dividend | 18 | | | –6,900 | | –6,900 | | –6,900 |
| Treasury shares sold for option scheme | 28 | | 84 | 645 | | 729 | | 729 |
| Change in scope of consolidation | 25 | | | –1,268 | | –1,268 | –1,504 | –2,772 |
| **Balance at Dec. 31, 2006** | 18 | **32,000** | **–1,999** | **166,952** | **–27,911** | **169,042** | **3,702** | **172,744** |
| | | | | | | | | |
| Balance at Jan. 1, 2007 | 18 | 32,000 | –1,999 | 166,952 | –27,911 | 169,042 | 3,702 | 172,744 |
| Translation difference | | | | | –4,851 | –4,851 | 171 | –4,680 |
| **Total income/(expense) recognized directly in equity** | | | | | **–4,851** | **–4,851** | **171** | **–4,680** |
| Net income for the period | | | | 30,173 | | 30,173 | 375 | 30,548 |
| **Total recognized income and expense for the period** | | | | **30,173** | **–4,851** | **25,322** | **546** | **25,868** |
| Dividend | 18 | | | –5,117 | | –5,117 | –56 | –5,173 |
| Treasury shares sold for option scheme | 28 | | 100 | 751 | | 851 | | 851 |
| Change in scope of consolidation | 25 | | | | | | –164 | –164 |
| **Balance at Dec. 31, 2007** | 18 | **32,000** | **–1,899** | **192,759** | **–32,762** | **190,098** | **4,028** | **194,126** |

The notes on page 6 to 31 are an integral part of the financial statements.

# Consolidated Cash Flow Statement

| IN CHF 1,000 | NOTES | 2007 | RESTATED 1) 2006 | REPORTED 2006 |
|---|---|---|---|---|
| Net income | | 30,548 | 12,205 | 12,205 |
| Taxes | 12 | 7,023 | 6,567 | 6,567 |
| Financial income | 23 | –3,473 | –1,702 | –1,702 |
| Financial expenses | 23 | 7,066 | 5,617 | 5,617 |
| Depreciation and amortization | 9/10 | 12,729 | 12,128 | 12,128 |
| Interest received | | 1,918 | 940 | 1,702 |
| Interest paid | | –5,844 | –4,817 | –5,144 |
| Income taxes paid | | –7,603 | –6,447 | –5,998 |
| Other non cash expenses | | 7,261 | 12,850 | 5,990 |
| **Cash flow from operating activities before changes in working capital** | | **49,625** | **37,341** | **31,365** |
| Increase receivables | | –3,563 | –16,755 | –15,985 |
| Increase inventories | | –23,611 | –7,650 | –3,518 |
| (Decrease)/Increase payables | | –6,389 | 15,011 | 14,057 |
| **Cash flow from operating activities** | | **16,062** | **27,947** | **25,919** |
| Purchase of property, plant and equipment | 9 | –10,015 | –11,929 | –11,929 |
| Proceeds from sales of property, plant and equipment | 9 | 334 | 2,849 | 3,398 |
| Purchase of computer software | 10 | –672 | –870 | –870 |
| Payments for purchases of investments | 25 | –348 | –4,017 | –4,017 |
| Proceeds from sales of investments | 25 | – | 299 | 299 |
| Payments for foundation of joint venture | 11/23 | –354 | – | – |
| Investments in other financial assets | 11 | –1,139 | –788 | –978 |
| Divestments from other financial assets | 11 | 1,445 | 1,340 | 1,663 |
| **Cash flow from investing activities** | | **–10,749** | **–13,116** | **–12,434** |
| Decrease of debts | | –19,093 | –19,716 | –20,277 |
| Increase of debts | | 20,412 | 10,070 | 9,457 |
| Sale of treasury shares/employee options | | 851 | 729 | 729 |
| Dividends paid | | –5,117 | –6,900 | –6,900 |
| Dividends paid to minorities | | –56 | – | – |
| **Cash flow from financing activities** | | **–3,003** | **–15,817** | **–16,991** |
| Translation difference | | –209 | –88 | 2,434 |
| **Change in cash and cash equivalents** | | **2,101** | **–1,074** | **–1,072** |
| Cash and cash equivalents at Jan. 1 | | 8,805 | 9,879 | 10,019 |
| Cash and cash equivalents at Dec. 31 | 4 | 10,906 | 8,805 | 8,947 |

1) In accordance with IAS 7 the consolidated cash flow statement 2006 was newly presented.
Changes in the exchange rate contained in the translation difference were then assigned to the appropriate items in the cash flow statement.

The notes on page 6 to 31 are an integral part of the financial statements.

# Notes to the consolidated Financial Statements

**Scope of Operations (1)**

Bossard Holding AG, Zug, a Swiss company limited by shares, is the ultimate parent company of all entities within the Bossard Group (hereinafter "Bossard") of companies. Bossard is a leading distributor of fasteners and small component parts and a provider of related engineering and inventory management solutions to original equipment manufactures in three geographic regions: Europe, America and Asia.

**Basis for the Preparation of the Consolidated Financial Statements (2)**

The consolidated financial statements of the Bossard Group are based on the financial statements of the individual Group companies at December 31, 2007 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and liabilities at market value, in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB). They are prepared in accordance with Swiss law and the listing rules of the Swiss Exchange SWX. The consolidated financial statements were presented by the board of directors to the annual meeting of shareholders for their approval on March 3, 2008.

**Adoption of New and Revised International Financial Reporting Standards (IFRS) (2.1)**

In the financial year 2007, Bossard adopted the following new and revised standards and interpretations: IFRS 7, IAS 1 revised, IFRIC 8, IFRIC 9 and IFRIC 10. The adoption of these new and revised standards and interpretations has no material impact on the financial statements of Bossard.
Currently Group management is examining the influence on Bossard's financial reporting on the following new standards as well as amendments and interpretations of existing standards which are not yet applicable for Bossard and have therefore not yet been adopted: IFRS 2 revised, IFRS 3 revised, IFRS 8, IAS 23, IFRIC 7, IFRIC 11, IFRIC 12, IFRIC 13 and IFRIC 14. Group management anticipates that adopting the issued but not yet effective standards and interpretations will have no material impact on the financial statements of Bossard.

In the financial year 2006, Bossard adopted the following new and revised standards and interpretations: IAS 19 revised, IAS 39 revised, IFRS 1 revised, IFRS 4 revised, IFRS 6, IFRIC 4, IFRIC 5 and IFRIC 6. The adoption of these new and revised standards and interpretations had no material impact on the financial statements of Bossard.

**Principles of Consolidation (2.2)**

The consolidated financial statements include the financial statements of Bossard Holding AG as well as the domestic and foreign subsidiaries over which Bossard Holding AG exercises control. Group companies acquired during the year are included in the consolidation from the date on which control over the company is transferred to Bossard, and are excluded from the consolidation as of the date Bossard ceases to have control over the company. December 31 represents the uniform closing date for all companies included in the consolidated financial statements.
The purchase method of accounting is used for capital consolidation. Profits on intercompany sales not yet realized through sales to third parties as at balance sheet date are eliminated in the consolidation.

Investment in subsidiaries

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

Investments in associates

Investments in associates are accounted for using the equity method of accounting. These are entities in which Bossard has significant influence and which are neither subsidiaries nor joint ventures of Bossard. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these decisions (usually 20–50 % of voting rights). Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize Bossard's share of profit or loss of the investee after the acquisition date. Bossard did not own any investment in associates during the period under review.

#### Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting. These are contractual arrangements whereby two or more parties undertake an economic activity that is subject of joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Under the equity method, the investment in a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize Bossard's share of profit or loss of the jointly controlled entity after the acquisition date.

#### Minority interest

The Group treats transactions with minority interests as transactions with third parties. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

### Foreign Currency Translation (2.3)

The consolidated financial statements are expressed in Swiss francs ("CHF"). The functional currency of each Bossard company is the applicable local currency.
Transactions in foreign currencies are accounted for at the rates prevailing at the dates of the transactions. Items which are hedged against exchange rate exposures are translated at the hedged rate of exchange. The resulting exchange differences are recounted in the local income statements of the Bossard companies and included in net income.
Bossard companies translate monetary assets and liabilities denominated in foreign currencies to the reporting currency using balance sheet date exchange rates.
For the purposes of consolidation, assets and liabilities of foreign Bossard companies reporting in currencies other than CHF are translated to CHF at balance sheet date exchange rates, income and expense items are translated at the average exchange rate for the period, and the resulting translation differences are adjusted directly against the translation differences in shareholders' equity.
Exchange differences arising on intercompany loans that are considered part of the net investment in a foreign entity are recorded in equity.

### Accounting and Valuation Principles (2.4)

#### Cash and cash equivalents

Cash and cash equivalents are readily convertible into a known amount of cash with original maturities of three months or less. Cash and cash equivalents comprise cash at banks and on hand, deposits held at call with banks and other short-term highly liquid investments.

#### Accounts receivable

Accounts receivable are carried at invoiced amount less allowances. The allowance for bad debts is based on the aging of accounts receivable and recognized credit risks. Apart from specific allowances for known credit risks, Bossard also makes a 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 using the average purchase price methode for purchased goods which consists of product price and delivery cost (freight, customs duty, etc.) or production cost for manufactured goods.

#### Property, plant and equipment

Land is stated at cost, whereas buildings, plant, machinery, vehicles and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the expected useful life of the asset. The applicable 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 |

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

### Leasing

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

### Intangible assets

*Software*

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 Bossard and has a probable benefit exceeding the cost beyond one year. Associated costs include employees 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 ten years. They are at least reviewed for impairment at every balance sheet date and a continuing impairment gets accounted for accordingly.

*Goodwill*

Goodwill is the acquisition cost in excess of the fair value of an acquired company at the time of acquisition. The goodwill arising from the acquisition of a company is recognized under immaterial assets. Goodwill is subject to an at least annual impairment test and carried at original acquisition cost less accumulated impairment charges.

### Financial Assets

Bossard classifies its financial assets in the following categories: financial assets held for trading, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reclassifies them whenever their intention or ability change. All purchases and sales are recognized on the settlement date.

*Financial assets held for trading*

In principle, financial assets held for trading are acquired for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Derivative financial assets and derivative financial liabilities are always deemed as held for trading unless they are designated and effective hedging instruments. Financial assets held for trading are measured at their fair value plus initial transaction costs. Fair value changes on a financial asset held for trading are included in net profit or loss for the period in which they arise. Where existing, fair value corresponds to market value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Bossard provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than twelve months after the balance sheet date. These are classified as long-term assets.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity. Assets under this category are valued at amortised cost using the effective interest rate method.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not classified in any of the other categories. They are included in long-term assets unless the management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are measured at their fair value. Gains or losses on an available-for-sale financial asset are included in equity.

### Accounting for derivative financial instruments and hedging activities

All derivative financial instruments are recognized in the balance sheet 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

Borrowings are recognized initially at fair value, net of transaction costs incurred. They are subsequently stated at amortized costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless Bossard can defer the settlement of the liability for at least twelve months after the balance sheet date.

### Employee benefits

*Pension obligations*

Bossard operates a number of pension 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 "Projected Unit Credit Method", with actuarial valuations being carried out annually by an independent insurance expert. 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. Bossard's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

*Other long-term benefits*

Other long-term benefits comprise mainly length of service compensation benefits which certain Bossard companies are required to provide in accordance with legal requirements in the respective countries. These benefits are accrued and calculated using the "Projected Unit Credit Method". The corresponding liabilities are included under provision for pension and other termination benefits.

*Profit sharing and bonus plans*

Various Bossard companies have profit sharing programs and bonus plans for their employees. Such payments when made are recognized under personnel expenses in the income statement or otherwise recognised under other liabilities in the balance sheet.

### Provisions

Provisions are recognized when Bossard 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 of the obligation 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 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 recognized if the recovery is probable in medium term. 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.

### Critical accounting estimates and assumptions

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

*Impairment on Goodwill*

The Group determines at least once a year, or whenever it is indicated, whether an impairment on goodwill has occurred. This requires an estimate of the economic value of the cash generating unit to which the goodwill has been assigned. Important estimates are future cash flow and the use of an appropriate discount rate to determine present value. The actual cash flows can differ substantially from the planned values.

*Employee retirement benefit plans*

The Group has various employee retirement benefit plans for which statistical assumptions are made to estimate future developments (such as discounting rate, expected yield, assumptions on pay increases, mortality tables and the likelihood of resignations). If these parameters change because of changes in the economic situation or new market conditions, later results can deviate strongly from the expert reports and calculations. In the medium term such deviations can have a considerable impact on expenses and income from employee retirement benefit plans.

*Income taxes*

The current tax provision is calculated on the basis of an interpretation of the tax laws in the various countries. Its accuracy is then determined within the scope of the final tax estimate or by government tax audits. This can lead to substantial adjustments of tax expenditure. Moreover, determining whether admissible tax loss carryforwards and temporary differences can be capitalized requires a critical assessment of the likelihood of netting with future profits, which depends on diverse factors and developments.

### Segment reporting

The segment reporting of the Group is carried out based on the three geographical areas: Europe, America and Asia. A geographical segment is engaged in providing products or services within a particular economic environment.

### Related parties

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

### Net debt

Net debt comprises of the total of short-term and long-term debts less cash and cash equivalents.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Sales of goods are recognized when goods are delivered and title has passed. Interest income is accrued on a time basis that reflects the effective yield on the asset.

### Sales deductions

Sales deductions consist of expenditures which relate directly to sales revenue, such as cash discounts, year-end rebates, third-party sales commissions and outward freight costs.

## Financial Risk Management (2.5)

Within the scope of its international operations, Bossard is exposed to various financial risks that arise from its business activities, but also from the Group's financial activities. The Group's main financial risks include foreign exchange and interest rate fluctuations as well as the credit worthiness and solvency of the Group's counter parties.
The board of directors and the executive committee lay down the principles governing the Group's financial risk management with regard to exchange rate, interest rate, credit, liquidity and capital risks. The aim is, where necessary, to hedge against the financial risks listed above and thus to minimize any negative impact on the consolidated result and thus on the Group's performance.
Where this is considered advisable, the Group may hedge individual financial risks using financial instruments such as derivatives. However, these must be linked with the Group's business operations.
The Group has comprehensive insurance cover to safeguard itself against other risks.

### Foreign currency risk

Given its international operations, the Group is exposed to exchange rate fluctuations that impact on the Group's financial and income situation, because these are disclosed in Swiss francs. The Group continuously monitors its currency risks and, if necessary, hedges against them. Bossard has no currency holdings, or rather has no investments or commitments in currencies that show above-average volatility or must be considered high risk currencies. The Group's currency risks are essentially confined to the Euro and the U.S. dollar. Business transactions in the Group's individual companies are mainly carried out in local currency. Consequently, the currency risks for the Group's ongoing operations can basically be considered as low. In some Group companies, however, there are foreign currency risks in connection with payments outside their local currency, mainly in regard to payments to suppliers. Where necessary, parts of these foreign currency risks are hedged through foreign exchange contracts.

At December 31, 2007, the Group posted net debit balance of CHF 17.5 million (2006: CHF 7.7 million) in EUR and a net credit balance of CHF 23.6 million (2006: CHF 7.6 million) in USD. The remaining foreign currency holdings at December 31, 2007 led to a net credit balance of CHF 20.2 million (2006: CHF 5.9 million). Assuming an exchange rate increase of 1 % on the EUR portfolio, this would have a positive impact of CHF 0.2 million (2006: CHF 0.1 million) on the result; an exchange rate decrease of 4 % would additionally burden the result by CHF 0.7 million (2006: CHF 0.3 million).

An exchange rate increase of 7 % on the USD portfolio would have a negative effect on net income of CHF 1.7 million (2006: CHF 0.5 million), whereas a decrease of 5 % would impact positively with CHF 1.2 million (2006: CHF 0.4 million).

Exchange differences arising on intercompany loans that are considered part of the net investment in a foreign entity are recorded in equity. An exchange rate increase of 1 % on the EUR on these loans (net debit balance CHF 22.7 million; 2006: CHF 37.4 million) would have a positive impact of CHF 0.2 million (2006: CHF 0.4 million), whereas a decrease of 4 % would impact negatively with CHF 0.9 million (2006: CHF 1.5 million) the equity.

For loans held in USD, an exchange rate increase of 7 % (net debit balance CHF 124 million; 2006: CHF 107.9 million) would have a positive impact of CHF 8.7 million (2006: CHF 7.6 million) on equity. A decrease of 5 % would lead to a drop in equity of CHF 6.2 million (2006: CHF 5.4 million).

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

### Interest rate risk

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

With an average interest rate increase of 0.5 % the Group's result would be burdened with an additional CHF 0.6 million (2006: CHF 0.6 million). An average interest rate decrease of 1 % would impact positively on the result with CHF 1.1 million (2006: CHF 1.1 million).

### Credit risk

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

At December 31, 2007, the Group's accounts receivable trade from the agricultural manufacturer John Deere amounted to CHF 4.8 million, which accounts for 4.8 % of the Group's total accounts receivable trade (2006: CHF 3.7 million, 4 %).

An overview of the due dates for accounts receivable trade and the development of allowances is set out in note 6 (accounts receivable, trade).

### Liquidity risk

One aspect of judicious risk management is ensuring that an adequate sum can be drawn on through approved credit limits and that there is a possibility of refinancing. In order that the company is invariably solvent and financially flexible, a liquidity reserve has been established in the form of credit limits and cash in hand. Optimal liquidity control is carried out by means of cash pooling. At various banking institutes with high credit rating the Group has unused credit limits in the amount of CHF 50 million (2006: CHF 68 million).

Of the total short-term liabilities of CHF 149.8 million (2006: CHF 156.6 million), 34 % (2006: 38 %) are payable within one month, 30 % (2006: 30 %) within four months and 36 % (2006: 32 %) within twelve months. It must be noted that the deposits in personnel saving accounts (14 % share of short-term liabilities, 2006: 13 %) are reported according to IAS 1 as short-term debt due within 30 days. However, from an economical perspective the amounts are still long-term in nature.

There are no covenants attached to the credit limits available.

### Capital risk

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

Bossard Group monitors its capital structure on the basis of its equity ratio. The equity ratio is equity as a percentage of total assets. The Group's target is an equity ratio of at least 40 %. At end 2007 it was 46.9 % (2006: 43.4 %).

No covenants have been drawn on equity.

### Changes in the Scope of Consolidation (3)

As of June 14, 2007, the joint venture of 2-B-Global Fastenings Ltd, Willenhall, Great Britain, was incorporated. As of September 18, 2007, Bossard increased its share in Sal-Pol/Bossard Sp.Z o.o., Radom, Poland, from 80 % to 100 %.

As of January 1, 2006, 100 % of Böllhoff Usinec S.A., Gretz Armainvilliers, France, was acquired. As of this date the company was included in the consolidation and merged into Bossard France SAS as of December 31, 2006. As of January 1, 2006, the 50 % share hold in Hi-Tec Fastener ApS, Haslev, Denmark, was sold. In return, Bossard Denmark A/S acquired the assets of the "Industry Business Segment" of Hi-Tec Fastener ApS. As of September 29, 2006, Bossard Hungary Kft., Törökbálint, Hungary, was incorporated. It is a 100 % share of Bossard. As of November 1, 2006, Bossard increased its share in Bossard (Korea) Ltd, Anseong-City, Korea, from 55 % to 100 %.

### Cash and Cash Equivalents (4)

| IN CHF 1,000 | 2007 | INTEREST RATES % | 2006 | INTEREST RATES % |
|---|---|---|---|---|
| Cash at banks and in hand | 9,921 | 0.0 – 7.6 | 7,729 | 0.0 – 6.6 |
| Short-term bank deposits | 985 | 1.4 – 8.6 | 1,076 | 1.7 – 6.5 |
| **Total** | **10,906** | | **8,805** | |

For details of the movements in cash and cash equivalents refer to the consolidated cash flow statement (page 5).

### Financial Assets held for Trading (5)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Marketable securities | 146 | 142 |
| **Total** | **146** | **142** |

The securities are held according to legal requirements.

## Accounts Receivable, Trade (6)

| IN CHF 1,000 | | CLASSIFICATION | 2007 | 2006 |
|---|---|---|---|---|
| **Accounts receivable, trade gross** | | | 100,131 | 93,902 |
| According due date | not due | fully performing | *89,837* | *82,409* |
| | 30 days overdue | past due but not impaired | *4,571* | *5,172* |
| | 60 days overdue | individually impaired | *1,385* | *1,947* |
| | 90 days overdue | individually impaired | *840* | *835* |
| | 120 days overdue | individually impaired | *3,498* | *3,539* |
| **Notes receivable** | | | 3,383 | 6,987 |
| **Allowance for bad debts** | | | | |
| Balance at Jan. 1 | | | –3,773 | –3,386 |
| Reversals/(Additions) | | | 203 | –440 |
| Translation difference | | | –99 | 53 |
| Balance at Dec. 31 | | | –3,669 | –3,773 |
| **Total** | | | **99,845** | **97,116** |

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

## Other Receivables and Prepaid Expenses (7)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Other receivables | 2,638 | 2,423 |
| Prepaid expenses | 5,832 | 5,950 |
| **Total** | **8,470** | **8,373** |

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

## Inventories (8)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Purchased goods | 162,552 | 147,270 |
| Compulsory inventories (pledged) | 6,557 | 6,128 |
| **Total** | **169,109** | **153,398** |

## Property, Plant & Equipment (9)

| IN CHF 1,000 | LAND AND BUILDINGS | MACHINERY AND EQUIPMENT | TOTAL |
|---|---|---|---|
| **Cost** | | | |
| Balance at Jan. 1, 2007 | 79,305 | 94,280 | 173,585 |
| Translation difference | –675 | –728 | –1,403 |
| Additions | 1,376 | 8,639 | 10,015 |
| Disposals | –827 | –13,272 | –14,099 |
| **Balance at Dec. 31, 2007** | **79,179** | **88,919** | **168,098** |
| | | | |
| **Accumulated depreciation** | | | |
| Balance at Jan. 1, 2007 | 31,695 | 69,900 | 101,595 |
| Translation difference | 12 | –438 | –426 |
| Depreciation | 2,303 | 7,749 | 10,052 |
| Disposals | –819 | –12,758 | –13,577 |
| **Balance at Dec. 31, 2007** | **33,191** | **64,453** | **97,644** |
| Net book amount | 45,988 | 24,466 | 70,454 |

The insurance value of property, plant and equipment is CHF 176.6 million (2006: CHF 160.3 million).

| IN CHF 1,000 | LAND AND BUILDINGS | MACHINERY AND EQUIPMENT | TOTAL |
|---|---|---|---|
| **Cost** | | | |
| Balance at Jan. 1, 2006 | 84,256 | 89,301 | 173,557 |
| Translation difference | –942 | –1,116 | –2,058 |
| Additions | 1,991 | 9,938 | 11,929 |
| Additions consolidation scope | – | 222 | 222 |
| Disposals | –5,386 | –3,836 | –9,222 |
| Disposals consolidation scope | –614 | –229 | –843 |
| **Balance at Dec. 31, 2006** | **79,305** | **94,280** | **173,585** |
| | | | |
| **Accumulated depreciation** | | | |
| Balance at Jan. 1, 2006 | 31,729 | 66,331 | 98,060 |
| Translation difference | –55 | –686 | –741 |
| Depreciation | 2,245 | 7,225 | 9,470 |
| Depreciation due to restructuring | 261 | 502 | 763 |
| Additions consolidation scope | – | 178 | 178 |
| Disposals | –2,376 | –3,460 | –5,836 |
| Disposals consolidation scope | –109 | –190 | –299 |
| **Balance at Dec. 31, 2006** | **31,695** | **69,900** | **101,595** |
| **Net book amount** | **47,610** | **24,380** | **71,990** |

## Intangible Assets (10)

| IN CHF 1,000 | GOODWILL | SOFTWARE | TOTAL |
|---|---|---|---|
| **Cost** | | | |
| Balance at Jan. 1, 2007 | 44,357 | 36,948 | 81,305 |
| Translation difference | –1,814 | 11 | –1,803 |
| Additions | – | 672 | 672 |
| Additions consolidation scope | 184 | – | 184 |
| Disposals | – | –1,087 | –1,087 |
| **Balance at Dec. 31, 2007** | **42,727** | **36,544** | **79,271** |
| **Accumulated amortization** | | | |
| Balance at Jan. 1, 2007 | – | 28,992 | 28,992 |
| Translation difference | – | –50 | –50 |
| Amortization | – | 2,677 | 2,677 |
| Disposals | – | –1,003 | –1,003 |
| **Balance at Dec. 31, 2007** | **–** | **30,616** | **30,616** |
| Net book amount | 42,727 | 5,928 | 48,655 |

| IN CHF 1,000 | GOODWILL | SOFTWARE | TOTAL |
|---|---|---|---|
| **Cost** | | | |
| Balance at Jan. 1, 2006 | 44,325 | 36,148 | 80,473 |
| Translation difference | –1,676 | –21 | –1,697 |
| Additions | – | 870 | 870 |
| Additions consolidation scope | 1,708 | 2 | 1,710 |
| Disposals | – | –51 | –51 |
| **Balance at Dec. 31, 2006** | **44,357** | **36,948** | **81,305** |
| **Accumulated amortization** | | | |
| Balance at Jan. 1, 2006 | – | 26,131 | 26,131 |
| Translation difference | – | –53 | –53 |
| Amortization | – | 2,658 | 2,658 |
| Amortization due to restructuring | – | 296 | 296 |
| Disposals | – | –40 | –40 |
| **Balance at Dec. 31, 2006** | **–** | **28,992** | **28,992** |
| **Net book amount** | **44,357** | **7,956** | **52,313** |

No internally generated intangible assets have been capitalized during financial years 2006 and 2007. Goodwill has an indefinite life. Software has a finite life.

Goodwill is assigned to the Cash Generating Units (CGU) for reassessment. The forecast is based on growth rates between 3 % and 20 %. Cash flow projections are based on budgets over a period of five years; beyond that no further growth rates were assumed.

Key assumptions used for value in use calculation for goodwill items are:

| CASH GENERATING UNIT | CARRYING AMOUNT OF GOODWILL IN CHF 1,000 | CURRENCY | BASIS FOR RECOVERABLE AMOUNT | DISCOUNT RATE | PROJECTION PERIOD |
|---|---|---|---|---|---|
| America | 18,022 | USD | Value in use | 7.5 % | 5 years |
| Europe | 24,705 | multiple | Value in use | 7.5 % | 5 years |
| **Total** | **42,727** | | | | |

Based on the impairment tests, there was no need for the recognition of any impairment in financial years 2006 and 2007.

## Financial Assets and Joint Venture (11)

| IN CHF 1,000 | CLASSIFICATION | 2007 | INTEREST RATES % | 2006 | INTEREST RATES % |
|---|---|---|---|---|---|
| Loans and deposits to third parties | Amortized cost | 2,060 | 0.0 – 5.7 | 2,547 | 0.0 – 6.0 |
| Loan to joint venture | Amortized cost | 169 | 6.7 | – | |
| Available-for-sale financial assets | | | | | |
| Bossard + Staerkle AG, Zug, 10 % | Fair value | 360 | | 360 | |
| Others | Fair value | 39 | | 39 | |
| Investment in joint venture | Equity method | 104 | | – | |
| **Total** | | **2,732** | | **2,946** | |

Bossard holds shares in 2-B-Global Fastenings Ltd, Willenhall, Great Britain, which are accounted for by using the equity method.

| IN CHF 1,000 | 2007 |
|---|---|
| Current assets | 1,410 |
| Long-term assets | 306 |
| **Total assets** | **1,716** |
| Current liabilities | –1,509 |
| Long-term liabilities | – |
| **Total liabilities** | **–1,509** |
| **Net assets** | **207** |
| | |
| Income | 374 |
| Expenses | –874 |
| **Loss for the year** | **–500** |
| | |
| Bossard's voting rights and share of investment | 50 % |
| Net book value at year end | 104 |
| Share of loss recognized by Bossard | –250 |

The joint venture was established to serve a common account. The share of loss is recognized in the income statement as "Financial expenses – Share of loss from joint venture".

## Taxes (12)

The tax expenses consist of the following:

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Current taxes | 6,545 | 6,905 |
| Deferred taxes | 478 | –338 |
| **Total** | **7,023** | **6,567** |

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 Bossard operates as follows:

| IN % | 2007 | 2006 |
|---|---|---|
| **Average basic tax rate** | **4.8** | **–6.0** |
| Non tax deductible expenses | 0.4 | 3.0 |
| Non-taxable income | –4.9 | –4.2 |
| Expenses/(income) taxed at special rate | 0.5 | –1.5 |
| Utilization of previously unrecognized tax losses | 31.1 | 49.5 |
| Non-effective tax losses | –8.3 | –4.7 |
| Tax expenses from prior years | –2.3 | –1.8 |
| Other | –2.6 | 0.7 |
| **Effective tax rate** | **18.7** | **35.0** |

The tax rate applied is the weighted average of the local tax rates applicable in the various local tax laws. In 2007, the ratio between the results of subsidiaries with losses in countries with high tax rates and subsidiaries with profits in countries with low tax rates led to a low average tax rate. In 2006, the weighted average tax rate was negative because of the restructuring costs in America.

The deferred taxes consist of the following:

| IN CHF 1,000 | ASSETS 2007 | LIABILITIES 2007 | ASSETS 2006 | LIABILITIES 2006 |
|---|---|---|---|---|
| Accounts receivables | 312 | 131 | 390 | 124 |
| Inventories | 2,340 | 1,079 | 1,867 | 1,148 |
| Property, plant and equipment | 113 | 2,882 | 512 | 2,245 |
| Intangible assets | 161 | 2,101 | 182 | 1,833 |
| Liabilities | 303 | 2,195 | 77 | 2,359 |
| **Total deferred taxes** | **3,229** | **8,388** | **3,028** | **7,709** |
| Net | | 5,159 | | 4,681 |

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

| EXPIRY OF UNUSED TAX LOSS CARRYFORWARDS IN CHF 1,000 | WITHIN 5 YEARS | OVER 5 YEARS | TOTAL |
|---|---|---|---|
| **2007** | **7,003** | **63,729** | **70,732** |
| 2006 | 6,223 | 62,807 | 69,030 |

Deferred tax assets from tax loss carryforwards not yet used are recognized when it is likely that the tax advantage will be used in the foreseeable future. The existing corporate and financing structure severely limit or make impossible the use of existing tax loss carryforwards in the future. This fact and taking into consideration possible tax-relevant earnings developments of individual subsidiaries have led to the conclusion that utilization of tax loss carryforwards is unlikely in the foreseeable future and that thus the conditions for capitalizing any deferred tax assets are not given. In addition to tax loss carryforwards there are temporary differences in companies with tax loss carryforwards in the amount of CHF 21.8 million (2006: CHF 14.9 million). For these differences a possible deferred tax asset that can be capitalized will only arise if there seems to be a likelihood that the existing tax loss carryforwards can be used.

## Accounts Payable, Trade (13)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Accounts payable, trade | 37,352 | 42,554 |
| Notes payable | 2,265 | 4,749 |
| **Total** | **39,617** | **47,303** |

## Other Liabilities and Accrued Expenses (14)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Other liabilities | 5,615 | 4,414 |
| Accrued expenses | 27,528 | 25,080 |
| **Total** | **33,143** | **29,494** |

Other liabilities include liabilities for insurances, taxes and other creditors which are not related to the supply of goods. Accrued expenses refer to open invoices and liabilities for the reporting year as well as social security, profit sharing and bonuses for employees payable in the following year and accruals and deferrals for holiday and overtime compensation.

## Provisions (15)

| IN CHF 1,000 | RESTRUC-TURING | PENSION AND OTHER TERMINATION BENEFITS | WARRANTY PROVISIONS | TOTAL PROVISIONS | ./. SHORT-TERM PROVISIONS | TOTAL LONG-TERM PROVISIONS |
|---|---|---|---|---|---|---|
| Balance at Jan. 1, 2007 | 3,632 | 2,794 | 539 | 6,965 | –3,730 | 3,235 |
| Additions | 2,255 | 357 | 238 | 2,850 | –2,493 | 357 |
| Usage | –2,835 | –344 | –97 | –3,276 | 2,867 | –409 |
| Reversals | – | –73 | –445 | –518 | 85 | –433 |
| Translation difference | –248 | 43 | 5 | –200 | 245 | 45 |
| **Balance at Dec. 31, 2007** | **2,804** | **2,777** | **240** | **5,821** | **–3,026** | **2,795** |

| IN CHF 1,000 | RESTRUC-TURING | PENSION AND OTHER TERMINATION BENEFITS | WARRANTY PROVISIONS | TOTAL PROVISIONS | ./. SHORT-TERM PROVISIONS | TOTAL LONG-TERM PROVISIONS |
|---|---|---|---|---|---|---|
| Balance at Jan. 1, 2006 | – | 1,848 | 165 | 2,013 | –123 | 1,890 |
| Additions | 3,729 | 1,083 | 496 | 5,308 | –3,814 | 1,494 |
| Usage | – | –42 | –130 | –172 | 114 | –58 |
| Reversals | – | –157 | – | –157 | – | –157 |
| Translation difference | –97 | 62 | 8 | –27 | 93 | 66 |
| **Balance at Dec. 31, 2006** | **3,632** | **2,794** | **539** | **6,965** | **–3,730** | **3,235** |

The provisions for restructuring include expenses for restructuring Bossard's operations in North America (note 22). Pension and other termination benefits include liabilities for pension and granted legal benefits based on the affiliation to the company.

## Short-term Debts (16)

| IN CHF 1,000 | 2007 | INTEREST RATES % | 2006 | INTEREST RATES % |
|---|---|---|---|---|
| Bank overdrafts | 4,557 | 2.6 – 3.6 | 10,695 | 1.3 – 2.7 |
| Bank loans | 39,696 | 3.3 – 8.0 | 32,803 | 2.6 – 7.5 |
| Personnel savings accounts | 20,880 | 3.3 | 20,821 | 3.3 |
| Notes payable | 1,400 | 2.0 – 3.1 | 2,700 | 0.9 – 2.0 |
| Other | 455 | 1.7 – 3.9 | 1,338 | 2.0 – 8.8 |
| **Total** | **66,988** | | **68,357** | |

The personnel savings accounts include savings of employees which under IAS 1 (restated), are reported as short-term debts. From an economical perspective, these amounts are still long-term in nature.

## Long-term Debts (17)

| IN CHF 1,000 | 2007 | INTEREST RATES % | 2006 | INTEREST RATES % |
|---|---|---|---|---|
| Bank loans | 56,248 | 3.3 – 3.5 | 54,068 | 2.6 – 2.8 |
| **Total** | **56,248** | | **54,068** | |

All interest bearing bank loans are at floating interest rates. The effective weighted average interest rate on all borrowings was 4.6 % (2006: 3.7 %).

| DUE FOR REPAYMENT IN CHF 1,000 | 1-2 YEARS | OVER 2 YEARS | TOTAL |
|---|---|---|---|
| Bank loans | 56,248 | – | 56,248 |
| **Total** | **56,248** | **–** | **56,248** |
| 2006 | 54,068 | – | 54,068 |

Bank loans are due in Swiss francs. The fair value equals to the book value.

## Share Capital (18)

| DETAILS OF SHARE CAPITAL | PAR VALUE IN CHF | NUMBER OF SHARES | TOTAL IN CHF 1,000 |
|---|---|---|---|
| Registered shares | 2 | 2,700,000 | 5,400 |
| Bearer shares | 10 | 2,660,000 | 26,600 |
| **Total** | | | **32,000** |

189,794 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.
The consolidated retained earnings and reserves include non-distributable legal reserves of CHF 22 million (2006: CHF 22 million).

### Dividend

The board of directors of Bossard Holding AG will propose a dividend of CHF 3.00 (2006: CHF 1.70) per bearer share and CHF 0.60 (2006: 0.34) per registered share to the shareholders at the forthcomming annual general meeting.

## Segment Information (19)

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

| | EUROPE | | AMERICA | | ASIA | | ELIMINATIONS | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| IN CHF MILLION | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Sales to third parties | 346.7 | 298.1 | 168.4 | 181.3 | 85.7 | 80.1 | | | 600.8 | 559.5 |
| Sales inter-segment | 6.5 | 6.2 | 0.3 | 0.7 | 0.3 | 0.4 | –7.1 | –7.3 | – | – |
| **Total sales** | **353.2** | **304.3** | **168.7** | **182.0** | **86.0** | **80.5** | **–7.1** | **–7.3** | **600.8** | **559.5** |
| Segment EBITDA | 52.2 | 37.2 | –1.2 | –6.5 | 2.9 | 4.1 | | | 53.9 | 34.8 |
| Segment EBIT | 43.6 | 30.6 | –3.3 | –10.1 | 0.9 | 2.2 | | | 41.2 | 22.7 |
| *Segment EBIT before restructuring expenses* | *43.6* | *30.6* | *2.0* | *0.3* | *0.9* | *2.2* | | | *46.5* | *33.1* |
| Finance expenses net | | | | | | | | | 3.6 | 3.9 |
| Taxes | | | | | | | | | 7.0 | 6.6 |
| **Net income for the period** | | | | | | | | | **30.6** | **12.2** |
| **Other information** | | | | | | | | | | |
| Segment assets | 227.1 | 213.1 | 124.4 | 129.1 | 56.0 | 49.9 | | | 407.5 | 392.1 |
| Unallocated corporate assets | | | | | | | | | 6.0 | 6.0 |
| **Consolidated total assets** | | | | | | | | | **413.5** | **398.1** |
| Segment liabilities | 145.6 | 136.3 | 26.4 | 36.3 | 39.0 | 45.0 | | | 211.0 | 217.6 |
| Unallocated corporate liabilities | | | | | | | | | 8.4 | 7.7 |
| **Consolidated total liabilities** | | | | | | | | | **219.4** | **225.3** |
| Capital expenditures | | | | | | | | | | |
| – Property, plant, equipment, software, goodwill | 6.4 | 8.8 | 1.1 | 2.7 | 3.2 | 3.2 | | | 10.7 | 14.7 |
| Depreciation and amortization | | | | | | | | | | |
| – Property, plant, equipment, software, goodwill | 8.6 | 6.6 | 2.1 | 3.6 | 2.0 | 1.9 | | | 12.7 | 12.1 |
| **Employees** | | | | | | | | | | |
| Annual weighted average number of employees | 709 | 696 | 376 | 391 | 669 | 608 | | | 1,754 | 1,695 |

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

**Europe:** Austria, Czech Republic, Denmark, France, Great Britain, Hungary, Italy, Poland, Slovakia, Spain, Sweden, Switzerland,

**America:** Mexico, USA

**Asia:** China, India, Malaysia, Singapore, South Korea, Taiwan

### Personnel Expenses (20)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Salaries | 89,555 | 88,793 |
| Social expenses | 13,602 | 13,639 |
| Pension expenses | 4,262 | 3,639 |
| Other personnel expenses | 3,848 | 3,639 |
| **Total** | **111,267** | **109,710** |

### Other Operating Expenses (21)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Occupancy costs | 9,175 | 9,474 |
| Insurance and charges | 3,028 | 2,654 |
| Other operating expenses | 6,694 | 7,388 |
| **Total** | **18,897** | **19,516** |

### Restructuring in America (22)

The expense of CHF 5.3 million (2006: CHF 10.4 million) refers to the restructuring program announced on October 3, 2006. The measures are intended to ensure sustainable improvement of the Group's profitability and thus of an increase of the consolidated result through better utilization of the infrastructure as well as through the concentration of the logistics and procurement organization.

As a result of the program and the related reduction of jobs and closure of various locations, fixed assets and inventories were examined for possible impairment of value. Such impairment was taken into consideration. The restructuring costs comprise the costs for the restructuring project and for the social plan for employees made redundant. In accordance with IAS 37, a provision of CHF 2.8 million (2006: CHF 3.6 million) exists, primarily for termination compensation and costs incurred for the termination of contracts (note 15).

### Financial Income/Financial Expenses (23)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| **Financial income** | | |
| Income from interests and securities | 804 | 443 |
| Income from non-consolidated investments | 286 | 268 |
| Exchange gain | 2,383 | 991 |
| **Total** | **3,473** | **1,702** |
| | | |
| **Financial expenses** | | |
| Interest expenses | 6,816 | 5,617 |
| Share of loss from joint venture | 250 | – |
| **Total** | **7,066** | **5,617** |

## Earnings per Share (24)

| | 2007 | 2006 |
|---|---|---|
| Net income in CHF 1,000 | 30,173 | 11,919 |
| Average number of shares entitled to dividend *) | 3,008,668 | 2,997,716 |
| Basic earnings per bearer share in CHF | 10.03 | 3.98 |
| Basic earnings per registered share in CHF | 2.01 | 0.80 |

*) 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 income attributable to "Shareholders of Bossard Holding AG" by the weighted average number of shares entitled to dividend during the year.

## Acquisition and Disposal of Subsidiaries (25)

In 2007 no acquisition and disposal were undertaken. As of September 18, 2007, Bossard increased its share in Sal-Pol/Bossard Sp.Z o.o., Radom, Poland, from 80 % to 100 %. The company has already been fully consolidated. The acquisition price of CHF 0.3 million was paid in cash.

During the financial year 2006, Bossard entered into the following business combinations:

| NAME | PLACE | DATE | | STRUCTURE | PURPOSE |
|---|---|---|---|---|---|
| Hi-Tec Fasteners ApS | Haslev, Denmark | 01.01.2006 | Disposal | Share deal | Trading fasteners |
| Böllhoff Usinec S.A. | Gretz Armainvilliers, France | 01.01.2006 | Acquisition | Share deal | Trading fasteners |
| Hi-Tec Fasteners ApS | Haslev, Denmark | 01.01.2006 | Acquisition | Net assets deal | Purchase of "Business Segment Industry" |
| Bossard Hungary Kft. | Törökbálint, Hungary | 29.09.2006 | | Foundation | Trading fasteners |

The assets and liabilities arose from the mentioned disposals/acquisitions 2006 are individually immaterial and in aggregated as follows:

| IN CHF 1,000 | PURCHASE OF INVESTMENTS 2006 | SALES OF INVESTMENTS 2006 |
|---|---|---|
| Current assets | 3,477 | 2,560 |
| Long-term assets | 78 | 537 |
| Current liabilities | –1,121 | –923 |
| Minority interest | – | –1,087 |
| Net assets | 2,434 | 1,087 |
| Goodwill | 1,708 | – |
| Gain on sales | – | 3 |
| **Purchase/Sales price** | **4,142** | **1,090** |
| | | |
| Cash consideration (paid)/received | –4,142 | 1,090 |
| Cash and cash equivalents acquired/(disposed) | 125 | –791 |
| **Cash (outflow)/inflow from purchase/sale of investments** | **–4,017** | **299** |

As of November 1, 2006, Bossard increased its share in Bossard (Korea) Ltd from 55 % to 100 %. The company was already fully consolidated. The purchase price of CHF 0.4 million was set off against an open receivable towards the minority shareholder.

### Financial Instruments (26)

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 | 2007 | 2006 |
|---|---|---|
| USD | 667 | 1,502 |
| EUR | 18 | 4 |
| Other | 9 | 34 |
| **Total** | **694** | **1,540** |

Open forward contracts at December 31, 2007 were as follows:

| IN CHF MILLION | CONTRACT VALUE | MARKET VALUE |
|---|---|---|
| CZK | 0.7 | 0.0 |
| **Total** | **0.7** | **0.0** |
| 2006 | –61.0 | 0.0 |

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, 2007.

Thereof the following open forward exchange contracts were designated to hedge the net investments in foreign subsidiaries at year end:

| IN CHF MILLION | CONTRACT VALUE | MARKET VALUE |
|---|---|---|
| **2007** | – | – |
| 2006 | –61.0 | 0.0 |

### Retirement Benefit Obligations (27)

Bossard 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 assets 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 annual actuarial valuations. The latest actuarial valuations were carried out as on December 31, 2007.

The amounts recognized in the income statement are as follows:

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Service expenses according to actuarial valuation | 1,833 | 1,796 |
| Interest expenses | 3,171 | 2,993 |
| Expected return on plan assets | –4,878 | –4,398 |
| **Net pension expenses** | **126** | **391** |
| Value adjustment net gain | 1,754 | 1,205 |
| **Total included in personnel expenses** | **1,880** | **1,596** |

The movement in the defined benefit obligation was as follows:

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Present value of benefit obligation at Jan. 1 | 97,174 | 91,814 |
| Service expenses | 3,729 | 3,369 |
| Interest expenses at discount rate | 3,171 | 2,993 |
| Benefits paid | –2,913 | –2,815 |
| Unrecognized actuarial (gains)/losses according to revaluation | –3,106 | 1,813 |
| **Present value of benefit obligation at Dec. 31** | **98,055** | **97,174** |

The movement in the fair value of plan assets was as follows:

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Fair value of plan assets at Jan. 1 | 107,966 | 97,564 |
| Expected return on plan assets | 4,878 | 4,398 |
| Employer contributions | 1,880 | 1,596 |
| Employee contributions | 1,896 | 1,573 |
| Benefits paid | –2,913 | –2,815 |
| Unrecognized actuarial (losses)/gains according to revaluation | –2,282 | 5,650 |
| **Fair value of plan assets at Dec. 31** | **111,425** | **107,966** |

Plan assets are comprised as follows:

| IN CHF 1,000 | 2007 | IN % | 2006 | IN % |
|---|---|---|---|---|
| Cash | 10,799 | 8.1 | 33,133 | 24.9 |
| Bonds | 27,864 | 21.0 | 31,156 | 23.4 |
| Shares | 62,335 | 47.0 | 39,429 | 29.6 |
| Properties | 31,230 | 23.5 | 28,968 | 21.7 |
| Others | 574 | 0.4 | 608 | 0.4 |
| **Total** | **132,802** | **100.0** | **133,294** | **100.0** |
| Thereof third parties | –21,377 | | –25,328 | |
| **Total** | **111,425** | | **107,966** | |

The pension plan assets include CHF 0.3 million (2006: CHF 0.3 million) in shares of Bossard Holding AG.

The movement of the asset was as follows:

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Asset at Jan. 1 | – | – |
| Employer contributions | 1,880 | 1,596 |
| Pension expenses | –1,880 | –1,596 |
| **Asset at Dec. 31** | **–** | **–** |

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

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Present value of funded obligation | 98,055 | 97,174 |
| Fair value of plan assets | 111,425 | 107,966 |
| **Actuarial gains** | **13,370** | **10,792** |
| Unrecognized accumulated gains | –13,370 | –10,792 |
| **Asset** | – | – |

The principal actuarial assumptions used for accounting purposes were:

| IN % | 2007 | 2006 |
|---|---|---|
| Discount rate | 3.75 | 3.25 |
| Expected return on plan assets | 4.50 | 4.50 |
| Future salary increases | 1.75 | 1.75 |
| Future pension increases | 0.25 | 0.25 |

The mortality rate was calculated in accordance with the Swiss Federal Law on Occupational Retirement (revised in 2000).
The expected employer contributions for 2008 amount to CHF 1.9 million and the cost of the acquired retirement benefits in 2008 CHF 3.8 million.
The expected return on the pension plan assets is based on market expectations for future returns on the invested pension plan assets over the corresponding term to maturity. Because of the long-term nature of the investments the actuarial assumptions made, such as future expected yield, do not necessarily correspond to short-term historical development.
In addition, CHF 2.6 million (2006: CHF 2.3 million) in contributions to defined contribution pension plans were recognized in the income statement.
There are further pension plans in the Group for which CHF 1.6 million (2006: CHF 1.5 million) are recognized in the provisions under pension and termination commitments (note 15).

### Employee Options (28)

According to the employee share option scheme introduced in 1998, share options were granted in the past to certain managers of the Group and the board of directors for parts of their bonus entitlement and board compensation. The options were granted at market prices on the date of issue and the related expenses are accounted for as personnel costs. The options can be exercised within four years at a predetermined strike price.
Since 2005 no share options are issued. The 2004 share options were issued at CHF 13.28 and at a strike price of CHF 52.00 per share. Bossard shares traded at CHF 53.00 on the issue date of the options.

| OUTSTANDING SHARE OPTIONS | NUMBER | AMOUNT IN CHF 1,000 | MARKET VALUE *) IN CHF 1,000 |
|---|---|---|---|
| Balance at Jan. 1, 2007 | 1,508 | 20 | 58 |
| Repurchased/Exercised | –1,508 | –20 | –58 |
| **Balance at Dec. 31, 2007** | – | – | – |

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

## Compensation and Share Holdings (29)

The following information about compensation and shareholdings of the board of directors and the executive committee are in line with article 663b$^{bis}$ and article 663c of the Swiss Code of Obligations.

### Compensation paid to current members of the board of directors

| IN CHF | | FIXED | VARIABLE | COMMITTEE WORK | TOTAL |
|---|---|---|---|---|---|
| Dr. Thomas Schmuckli | Chairman, NCC, AC | 185,000 | 96,000 | – | 281,000 |
| Rolf E. Thurnherr | Deputy chairman, NCC (representing holders of bearer shares) | 55,000 | 96,000 | 20,000 | 171,000 |
| Urs Fankhauser | AC | 55,000 | 96,000 | 15,000 | 166,000 |
| Erica Jakober | Employee representative | 15,000 | 30,000 | 5,000 | 50,000 |
| Anton Lauber | NCC | 55,000 | 96,000 | 15,000 | 166,000 |
| Dr. Beat E. Lüthi | | 55,000 | 96,000 | 5,000 | 156,000 |
| Helen Wetter-Bossard | NCC, minutes | 55,000 | 96,000 | 30,000 | 181,000 |
| **2007** | | **475,000** | **606,000** | **90,000** | **1,171,000** |
| 2006 | | 406,000 | 227,500 | 61,200 | 694,700 |

The compensation paid to current members of the board are payments due for the 2007 business year and apply for the period of office from the annual general meeting 2007 to the annual general meeting 2008. Payment is made at the end of the period of office after the annual meeting. All payments are cash payments.
Apart from the compensation shown, employers' Swiss social security contributions of 10.1 % are payable for each member of the board.

### Compensation paid to former members of the board of directors

In 2007, the then Chairman Dr. Kurt Reichlin received compensation in the amount of CHF 216,600 (CHF 181,000 as fixed and CHF 35,000 as variable compensation) for his last year of office in 2006.

### Compensation paid to the executive committee

| | EXECUTIVE COMMITTEE TOTAL | | CEO[1] | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Cash** | | | | |
| Salary fixed (gross) | 2,107,796 | 2,261,628 | 462,400 | 456,000 |
| Salary variable (gross) | 1,383,800 | 830,414 | 330,000 | 199,400 |
| Payments in kind | 50,700 | 52,800 | 8,000 | 8,000 |
| **Total** | **3,542,296** | **3,144,842** | **800,400** | **663,400** |
| Pension contributions | 494,622 | 463,081 | 137,419 | 116,246 |

1) David Dean

The pension contributions correspond to the legal requirements for employers' Swiss social security contributions.

### Compensation paid to former members of the executive committee

In 2007 no compensation was paid to former members of the executive committee.

### Share Holdings

At December 31, 2007, the individual members of the board of directors and of the executive committee (including persons closely associated with them) held the following shares in the company:

| | | SHARES | | OPTIONS (EXPIRE 2008) | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| **Board of directors** | | | | | |
| Dr. Thomas Schmuckli | Chairman | 5,295 | 5,301 | – | – |
| Rolf E. Thurnherr | Deputy chairman (representing holders of bearer shares) | 1,000 | 1,000 | – | 754 |
| Urs Fankhauser | | 250 | – | – | – |
| Erica Jakober | Employee representative | – | – | – | – |
| Anton Lauber | | 250 | 125 | – | – |
| Dr. Beat E. Lüthi | | – | – | – | 754 |
| Helen Wetter-Bossard | | 14,225 | 15,225 | – | – |
| **Total** | | **21,020** | **21,651** | **–** | **1,508** |
| | | | | | |
| **Executive committee** | | | | | |
| David Dean | CEO | 5 | 5 | – | – |
| Stephan Zehnder | CFO | 314 | – | – | – |
| Julius Brun | Chief of Staff | 20 | 20 | – | – |
| Peter Erlangsen | CEO Rest of Europe | 10 | 10 | – | – |
| Beat Grob | CEO Central Europe | 153 | 840 | – | – |
| Scott W. Mac Meekin | CEO Asia/America | – | – | – | – |
| **Total** | | **502** | **875** | **–** | **–** |

Since 2005 no share options are issued.

### Additional honorariums and remunerations

In the reporting year no further honorariums or other remunerations were paid to members of the board of directors, the executive committee or to persons closely associated with them.

### Loans to Governing Bodies

At December 31, 2007 there were no loans outstanding to members of governing bodies currently in office.

## Related Party Transactions (30)

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a group of shareholders as defined in article 20 of SESTA (Swiss Federal Act on Stock Exchanges and Securities Trading). They hold 54.19 % (2006: 54.28 %) of total voting rights or 24.73 % (2006: 24.98 %) of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.

The following related party transactions were engaged in:

| BALANCE SHEET POSITIONS AS PER YEAR END IN CHF MILLION | 2007 | INTEREST RATES IN % | 2006 | INTEREST RATES IN % |
|---|---|---|---|---|
| Loan from Kolin Holding AG | 0.3 | 3.5 | 0.4 | 2.6 |
| Deposits in the personnel savings accounts | 3.8 | 3.3 | 4.2 | 3.3 |

The compensation to the board of directors and the executive committee consists of salaries and bonuses of CHF 4.7 million (2006: CHF 3.8 million).

## Lease and Rental Obligations (31)

At December 31, 2007 future operating lease payments not recorded in the balance sheet amounted to:

| OPERATING LEASE COMMITMENT | DUE WITHIN 1 YEAR | DUE WITHIN 2 YEARS | DUE WITHIN 3 YEARS | DUE WITHIN 4 YEARS | DUE AFTER 4 YEARS | TOTAL IN CHF 1,000 |
|---|---|---|---|---|---|---|
| **2007** | **1,723** | **1,097** | **665** | **194** | **60** | **3,739** |
| 2006 | 1,637 | 1,025 | 681 | 385 | 85 | 3,813 |

At December 31, 2007 future rental liabilities for office and warehouse premises amounted to:

| LONG-TERM RENTAL LIABILITIES | DUE WITHIN 1 YEAR | DUE WITHIN 2 YEARS | DUE WITHIN 3 YEARS | DUE WITHIN 4 YEARS | DUE AFTER 4 YEARS | TOTAL IN CHF 1,000 |
|---|---|---|---|---|---|---|
| **2007** | **4,336** | **2,104** | **218** | **129** | **–** | **6,787** |
| 2006 | 3,894 | 2,499 | 1,993 | 34 | – | 8,420 |

## Contingent Liabilities (32)

Contingent liabilities in the amount of CHF 2.3 million (2006: CHF 0.7 million) result mainly from discounted drafts given to third parties in the course of normal business operations.

## Assets pledged or otherwise restricted (33)

| IN CHF 1,000 | 2007 | 2006 |
|---|---|---|
| Accounts receivable, drafts | 299 | 12,545 |
| Inventories | 8,348 | 7,473 |
| Property, plant and equipment | 2,148 | 1,650 |
| **Total** | **10,795** | **21,668** |

The pledged or restricted assets are used as collateral for the outstanding bank loans. The total creditlines amount to CHF 10.4 million (2006: CHF 21.6 million). The current borrowings amount to CHF 7.4 million (2006: CHF 13.1 million).

## Events occuring after Balance Sheet Date (34)

There were no events between December 31, 2007 and the date of approval of the consolidated financial statements by the board of directors.

## Exchange Rates (35)

| | | 31.12.2007 YEAR-END EXCHANGE RATE | 31.12.2007 AVERAGE EXCHANGE RATE | 31.12.2006 YEAR-END EXCHANGE RATE | 31.12.2006 AVERAGE EXCHANGE RATE |
|---|---|---|---|---|---|
| 1 | EUR | 1.66 | 1.64 | 1.61 | 1.57 |
| 1 | USD | 1.13 | 1.20 | 1.22 | 1.25 |
| 1 | GBP | 2.25 | 2.40 | 2.39 | 2.31 |
| 100 | DKK | 22.20 | 22.05 | 21.56 | 21.08 |
| 100 | SEK | 17.58 | 17.77 | 17.78 | 17.00 |
| 100 | CZK | 6.23 | 5.92 | 5.84 | 5.56 |
| 100 | SKK | 4.92 | 4.87 | 4.66 | 4.23 |
| 100 | HUF | 0.66 | 0.65 | 0.64 | 0.60 |
| 100 | PLN | 46.20 | 43.55 | 41.92 | 40.42 |
| 100 | SGD | 78.30 | 79.62 | 79.63 | 78.83 |
| 100 | TWD | 3.47 | 3.65 | 3.75 | 3.85 |
| 100 | RMB | 15.52 | 15.83 | 15.53 | 15.76 |
| 100 | MYR | 34.02 | 35.00 | 34.58 | 34.27 |
| 100 | THB | 3.36 | 3.73 | 3.42 | 3.35 |
| 100 | INR | 2.85 | 2.91 | 2.76 | 2.77 |
| 100 | KRW | 0.12 | 0.13 | 0.13 | 0.13 |

## List of significant consolidated Companies (36)

| | Companies and branches | Headquarters | Currency | Capital in Thousands | Shareholding | Fastening Technology | Finance/other |
|---|---|---|---|---|---|---|---|
| **Holding and finance companies** | | | | | | | |
| Switzerland | Bossard Holding AG | Zug | CHF | 32,000 | 100 | | ■ |
| Jersey | Bossard Finance Ltd | St. Helier | CHF | 97 | 100 | | ■ |
| **Europe** | | | | | | | |
| Switzerland | Bossard AG | Zug | CHF | 12,000 | 100 | ■ | |
| | Trimec AG | Zug | CHF | 50 | 100 | ■ | |
| | Bossard + Staerkle AG | Zug | CHF | 3,600 | 10 | | ○ |
| Italy | Bossard Italia Srl. | Milan | EUR | 100 | 100 | ■ | |
| | Trimec Italia Srl. | Milan | EUR | 100 | 100 | ■ | |
| Austria | Bossard Austria Ges.m.b.H. | Vienna | EUR | 1,017 | 100 | ■ | |
| Denmark | Bossard Denmark A/S | Skovlunde | DKK | 5,000 | 100 | ■ | |
| Sweden | Bossard Sweden AB | Malmö | SEK | 400 | 100 | ■ | |
| France | Bossard France SAS | Souffelweyersheim | EUR | 16,000 | 100 | ■ | |
| Spain | Bossard Spain SA | Barcelona | EUR | 745 | 100 | ■ | |
| Poland | Sal-Pol/Bossard Sp.Z o.o. | Radom | PLN | 1,300 | 100 | ■ | |
| Czech Republic | Bossard CZ s.r.o. | Brno | CZK | 1,000 | 100 | ■ | |
| Slovakia | Bossard SK, spol. s r.o. | Bratislava | SKK | 200 | 100 | ■ | |
| Hungary | Bossard Hungary Kft. | Törökbálint | HUF | 3,000 | 100 | ■ | |
| Great Britain | 2-B-Global Fastenings Ltd [1] | Willenhall | GBP | 300 | 50 | ⅄ | |
| **America** | | | | | | | |
| USA | Bossard U.S. Holdings, Inc. | Hampton, NH | USD | 40,000 | 100 | | ■ |
| | Bossard Metrics, Inc. | Portsmouth, NH | USD | 250 | 100 | ■ | |
| | Bossard Michigan & Merrick, Inc. | Maspeth, NY | USD | 5 | 100 | ■ | |
| | Bossard North America, Inc. | Cedar Falls, IA | USD | 2,000 | 100 | ■ | |
| Mexico | Bossard de México, S.A. de C.V. | Monterrey | USD | 755 | 100 | ■ | |
| **Asia** | | | | | | | |
| Singapore | Bossard Pte. Ltd | Singapore | SGD | 42,600 | 100 | ■ | |
| India | LPS Bossard Pvt. Ltd | Haryana | INR | 48,000 | 51 | ■ | |
| China | Bossard Industrial Fasteners International Trading (Shanghai) Co. Ltd | Shanghai | RMB | 62,840 | 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 | 2.3 | ○ | |
| South Korea | Bossard (Korea) Ltd | Anseong-City | KRW | 2,500,000 | 100 | ■ | |

■ Fully consolidated

○ Minority investment

⅄ Equity investment

[1] Foundation

Status: December 31, 2007

# Report of the Group Auditors

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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 / page 2 to 31) of Bossard Holding AG for the year ended December 31, 2007.

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 Swiss Auditing Standards 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 Swiss law.

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

PricewaterhouseCoopers AG

Bruno Häfliger — Stefan Bosshard
Auditor in charge

Zurich, March 3, 2008

# Balance Sheet

| IN CHF | NOTES | 31.12.2007 | 31.12.2006 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Marketable securities – Treasury shares | 3 | 215,109 | 663,814 |
| Accounts receivable Group companies | | 7,498,418 | 1,735,942 |
| Accounts receivable others | | 26,334 | 85,691 |
| **Total current assets** | | **7,739,861** | **2,485,447** |
| | | | |
| **Long-term assets** | | | |
| Investments | 2 | 118,379,215 | 118,379,215 |
| Own shares | 3 | 1,850,000 | 1,850,000 |
| **Total long-term assets** | | **120,229,215** | **120,229,215** |
| **Total assets** | | **127,969,076** | **122,714,662** |
| | | | |
| **Liabilities and shareholders' equity** | | | |
| **Current liabilities** | | | |
| Accounts payable others | | 11,877 | 13,417 |
| Bank loans | | 28,190,000 | 25,320,000 |
| Accrued expenses | | 1,120,031 | 377,433 |
| **Total current liabilities** | | **29,321,908** | **25,710,850** |
| | | | |
| **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 | 2,065,109 | 2,513,814 |
| Other reserves | | 32,047,124 | 31,598,419 |
| Retained earnings | | 16,534,935 | 14,891,579 |
| **Total shareholders' equity** | | **98,647,168** | **97,003,812** |
| **Total liabilities and shareholders' equity** | | **127,969,076** | **122,714,662** |

# Income Statement and Appropriation of available Profit

## Income Statement

| IN CHF | 2007 | 2006 |
|---|---|---|
| **Income** | | |
| Dividend income, income from marketable securities | 8,660,145 | 8,591,832 |
| Interest income | 263,343 | 61,715 |
| Service fees from Group companies | 336,000 | 336,000 |
| **Total income** | **9,259,488** | **8,989,547** |
| | | |
| **Expenses** | | |
| General and administrative expenses | 1,656,326 | 1,067,863 |
| Financial expenses | 842,456 | 962,321 |
| **Total expenses** | **2,498,782** | **2,030,184** |
| | | |
| **Income before taxes** | **6,760,706** | **6,959,363** |
| | | |
| Taxes | – | 10,700 |
| | | |
| **Net income** | **6,760,706** | **6,948,663** |

## Changes in Retained Earnings

| IN CHF | 2007 | 2006 |
|---|---|---|
| Retained earnings at beginning of year | 14,891,579 | 14,843,390 |
| Net income | 6,760,706 | 6,948,663 |
| Appropriation of available profit determined by the annual general meeting | | |
| Dividends for 2006 and 2005 respectively | –5,117,350 | –6,900,474 |
| **Retained earnings at end of year** | **16,534,935** | **14,891,579** |

## The Board of Directors proposes to the Annual General Meeting the following Appropriation of Retained Earnings as at December 31, 2007

| IN CHF | 2007 |
|---|---|
| Available retained earnings before distribution | 16,534,935 |
| Dividend of 30 % on the share capital of max. CHF 30,150,000 eligible for dividends | –9,045,000 |
| **To be carried forward** | **7,489,935** |

# Notes to the Financial Statements

| IN CHF | 2007 | 2006 |
|---|---|---|
| **1. Guarantees, contingent liabilities, assets pledged in favour of third parties** | 118,797,200 | 109,901,400 |
| thereof used | 74,139,908 | 59,408,827 |
| The Bossard Group concentrates its main credit facilities in Bossard Holding AG. Bossard subsidiaries can draw on the credit lines, for which right Bossard Holding AG has undertaken guarantee obligations. | | |
| **2. Investments contain:** | | |
| Bossard 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 – 14,794 shares (2006: 23,239 shares) | 663,814 | 1,042,746 |
| Sales: 10,000 bearer shares of CHF 10 par value (2006: 8,445 shares) | –448,705 | –378,931 |
| Balance at Dec. 31 – 4,794 shares, rate 87.00 (2006: 14,794 shares, rate 81.50) | 215,109 | 663,815 |
| **b) Own shares** | | |
| Balance of 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 | 215,109 | 663,815 |
| Own shares – never issued | 1,850,000 | 1,850,000 |
| Reserve for own shares | 2,065,109 | 2,513,815 |

**4. Compensation and share holdings**

The disclosure of compensation and share holdings of the board and the executive committee as per Swiss Code of Obligations article 663b$^{bis}$ and article 663c can be found in the notes of the consolidated financial statements (note 29).

**5. Other information required by law**

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a shareholder group in accordance with article 20 SESTA. They hold 54.19 % (last year 54.28 %) of the voting rights.
Kolin Holding AG, Zug, is wholly owned by the Bossard families.

# Report of the Statutory Auditors

PRICEWATERHOUSECOOPERS

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www.pwc.ch

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 / page 33 to 35) of Bossard Holding AG for the year ended December 31, 2007.

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 Swiss Auditing Standards, 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

Bruno Häfliger
Auditor in charge

Stefan Bosshard

Zurich, March 3, 2008

# Corporate Governance

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 the chief executive officer are vested in two different persons.

This report is drawn up in accordance with the directive of the SWX Swiss Exchange on information relating to corporate governance. Bossard's principles and rules relating to corporate governance are laid down in the company's articles of incorporation, the organization regulations and the rules of the board's committees. They are regularly reviewed by the board of directors and updated as required.

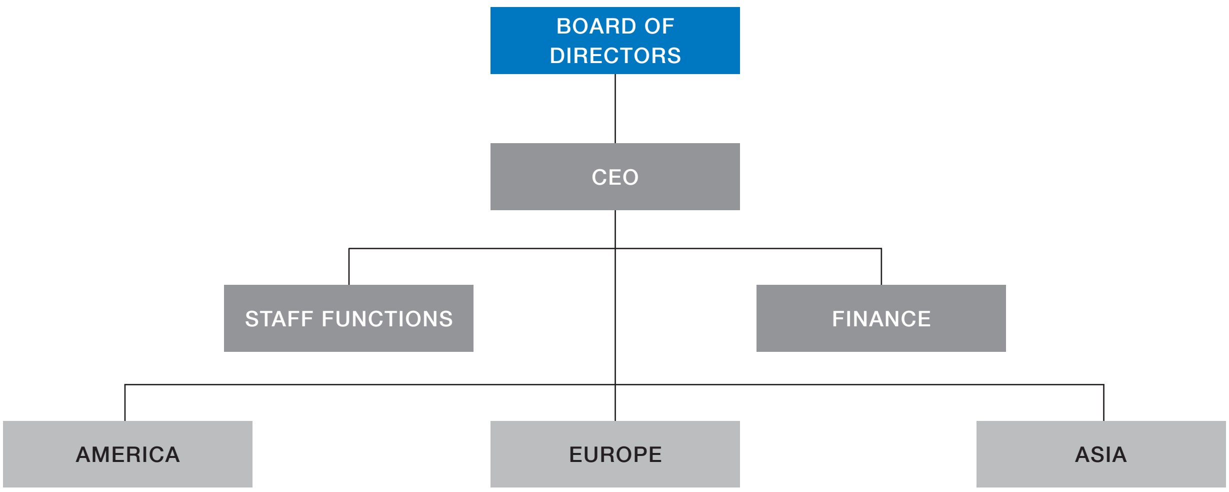
## Group Structure and Shareholders

### Group Structure

Bossard Holding AG is the only listed company of the Bossard Group. It is headquartered in Zug, and its shares (BOS, national # 1232386, ISIN CH0012323868) is listed on the SWX Swiss Exchange. Bossard's Group structure is intended to optimally and efficiently support business operations, in compliance with legal, taxation and financial requirements. The structure was made as straightforward as possible and thus also transparent for anyone outside the Group.

Bossard generates its entire sales revenues in the industrial fastening sector. Its business operations cover the three major industrial centers, Europe, America and Asia. Thus Bossard Group's management structure and reporting are geographically oriented.

### Operational Group Structure




There is a detailed overview of both group and associated companies on page 31.

### Significant Shareholders

At December 31, 2007, the following shareholders owned more than 3 % of the total share capital of Bossard Holding AG:

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung (company trust), Zug, form a group of shareholders as defined in article 20 of SESTA (Swiss Federal Act on Stock Exchanges and Securities Trading). They hold 54.19 % (2006: 54.28 %) of total voting rights or 24.73 % (2006: 24.98 %) of the capital entitled to dividend. These numbers do not include shares without voting commitment which are held by various members outside this shareholder group. Kolin Holding AG is wholly owned by the Bossard families.

In the Sarasin Selects Fund and SaraPro Institutional Fund – Swiss Equities, both of which it manages, Sarasin Investmentfonds AG, Basel, holds 253,284 bearer shares or 4.73 % of the total share capital of Bossard Holding AG (announced on November 30, 2007).

### Cross-shareholdings

There are no cross-shareholdings with other companies.

## Capital Structure

### Capital/Authorized and conditional Capital in particular

Bossard Holding AG holds ordinary share capital in the amount of CHF 32,000,000, divided into CHF 26,600,000 bearer shares and CHF 5,400,000 registered shares. The share capital is fully paid up.

Since the increase in share capital undertaken in 1989, 185,000 bearer shares have been held in treasury. These shares carry no voting rights and are not entitled to dividend. Only bearer shares are listed on the SWX Swiss Exchange. The registered shares are wholly owned by Kolin Holding AG. Apart from the above, Bossard Holding AG holds no authorized or conditional capital.

### Changes in Capital in the past three Years

The company's capital structure has not changed in the past three years.

### Shares

The share capital is divided into 2,700,000 registered shares with a par value of CHF 2, and 2,660,000 bearer shares with a par value of CHF 10.

### Participation and Profit-Sharing Certificates

The company has issued no participation or profit-sharing certificates.

### Limitations on Transferability

According to article 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 transfer requests, primarily to protect the purpose of the company and to maintain its economic independence.

The listed bearer shares are fully transferable.

### Bonds and Warrants/Options

Currently, the Group has no convertible bonds or bonds outstanding. Please refer on the notes to the consolidated financial statements (note 28) for details on the allocation of shareholder options in the company's share option program.

## Board of Directors

### Members of the Board of Directors

At December 31, 2007, the board of directors of Bossard Holding AG had seven non executive members. On April 17, 2007, the annual general meeting of shareholders elected Dr. Thomas Schmuckli as the chairman of the board and Urs Fankhauser as a new member of the board. Dr. Kurt Reichlin retired as a member of the board.

| NAME | FUNCTION | APPOINTED |
|---|---|---|
| Dr. Thomas Schmuckli | Chairman | 2007 |
| Rolf E. Thurnherr | Deputy chairman (representing holders of bearer shares) | 2003 |
| Urs Fankhauser | | 2007 |
| Erica Jakober | Employee representative | 2006 |
| Anton Lauber | | 2006 |
| Dr. Beat. E. Lüthi | | 2002 |
| Helen Wetter-Bossard | | 2002 |

Dr. Thomas Schmuckli was appointed chairman of the board on April 17, 2007. He was elected to the board in 2000. He served as secretary to the board between 1997 and 2000. Between 2000 and 2005 he was head of process and product management at the Zuger Kantonalbank, Zug. 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. Background: studied law (LLB and LLD) at the University of Fribourg; is an accredited lawyer; management studies at the University of Zurich. He was born on February 4, 1963 and is a Swiss citizen.

Rolf E. Thurnherr, dipl. el. Ing. ETH, has been a member of the board since 1992 and deputy chairman since 2003. He is also a member of the board of Agta Record AG, Fehraltorf. Since 2004 he has been an independent management consultant. From 1996 until his retirement in 2003 Rolf E. Thurnherr was a member of the executive committee of Cerberus and, after it was taken over by Siemens, he was a member of the management of Siemens Building Technologies AG and head of the Fire & Security Products Division. Prior to this he served for five years as CEO of the Eurodis Group in Regensdorf and, between 1989 and 1991 as chairman of the executive committee of Digitron in Bienne. Background: studied electrical engineering at the Swiss Federal Institute of Technology (ETH) in Zurich. During his professional career he attended courses on business economics and management. He was born on September 16, 1941 and is a Swiss citizen.

Urs Fankhauser, dipl. masch. Ing. FH, was elected to the board in 2007. Since 2002 he has been a member of the senior management of the Sulzer Group and head of Sulzer's Chemtech division. From 2000 to 2002 he was head of Sulzer Chemtech Inc., Houston, from 1993 to 2000 he was head of Sulzer Chemtech Pte Ltd, Singapore. Background: degree in mechanical engineering at the FH Burgdorf and MBA at the Henley Management College, UK; Advanced Management Program (AMP) at the Harvard University, Boston. He is a member of the board of directors of Burckhardt Compression AG, Winterthur, and Buss AG, Pratteln. Urs Fankhauser was born on January 24, 1960 and is a Swiss citizen.

Erica Jakober was elected to the board in 2006. As the elected representative of Bossard's employees she will safeguard their interests on the board. Erica Jakober joined Bossard Switzerland as head of human resources in 1995. In 2006 she took over the management of the employee pension trust of Bossard AG. Before joining Bossard she worked for various international companies in the field of human resources. Background: diploma in human resources management, and part-time business management courses (SKU). Erica Jakober was born on December 16, 1955 and is a Swiss citizen.

Anton Lauber was elected to the board in 2006. Since 1996 he has been CEO and delegate of the board of Schurter AG Electronic Components in Lucerne and, since 1998, a member of the executive committee and of the board of directors of Schurter Holding AG, which has 19 companies operating worldwide. Previously, as divisional head, he managed the generator factory of ABB Switzerland. Anton Lauber sits on further boards within the Schurter Group and on boards of the companies LEM Holding SA, Geneva, and Beutler Nova, Gettnau. In Central Switzerland he is committed to promoting industry and commerce in his capacity as president of Lucerne's Industry Association and of Innovation Transfer Central Switzerland. Background: degree in mechanical engineering and various post-degree diplomas awarded by the University of St. Gallen and IMD, Lausanne. Anton Lauber was born on July 26, 1951 and is a Swiss citizen.

Dr. Beat E. Lüthi was elected to the board in 2002. He is CEO of CTC Analytics, a leading mid sized Swiss Laboratory Instrument Company in the field of chromatography automation. From 2003 until 2007 he headed the Laboratory Division of Mettler-Toledo. From 1998 to 2002 he was CEO of Feintool, a listed fineblanking company. From 1990 to 1998 he held various management positions at Mettler Toledo. Background: electrical engineering and Ph.D. from Swiss Federal Institute of Technology (ETH) in Zurich; Senior Management Program at INSEAD, Paris. He is a member of the board of directors of Stadler Rail, Bussnang, and Addex Pharma, Geneva. Beat E. Lüthi was born on January 12, 1962 and is a Swiss citizen.

Helen Wetter-Bossard, lic. iur., was elected to the board in 2002 after she had served as secretary to the board for eighteen months. Since 2005 she has been a member of the auditing committee of the Corporation of Zug. She is responsible for the management of her own family business. From 1996 to 1999 she worked as a clerk to the court. Background: studied law (LLB) at the University of Zurich. Helen Wetter-Bossard was born on April 15, 1968 and is a Swiss citizen.

### Other Activities and vested Interests

Dr. Kurt Reichlin, chairman until the annual general meeting on April 17, 2007, is a legal adviser in the law firm Reichlin & Hess in Zug. The company advises Bossard on various legal matters. In 2007, the fees for such services rendered by the company was amounted to CHF 15,000 (2006: CHF 91,000).
Dr. Thomas Schmuckli, Helen Wetter-Bossard and Anton Lauber have been proposed to the board of directors by the Kolin Holding AG, Zug.

### Cross-involvement

There is no cross-involvement of members of the board of directors and members of other boards of listed companies.

### Elections and Terms of Office

According to the articles of incorporation, the board has at least five members. 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 has the right to one seat on the board of directors. In 2003 Rolf E. Thurnherr was appointed as the deputy chairman and as the representative of bearer share holders in 2004; holders of registered shares with voting rights did not participate in this election. In general, an employee representative should also sit on the board. In 2006 Erica Jakober was elected as the employee representative. The majority of the board members should be external members with no executive function in the Group. In the reporting year, no members of the board had an executive function in the Bossard Group.

The following table shows the year of first election to the board:

| NAME | FUNCTION | FIRST SELECTED TO THE BOARD |
|---|---|---|
| Dr. Thomas Schmuckli | Chairman | 2000 |
| Rolf E. Thurnherr | Deputy chairman (representing holders of bearer shares) | 1992 |
| Urs Fankhauser | | 2007 |
| Erica Jakober | Employee representative | 2006 |
| Anton Lauber | | 2006 |
| Dr. Beat E. Lüthi | | 2002 |
| Helen Wetter-Bossard | | 2002 |

The term of office ends in 2008 for all members of the board.

### Internal organizational Structure

In the last instance the board of directors is responsible for Bossard's business policy and its business management. It is the company's highest management body. It has the right to take decisions in all matters which, by law or through the articles of incorporation, are not the responsibility of the annual general meeting of shareholders or which, through directives or decisions, have been passed on to other bodies.

The board of directors has the following main duties:
- defining the strategic thrust and policies of the Bossard Group
- determining the organizational structure
- establishing the accounting system and financial controls
- ultimate supervision of business activities and of persons entrusted with the management of the company
- appointing and dismissing members of the executive committee
- drawing up the annual report, preparing the annual general meeting of shareholders and implementing its decisions

For its support, the board has established two committees, the audit committee and the nomination and compensation committee. These serve to relieve the board from dealing with the details of specific issues and to prepare information for decision making. The activities of the committees and any delegation of tasks do not touch on the board's integral overall responsibility.
Ad hoc committees can be formed to deal with specific projects or issues, or those where a certain time limit

applies. Moreover, the board has delegated operational management to the executive committee under the chairmanship of the CEO.
Board meetings are chaired by the chairman. In case of absence, the deputy chairman takes over his duties.

**Board Meetings**
As a rule, ordinary meetings of the board of directors are held seven to eight times a year. The board is available at short notice meetings should this be required. The length of board and committee meetings depends on the agenda. In 2007 a total of seven meetings were held.
The board also holds a retreat once a year; this meeting, which lasts for several days, is used to review and develop the Group's strategy. Apart from its scheduled meetings, the board is supplied with monthly information on the Group's financial development.
The chairman sends out written invitations to board meetings to each of the members, enclosing the agenda and any relevant information. Invitations must be dispatched at least seven days in advance. Each board member may request that the chairman add further items to the agenda. The board constitutes a quorum if the majority of its members is present. In the event of a tie, the chairman has the casting vote.
In exceptionally urgent cases, the chairman may require a decision to be taken via conference call. Such decisions must be included in the minutes of the next board meeting. To ensure that the board receives adequate information to take a decision and depending on the agenda, the board invites the CEO, the CFO and, if necessary, other members of the executive committee, other employees or third parties to attend the meeting. The chairman, the CEO and other members of the executive committee meet on a regular basis to discuss fundamental corporate issues such as corporate strategy and medium-term financial, operational and succession planning.

**Composition and Working Methods of the Board's Committees**
The duties and rights of the two permanent board committees are set out in the organization regulations (www.bossard.com – Investor Relations – Corporate Governance) of the Bossard Group. Primarily, they have analyzing, advisory and controlling functions. In specific cases they also have decision-making functions.
These committees meet periodically or as required. The minutes taken at the meetings are sent to all the board members as well as to the participants of the meeting themselves. Moreover, at the following board meeting the chairmen of the committees report on the business dealt with at their earlier meetings and, where necessary, make the relevant proposals to the entire board.

**Audit Committee**
The audit committee (AC) has at least two members elected by the board from among its members for a period of one year, reelection possible. Currently the members of the audit committee are Urs Fankhauser, chairman, and Dr. Thomas Schmuckli. As a rule, the members of the AC meet at least three times a year. The meetings are attended by the CFO, the Group controller and a representative of the external auditors; depending on the agenda, the CEO may also participate.
In 2007 the audit committee held three meetings.

The AC has the following main duties:
- reviewing the annual report, the annual and interim financial statements, the notes to the statements and the report of the auditors for both the Bossard Group and for Bossard Holding AG; proposals are addressed to the board
- assessing whether the corporate accounting standards have been abided by
- selecting the statutory and group auditors to be proposed to the annual general meeting of shareholders; proposals are addressed to the board
- discussing the auditing plan
- evaluating the performance, independence and compensation of the external auditors
- periodically examining the company's risk management

**Nomination and Compensation Committee**
The board of directors forms a nomination and compensation committee (NCC) 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 NCC is made up of four members of the board and is elected for a period of four years. The current members of the committee are Dr. Thomas Schmuckli, chairman, Rolf E. Thurnherr, Helen Wetter-Bossard and Anton Lauber. Depending on the agenda, the CEO may be invited to attend the meetings.

In 2007 the nomination and compensation committee held three meetings.

The nomination and compensation committee has the following duties:
- identifying suitable candidates to sit on the board; proposals are addressed to the board
- identifying suitable candidates for the executive committee; proposals are addressed to the board
- periodically examining the compensation system and overall compensation paid to the board
- determining total annual compensation payable to the CEO
- approving total annual compensation payable to the other members of the executive committee

**Compliance**

The board is continually informed on all major matters that touch on the principles of compliance. Additionally, the auditors inform the board of directors on reports received on matters of a legal nature that require attention. An evaluation of such reports received in 2007 brought nothing new to light but, instead, confirmed what was already known.
The ultimate supervision and control of compliance is vested in the board of directors. The board has delegated the necessary activities to the chairman of the board, who also serves as Group's compliance officer.

**Definition of Responsibility**

The powers and responsibilities vested in the board of directors and the executive committee are set out in the organization regulations as laid down in article 19 paragraph 2 of the articles of incorporation of Bossard Holding AG (www.bossard.com – Investor Relations – Corporate Governance). It describes the duties and rights which are permanently vested in the board and which cannot be delegated; it also describes the rights and duties of the executive committee. The organization regulations define the duties and responsibilities of the chairman of the board and of the CEO.
The board of directors regularly reviews the organization regulations and modifies them to meet new or changed requirements.

**Information and Control Instruments vis-à-vis the Executive Committee**

The board ensures that the executive committee establishes and maintains an internal control system suitable for the size of the Group and for the risk involved in pursuing its business activities. As part of the annual audit, the external auditors evaluate the efficiency and effectiveness of the internal control system and submit a report to the board once a year. So far Bossard has not set up its own internal audit center.
The board is informed on the company's financial development once a month. A written report is submitted each month comprising the income statement, various balance sheet items, the cash flow statement and the main key figures. The information is derived from an internal management information system. It includes the current and budget data, as well as regular projections based on current developments and expectations.
At each board meeting, this written report is supplemented by a personal report on current business developments presented by a member of the executive committee. In special cases the CEO immediately informs the board in written and/or verbal form on a specific issue. Additionally, the chairman of the board regularly meets with the CEO, who informs him on business operations and issues which are of fundamental importance.

## Executive Committee

**Members of the Executive Committee**

The executive committee has the ultimate responsibility for the company's operations. Together with the other members of the executive committee, the CEO is responsible for operational management. The executive committee is responsible for the development of corporate strategy and the implementation of corporate targets.

At December 31, 2007, the executive committee had the following members:

| NAME | FUNCTION | JOINED COMPANY | APPOINTED |
|---|---|---|---|
| David Dean | CEO | 1992 | 2005 |
| Stephan Zehnder | CFO | 1996 | 2005 |
| Julius Brun | Chief of Staff | 1990 | 1998 |
| Peter Erlangsen | CEO Rest of Europa | 1994 | 2000 |
| Beat Grob | CEO Central Europe | 1995 | 2006 |
| Scott W. Mac Meekin | CEO Asia/America (since 2006) | 1995 | 1995 |

David Dean, CEO Group, has served in this function since 2005. From 1998 to 2004 he served as CFO. From 1992 to 1997 he was corporate controller of the Bossard Group. Prior to this, from 1990 to 1992, he was corporate controller and a 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. He is a member of the regional advisory board of the Swiss National Bank. Background: Swiss certified accountant/controller, Swiss certified public accountant, PMD Harvard Business School and PMD IMD, Lausanne. David Dean was born on April 5, 1959 and is a Swiss citizen.

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

Julius Brun, chief of staff, is since 1998 responsible for the Group's service functions which include sales, procurement, IT, technical support and quality assurance. From 1992 to 1998 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 five years he was corporate controller and a member of the executive committee of an international logistics group. Background: Swiss certified accountant/controller; PED IMD, Lausanne. He was born on February 9, 1948 and is a Swiss citizen.

Peter Erlangsen has been CEO for Europe since 1999. From 2001 to 2004 he was Managing Director for Bossard Denmark and from 1996 to 1999 he was Managing Director of Bossard France. He joined Bossard in 1994 as vice president 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: Master degree in Economics and Business Administration, senior management programs at IMEDE. He was born on May 24, 1956 and is a Danish citizen.

Beat Grob has been managing director of Bossard Switzerland since January 2005 and, as of May 1, 2006, also took over responsibility for the region of Central Europe. At the same time he became a member of the executive committee. Beat Grob joined Bossard in 1995 as project manager logistics. In 1996 he became head of logistics for the Bossard Group. Before joining Bossard he worked as a practicing lawyer and banker. He is chairman of the board of directors of Kolin Holding AG, Zug. Background: graduated in law from University of Zurich, postgraduate MBA at the University of San Diego. Beat Grob was born on May 1, 1962 and is a Swiss citizen.

Scott W. Mac Meekin has been CEO for Asia since 1996 and for America since May 1, 2006. 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, California. Background: graduate UCLA (ext), MBA National University Singapore, TGMP Harvard Business School. He was born on January 17, 1958 and is a U.S. citizen.

### Other Activities and vested Interests

No members of the executive committee have other functions outside the Bossard Group.

### Management Contracts

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

# Compensation, Shareholdings and Loans

## Content and method of determining the compensation and the shareholding programs

Bossard attaches great importance to recruiting, retaining, motivating and fostering well-qualified employees at all levels. This is crucial where positions are being filled that impact strongly on company management and performance. However, compensation should not be used as a false incentive as this could be damaging to company's 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. The performance evaluation of managers and employees at all levels is based on quantitative and on qualitative assessment criteria. The quantitative criteria derive from the current business results as well as from the longer-term value added drivers which are decisive for Bossard's future results and profitability. This evaluation is closely linked with Bossard's management approach of sustainability and of generating economic value added. The qualitative criteria used to assess individual performance derive from Bossard's strategic targets and include such aspects as customer service, human resources management, opening up markets, procurement, engineering, and similar.
Consequently, the level of compensation depends noticeably on performance assessment and varies from year to year according to the targets met. The compensation agreed is intended to reflect the sustainable success of the company and thus depends on the individual contribution made. Employment contracts with top management must be market-oriented including practices governing termination of contract, but they must also protect the interests of the company.
In the reporting year compensation at top management level is made up of a basic salary and a performance-linked component determined at the employer's discretion. The performance-linked component is based on:
– profitability reached in the management sector and
– implementation of strategic targets.

Compensation for the board of directors is also made up in 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 depends on the consolidated net income, as related to the return on capital employed (ROCE). The principles and elements of the compensation system for the board and the executive committee are periodically reviewed by the nomination and compensation committee (NCC), most recently in the second half of 2007. The total annual compensation for the CEO is determined by the NCC. The total annual compensation for the other members of the executive committee is approved by the NCC. For details please refer the notes in the consolidated financial statements (note 29).

## Shareholders' Participation Rights

Shareholders' participation rights are set out in detail in the articles of incorporation of Bossard Holding AG. The articles of incorporation can be examined on the Internet (www.bossard.com – Investor Relations – Corporate Governance).

**Voting-rights and Representation Restrictions – Articles of Incorporation 14**
At the annual general meeting of shareholders each share carries one vote. A person entered in the share register as the owner or beneficiary of registered shares may exercise these voting rights. A shareholder can request to be represented at the annual general meeting by another shareholder, by a bank, by the company as the representative of the various bodies or by an independent proxy.

**Statutory Quorum – Articles of Incorporation 15**

Provided there are no mandatory legal or statutory provisions to the contrary, the general meeting of shareholders takes its decisions and holds elections with an absolute majority of the valid votes cast. In a second ballot a relative majority is required.

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

1. a change of the corporate purpose,
2. an increase of the voting power of existing voting shares as well as the issue of new shares with more voting privileges than those of existing voting shares,
3. the introduction of more stringent transferability restrictions,
4. an approved or conditional capital increase,
5. a capital increase out of equity, subscribed in kind or to acquire assets and giving special privileges,
6. the restriction or withdrawal of option exercise rights,
7. the relocation of the company domicile,
8. dissolving the company without liquidation.

As a general rule, an open ballot is used for decision making and elections. A secret ballot is held if this is required by the chairman, or if one or more shareholders representing a total of at least 10 % of the voting shares request this.

**Convocation of the Annual General Meeting of Shareholders – Articles of Incorporation 11 and 12**

The general meeting of shareholders is held annually, at the latest six months after the end of the fiscal year. It is convoked by the board. The invitation, together with the agenda and the motions, must be published at least twenty days before the meeting is to be held.

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

**Inscription in the Share Register – Articles of Incorporation 5**

The company keeps a share register, in which owners and usufructuaries of the registered shares are inscribed together with their names and addresses. The company must be notified of any changes of address. Until such notification is received, all information to holders of registered shares is sent to the address entered in the share register as the legally valid address. Inscription in the share register requires prior proof that the registered shares were acquired or the reasons for granting usufructuary rights.

No entries into the share register are undertaken in the period between dispatching the invitations to the general meeting of shareholders and the day of the annual general meeting itself.

Should inscriptions in the share register have been made on the basis of false information on how the shares were acquired, the board of directors may, within twelve months of certain knowledge of the error and after hearing those concerned, delete the entry backdated to the original date of inscription. The owner of the shares must be informed immediately.

The company only recognizes holders of registered shares or unsufructuaries of registered shares if they are entered in the share register.

## Changes of Control and Defense Measures

**Duty to make an Offer**

In accordance with the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), an investor who acquires one third of all voting rights must make a take-over offer for all the shares outstanding. The Group has not availed itself of the possibility of modifying this regulation (“opting out” or “opting up”).

**Clauses on Changes of Control**

The employment agreement for members of the executive committee contain no clauses on changes of control. The Group does not provide for golden parachutes for the members of its senior management. The term of notice for executive committee members is between six and twelve months. During this period they are entitled to compensation and bonus payments.

# Auditors

### Duration of the Mandate and Term of Office of the Lead Auditor

PricewaterhouseCoopers AG, Zurich, has been the statutory auditor for Bossard Holding AG since 1986 and also serves as group auditor. The statutory and group auditors are elected by the annual general meeting of shareholders for a period of twelve months.

The lead auditor is Bruno Häfliger, Swiss certified public accountant. He has been responsible for this auditing mandate since 2003.

### Auditing Fees

In 2007, PricewaterhouseCoopers AG as statutory and group auditors received audit fees for their services in the amount of CHF 605,000 (2006: CHF 557,000).

### Additional Fees

For tax consulting and other consulting services, PricewaterhouseCoopers AG received in 2007 CHF 22,000 (2006: CHF 41,000).

### Information and Control Instruments pertaining to the external Audit

The audit committee meets at least three times a year. Apart from other business, the committee discusses plans for the statutory and group audit, the results of the interim audit and the year-end financial statements. The management letter from the external auditors forms the basis for discussion of the interim audit and the year-end financial statements.

The audit committee supports the board of directors in its supervision of the statutory auditors. The committee's main responsibility is to propose the external auditors, annually review qualifications, independence and performance, approve the auditing fees and review the accounting principles as well as the annual financial report and notes. The audit committee annually examines the scope of the external audit, the auditing plans and related procedures, and discusses the results of the audit with the external auditors.

# Information Policy

## Principles/Dates to Note

### 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 the company's shares. To achieve this goal, Bossard abides by the following principles in its financial reporting and disclosure practices.

- Transpareny: 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 true 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.

The Group publishes relevant information on its business operations in its annual reports, four-month reports and press releases. It also provides information at press conferences, meetings for financial analysts, and at the annual general meeting of shareholders.

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

Important dates in 2008/2009:

| | |
|---|---|
| Annual general meeting of shareholders | April 15, 2008 |
| Publication of 1st four-month report | June 3, 2008 |
| Publication of 2nd four-month report | October 7, 2008 |
| Publication sales result 2008 | January 27, 2009 |

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

All publications on business results and all press releases are available in German and English on our website (www.bossard.com – Investor Relations).

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

# Investor Information

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| **Share capital** | | | | | |
| 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 | 2,470,206 | 2,460,206 | 2,451,761 | 2,408,761 | 2,391,758 |
| 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 shares equivalents, entitled to dividend at Dec. 31 | 3,010,206 | 3,000,206 | 2,991,761 | 2,948,761 | 2,931,758 |
| **Market price** | | | | | |
| Ticker-Symbol (BOS) | | | | | |
| Volume traded (daily average) | 4,905 | 3,922 | 2,275 | 3,853 | 3,700 |
| Closing price at Dec. 31 | 87.0 | 81.5 | 80.0 | 70.0 | 55.0 |
| Bearer share high in CHF | 98.5 | 93.0 | 86.3 | 75.0 | 55.5 |
| Bearer share low in CHF | 76.1 | 73.5 | 66.9 | 51.5 | 26.3 |
| **Dividend per share** | | | | | |
| Bearer share in CHF | 3.0 1) | 1.7 | 2.3 | 1.8 | 0.8 |
| Registered share in CHF | 0.6 1) | 0.34 | 0.46 | 0.36 | 0.16 |
| In % of share capital | 30.0 | 17.0 | 23.0 4) | 18.0 | 8.0 |
| **Dividend yield (Basis: price at Dec. 31)** | 3.4 % | 2.1 % | 2.9 % | 2.6 % | 1.5 % |
| **Earnings per share 2) 5) 7)** | | | | | |
| Bearer share in CHF | 11.80 | 7.44 | 5.87 | 5.99 | 3.16 |
| Registered share in CHF | 2.36 | 1.49 | 1.17 | 1.20 | 0.63 |
| **Cash flow per share 2) 6)** | | | | | |
| Bearer share in CHF | 14.38 | 8.12 | 10.54 | 9.66 | 6.95 |
| Registered share in CHF | 2.88 | 1.62 | 2.11 | 1.93 | 1.39 |
| **Price/Earnings ratio (Basis: price at Dec. 31) 5)** | 7.4 | 10.9 | 13.6 | 11.7 | 17.4 |
| **Net worth per share 3)** | | | | | |
| Bearer share in CHF | 64.5 | 57.6 | 56.6 | 49.9 | 47.4 |
| Registered share in CHF | 12.9 | 11.5 | 11.3 | 10.0 | 9.5 |
| **Market capitalization (Basis: price at Dec. 31)** | | | | | |
| In CHF million 3) | 262 | 245 | 239 | 206 | 161 |
| In % of shareholders' equity | 134.9 | 141.5 | 141.4 | 140.1 | 116.0 |

1) Proposal to annual general meeting
2) Basis: Average number of outstanding shares entitled to dividend
3) Basis: Number of outstanding shares entitled to dividend at year end
4) 19 % dividend + 4 % jubilee dividend has been declared
5) Basis: Ordinary net income
Ordinary means: before exceptional items – 2007/2006: Restructuring expenses America; 2005: Capital gain from sale of investment
6) Net income after exceptional items + depreciation and amortization
7) Share attributable to Shareholders of Bossard Holding AG

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

| IN CHF MILLION | | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|
| **Economic value added analysis** | | | | | | |
| Gross sales | | 600.8 | 559.5 | 514.9 | 497.3 | 433.4 |
| Earnings before interest and taxes (EBIT) 1) | | 46.5 | 33.1 | 29.0 | 27.2 | 15.9 |
| Effective tax rate in % 1) | | 16.4 | 22.5 | 21.0 | 20.7 | 23.5 |
| **Net operating profit after tax (NOPAT) 1)** | | **38.9** | **25.6** | **22.9** | **21.5** | **12.1** |
| Equity | | 194.1 | 172.7 | 169.3 | 147.3 | 139.0 |
| Gross financial debt | | 123.2 | 122.4 | 133.2 | 110.9 | 109.6 |
| Less cash and cash equivalents | | 10.9 | 8.8 | 10.0 | 6.8 | 5.9 |
| Capital employed (year end) | | 306.4 | 286.3 | 292.5 | 251.4 | 242.7 |
| **Average annual capital employed** | **(A)** | **296.4** | **289.4** | **272.0** | **247.1** | **249.3** |
| **Return on average capital employed (ROCE) in % 1)** | | **13.1** | **8.8** | **8.4** | **8.7** | **4.9** |
| **Cost of financial debt in %** | | | | | | |
| Average cost of financial debt | | 4.7 | 3.7 | 3.7 | 3.6 | 3.9 |
| Less effective tax | | 16.4 | 22.5 | 21.0 | 20.7 | 23.5 |
| Cost of financial debt after tax | | 3.9 | 2.9 | 2.9 | 2.9 | 3.0 |
| **Cost of equity in %** | | | | | | |
| Risk free rate (Basis: yearly average of yield Swiss government bond) | | 2.9 | 2.5 | 2.0 | 2.7 | 2.6 |
| Risk premium | | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Cost of equity | | 8.4 | 8.0 | 7.5 | 8.2 | 8.1 |
| Equity ratio | | 46.9 | 43.4 | 43.7 | 42.7 | 42.4 |
| **Weighted average cost of capital (WACC) in % 1)** | | **6.0** | **5.1** | **4.6** | **4.7** | **5.1** |
| Economic profit in % (ROCE – WACC) 1) | (B) | 7.1 | 3.7 | 3.8 | 4.0 | –0.2 |
| **Economic profit in CHF million 1)** | **(A) * (B)** | **21.0** | **10.7** | **10.4** | **9.8** | **–0.5** |

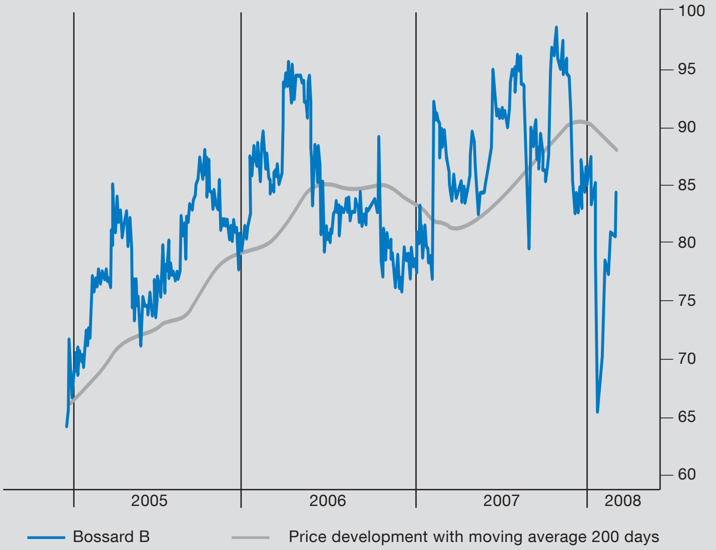
1) Basis: Ordinary EBIT
Ordinary means: before exceptional items – 2007/2006: Restructuring expenses America; 2005: Capital gain from sale of investment

| IN CHF MILLION | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| **Economic book value (EBV)** | | | | | |
| Market value added (economic profit/WACC) 1) | 348.5 | 209.8 | 226.1 | 208.5 | –9.8 |
| Capital employed | 306.4 | 286.3 | 292.5 | 251.4 | 240.8 |
| Implied enterprise value 1) | 654.9 | 496.1 | 518.6 | 459.9 | 231.0 |
| Less gross financial debt | 123.2 | 122.4 | 133.2 | 110.9 | 109.6 |
| Add cash and cash equivalents | 10.9 | 8.8 | 10.0 | 6.8 | 5.9 |
| **Economic book value at Dec. 31 1)** | **542.6** | **382.5** | **395.4** | **355.8** | **127.3** |
| | | | | | |
| **Market valuation and key ratios** | | | | | |
| Share price at Dec. 31 in CHF | 87.0 | 81.5 | 80.0 | 70.0 | 55.0 |
| Market capitalization | 261.9 | 244.5 | 239.3 | 206.4 | 161.2 |
| Net financial debt | 112.3 | 113.6 | 123.2 | 104.1 | 103.7 |
| **Enterprise value (EV)** | **374.2** | **358.1** | **362.5** | **310.5** | **264.9** |
| | | | | | |
| EV in % of gross sales | 62.3 | 64.0 | 70.4 | 62.4 | 61.1 |
| EV/EBITDA 2) | 6.3 | 7.9 | 9.1 | 7.7 | 8.9 |
| EV/EBIT 1) | 8.0 | 10.8 | 12.5 | 11.4 | 16.7 |
| EV/NOPAT 1) | 9.6 | 14.0 | 15.8 | 14.4 | 21.9 |
| Price/Book value per share | 1.3 | 1.4 | 1.4 | 1.4 | 1.2 |
| Return on equity in % 1) | 19.6 | 13.2 | 11.8 | 12.7 | 6.9 |

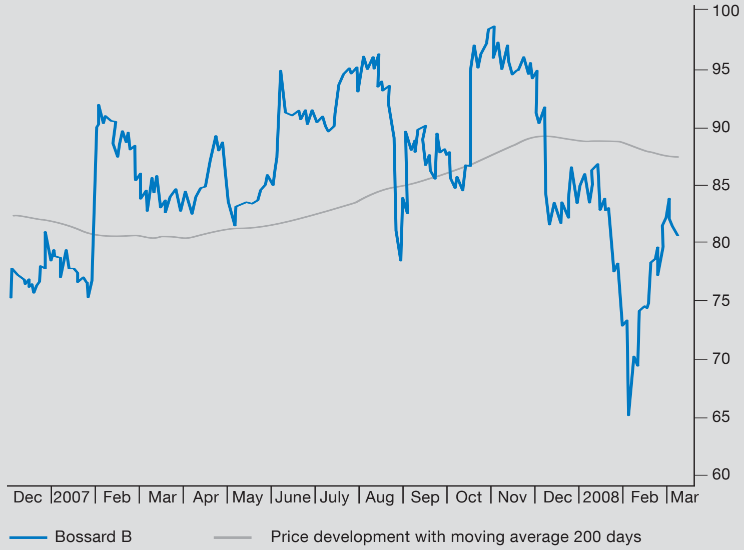
EBIT Earnings Before Interest and Taxes
NOPAT Net Operating Profit After Taxes
ROCE Return On Capital Employed
WACC Weighted Average Cost of Capital
EV Enterprise Value

1) Basis: Ordinary EBIT
2) Basis: Ordinary EBITDA
Ordinary means: before exceptional items – 2007/2006: Restructuring expenses America; 2005: Capital gain from sale of investment

**SHARE PRICE DEVELOPMENT 2005 – FEBRUARY 2008**
Ticker-Symbol: BOS, Valor: 1232386




**SHARE PRICE DEVELOPMENT 2007 – FEBRUARY 2008**
Ticker-Symbol: BOS, Valor: 1232386



The Annual Report is also available in German. The German version is the governing text.
Dieser Geschäftsbericht ist auch in deutscher Sprache erhältlich. Massgebend ist die deutsche Version.

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