

BOSSARD

Proven Productivity



IMAGINE

**Increase
your productivity
sustainably.**

ANNUAL REPORT 2018

IMAGINE

Assembly Technology Expert: Bossard recognizes the hidden potential of fastening technology.

Short profile

Bossard is a leading international supplier of product solutions and services in industrial fastener technology. Its product range includes over 1,000,000 fasteners and customer-specific application solutions. In combination with services in the areas of Smart Factory Logistics and Assembly Technology Expert, Bossard enables its customers to increase their productivity sustainably. Success is measurable: Proven Productivity.

With 2,500 employees in 77 locations, the Group reported CHF 871.1 million in sales in 2018. Bossard is listed on the SIX Swiss Exchange.

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Online report



Annual report



Short report

You can access the Online Report and the full Annual Report in PDF format at annualreport.bossard.com

AT A GLANCE

A year of records

The gratifying development of our results of this past financial year provide further confirmation of our profitability-oriented growth strategy, which particularly reflects our dedicated investment policy over recent years. We posted new records for sales as well as EBIT and net income.

Key figures

in CHF 1,000	2018	2017
Net sales	871,070	786,175
Change to prior year in %	10.8	13.1
Gross profit	275,768	253,151
Personnel expenses	176,483	164,102
in % of net sales	20.3	20.9
EBITDA	124,940	112,030
in % of net sales	14.3	14.3
EBIT	108,821	97,048
in % of net sales	12.5	12.3
Net income	85,410	80,193
in % of net sales	9.8	10.2
Cash flow ¹⁾	101,529	95,175
in % of net sales	11.7	12.1
Capital expenditures	27,791	22,695
Operating net working capital ²⁾	333,010	294,010
in % of net sales	38.2	37.4
Net debt	130,162	124,023
Shareholders' equity	309,650	263,962
in % of total assets	51.3	48.9
Total assets	604,094	539,758
Return on equity	29.8	34.0
Return on average capital employed (ROCE)	21.5	20.8
Dividend yield in % (Basis: share price at Dec. 31)	3.2	1.8
Earnings per share ^{3) 4)}		
Registered A share in CHF	10.95	10.33
Registered B share in CHF	2.19	2.07
Price/earnings ratio (Basis: share price at Dec. 31)	12.8	22.3
Price/book value per share	3.4	6.6
Annual weighted average number of employees ⁵⁾	2,307	2,162
Net sales per employee ⁶⁾	377.6	363.6

1) Net income + depreciation and amortization

2) Accounts receivable, inventories, less accounts payable

3) Basis: Average capital entitled to dividend

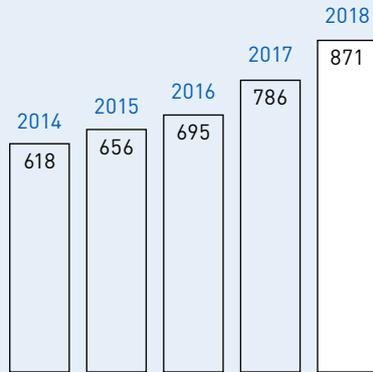
4) Basis: Share attributable to shareholders of Bossard Holding AG

5) Average full time equivalent

6) Basis: Annual weighted average number of employees

Net Sales

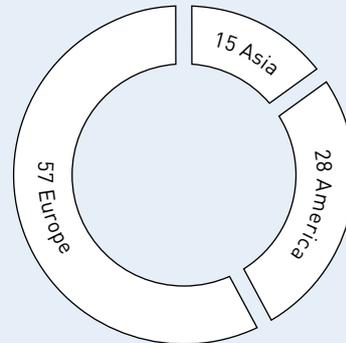
in CHF million



Sales rises by **10.8 percent** to a new record level of CHF 871.1 million.

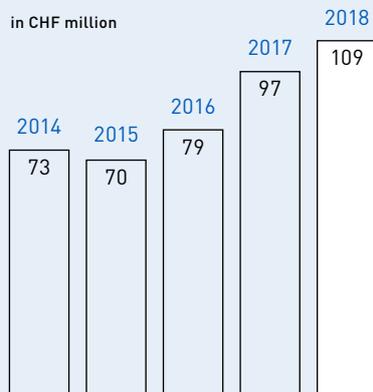
Geographic Sales Distribution

in %



EBIT

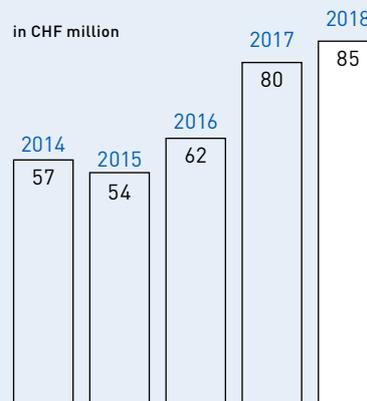
in CHF million



Targeted investments pay off – EBIT increases by **12.1 percent** to a new record high.

Net Income

in CHF million



+6.5 percent
Net income at record high – basis for future growth.

Cost pressure is forcing many industrial enterprises to focus on **leaner processes** and **cost structures**. Together with our customers, we analyze ways and opportunities to optimize costs and reduce lead times, thus boosting efficiency and productivity. Our **methods and technologies** support this effort and today are core elements of profitable growth for our

customers. With our **Assembly Technology Expert** services, we support our customers with engineering expertise from product design to production. In addition, our **Smart Factory Logistics** solutions offer our customers not only a smooth and reliable supply of B- and C-parts but also make their production ready for the future.

REPORT TO THE SHAREHOLDERS

Consistency leads to new record results

Dear Shareholders,

Once again, the Bossard Group can look back on a very successful financial year. In 2018 we increased sales as well as EBIT and net income to new record highs. EBIT grew by no less than 12.1 percent, net income by 6.5 percent; excluding the non-operating result from the prior year's real-estate sale, the figure was 12.8 percent. At 12.5 percent, the EBIT margin is well above the industry average and sets a new record. Our dedicated investment policy, our eagerness to open up future markets, and our solid balance sheet have been the foundation for Bossard's profitable growth over many years. As such, the record results in 2018 represent a milestone that encourages us to continue to forge ahead on this path.

The consistency in our performance is largely the result of the broad-based foothold of the overall Group. Our customers come from widely different sectors: machine, railway, energy, aircraft and automotive industry. Additionally, Bossard has deep roots in all major industrial centers. Such broad diversification holds major benefits, because experience has taught us that a dip in one market can be balanced out by growth in other sectors and regions.

Broad-based growth

Our broad diversification paid off particularly in Europe, where we again achieved double-digit growth in 2018 with a 10.8 percent increase in sales. Our business benefited from the healthy economy in the first half of the year. Thanks to modernized and expanded capacities, we were well prepared for this upswing. The latter half of the year was decidedly more challenging. Many customers were operating at full capacity, which along with the strengthening Swiss franc curbed demand. Nonetheless, Bossard's solid development in all major European markets is noteworthy.

The America business flourished as well, its base broadened by the acquisitions we made in recent years. Solid demand in various sectors fueled accelerated growth throughout the year, further bolstered by the cooperation with the largest US electric vehicle manufacturer. Business from this customer makes up approximately 7 percent of Group sales, and we are benefiting today from the groundwork we laid over a number of years.

Our Asia business also grew by double digits in 2018. The investments Bossard undertook to expand its distribution network, especially in China, are bearing fruit.

Opening up future markets

Dear shareholders, the Bossard Group has its sights set on a number of future markets that will ensure our profitable growth over the long term. For example, we have set ambitious goals in the field of additive manufacturing: in spring 2018, we announced partnerships with three manufacturers of 3D printers. In fall 2018, we also acquired a 49 percent stake in the company 3d-prototyp GmbH.

These efforts are designed to give Bossard broad expertise in additive manufacturing, ranging from design to the manufacture of components. In addition, we want to offer our customers the best possible support in selecting suitable 3D printers and related production technologies. Of course, we are aware that 3D printing is still far from generating sizable sales and profits. We do consider additive manufacturing a market for the future, especially for prototypes, components with complex geometries, and parts where weight reduction is crucial. It is also significant that 3D printing is increasingly leading to the use of new materials for which Bossard, as the leading supplier of fastening technologies, intends to develop and market innovative solutions.

We strive for innovative solutions in supply chain management as well. One important element is Smart Factory Logistics, our automated logistics system for small parts; Bossard has been using it since 1998 to make customer procurement processes more cost efficient. Now, our efforts are focused on stepping up the integration of robotics into supply chain management. The robots we incorporate into production processes are able to transport components to the assembly site over even greater distances.

Furthermore, we are continuously striving to make progress in supply chain digitalization. One aspect is ensuring adequate requirements identification and inventory management. Bossard has assumed responsibility for supply chain management in many companies. We want to market our proven tools so that customers can use them on their own. Our message makes it clear that our proven solutions can be



used in fields beyond industry. The partnership we forged with healthcare logistics provider Cosanum in 2018 is a case in point. However, we still have much preparatory work to do in order to expand our systems into markets less familiar to us. In addition, we want to lay the necessary groundwork to secure growth over the long term.

Change in the top management of the Group

In January 2018, Bossard announced the succession plan in top management of the Group. After 15 very successful years as CEO, David Dean will be stepping down at his own request from the Group's executive committee as of the annual general meeting of shareholders on April 8, 2019. His successor is Dr. Daniel Bossard, who was unanimously elected by the board of directors. The board of directors took extreme care in deliberating the succession plan. After all, the final decision needed to ensure the company's continued successful development. Both the board of directors and the executive committee are convinced that Dr. Daniel Bossard has the skills necessary to achieve this ambitious goal. The board of directors interviewed both external and internal candidates at great length before making the final decision. Dr. Daniel Bossard has held a variety of positions in the Bossard Group since 2000 and has been a member of the executive committee since 2009. Under his leadership, strong growth and outstanding profitability have been the hallmarks of the country organizations he has led in Northern and Eastern Europe.

In other words, the new CEO has what it takes to successfully guide the Bossard Group into the future: a solid track record, a wealth of experience, and in-depth expertise of all the relevant developments across the Group. His appointment also means continuity in the corporate strategy in place through the end of 2020. The new CEO will finalize this strategy and submit a follow-on plan in due course.

It should also be noted that Dr. Frank Hilgers, member of the executive committee since 2015, will take over operational management of the Northern and Eastern European country organizations on May 1, 2019. To fill this vacancy, the board of directors has also selected a proven specialist: a member of the executive committee who is now successfully managing the marketing of premium fastening solutions.

The board of directors accepted with great regret the resignation of long-time CEO David Dean. "We are reluctant to let go a CEO with such track record. The board of directors would like to take this opportunity to thank David Dean for his outstanding contributions", stated chairman of the board of directors Dr. Thomas Schmuckli in appreciation of the departing CEO's performance and added: "We are especially pleased that we were able to gain someone of his caliber to join us on the board of directors. This is yet another sign of continuity in our company."

On a promising course

Overall, our profitability and growth-oriented strategy combined with the desired consistency has yielded progress. Substantial investments have consolidated our market position in the relevant markets. Our solid balance sheet also allows us to continue to pursue growth through investments. Last but not least, we carry out the necessary preliminary work year after year in order to secure new markets. In short, Bossard has its gaze firmly fixed on the horizon – without forgetting the virtues that made the company strong in the past.

There are many reasons to be optimistic about the future, in spite of changing environment. There is currently much talk of growing trade barriers and their impact on established production sites. Trade barriers such as these are not in the interest of Bossard, and yet there is reason for optimism. We have a presence in all the major industry locations across the globe and maintain a dense distribution network. This enables us to follow customers to new locations as they restructure their own production networks. Here, too, we see that our broad geographical presence has substantial benefits.

Overall, we begin the new year with confidence. Our customers, our employees, and most especially you, our valued shareholders, are committed to a company that continues to have great potential for growth. Dividend increases, job security, and our reliability in doing business with our customers are positive indicators for continued success. Thank you very much for the trust and loyalty you have placed in Bossard over the years.



Dr. Thomas Schmuckli
Chairman of the
board of directors

David Dean
CEO

Zug, February 22, 2019

IMAGINE

Assembly Technology

Expert:

Our six service
modules support
you in all three
phases of product
management.

OUR SERVICE MODEL

Assembly Technology Expert

Using the three-phase methodology of Assembly Technology Expert, we guide our customers from design to production of their products. We offer six modular engineering services designed to help cut production times, lower costs and boost efficiency and productivity.



Design

Our consulting services focused on fasteners help our customers design optimal products. In our cutting-edge fastening design centers, Bossard's highly trained engineers guide our customers' development processes for fastening technology. They also keep close track of total product lifecycle costs.

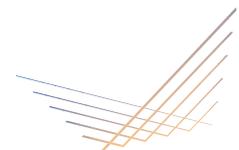


Optimize

We hone our customers' fastening technology to perfection. In this step, we use proven methodologies, smart sensors and industrial analytics. This enables our customers to optimize every aspect of the assembly process and to significantly increase productivity.

Educate

We believe in knowledge-sharing. That is why we offer training in fastening technology: customized courses on principles and applications of fastening technology in order to recognize and exploit its potential.



NEEDS-ORIENTED OFFER

Six service modules for sustainable success



Expert Walk

We take a precise look at where our customers' production happens. We examine all assembly stations and processes. Our engineering experts study the fasteners and tools in use and determine how to make production leaner and smarter.



Expert Assortment Analysis

To reduce the total cost of ownership, we simplify our customers' bill of materials by identifying opportunities for streamlining the use of fasteners. We work with proven analytical processes, application tests, and further state-of-the-art methods and techniques.



Expert Education

We empower our customers to become experts in the full range of assembly technologies. In our seminars and e-learning courses, we teach the essentials and share expert tips on all aspects of fastening technology.



Expert Teardown

We disassemble our customers' products and examine every inch. We focus on the design, functionality and assembly processes associated with fasteners to identify the best fastening solutions and ways to save costs.



Expert Design

Engineering expertise from the very first drawing. Materials and assembly recommendations, 3D prototyping and access to CAD data for all our fasteners help boost our customers' product quality.

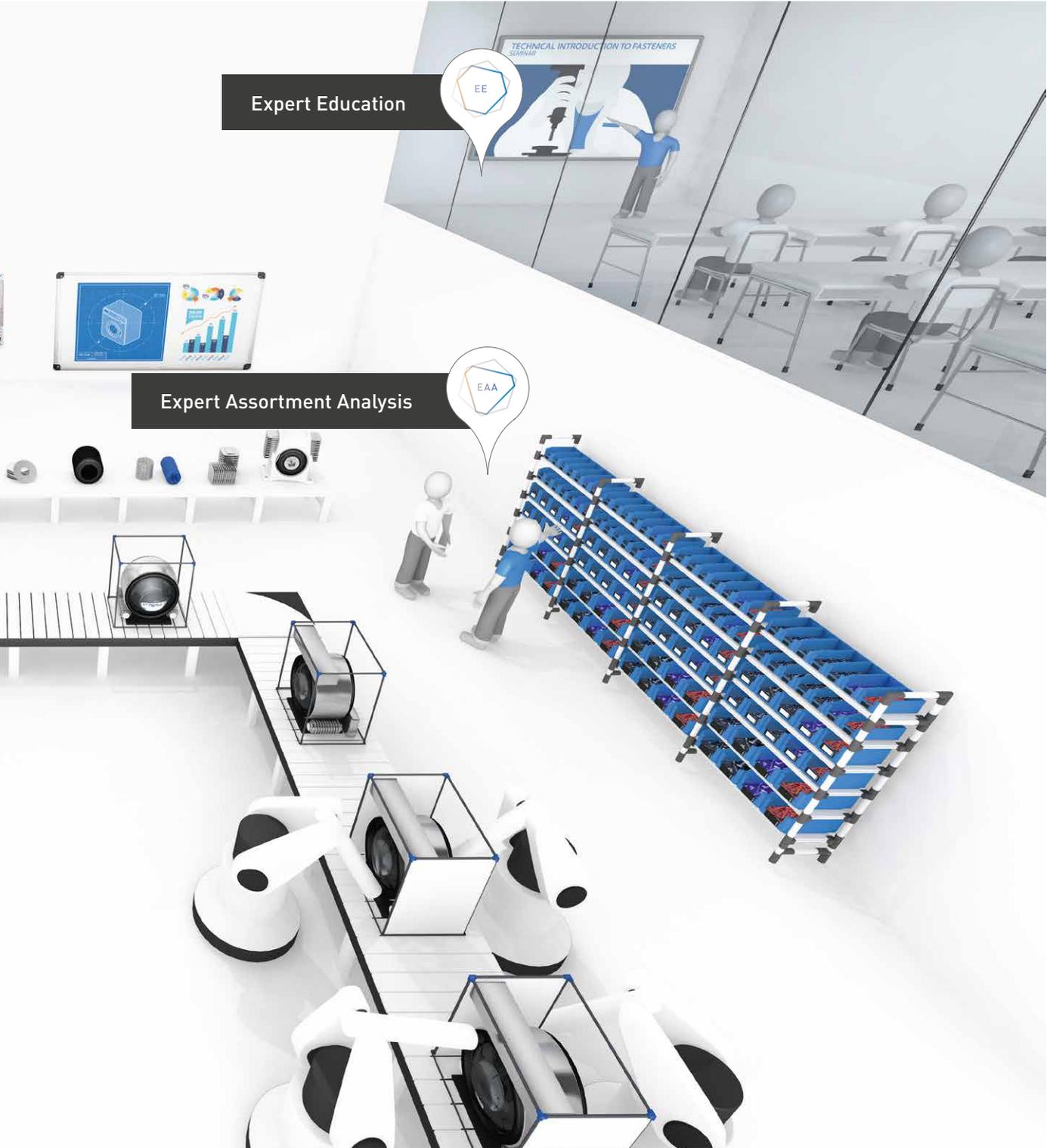


Expert Test Services

Bossard's accredited test laboratories in Europe, America, and Asia use cutting-edge measuring and testing equipment. This ensures that the products for our customers meet the highest quality requirements and that all production processes run reliably.

ASSEMBLY TECHNOLOGY EXPERT Services at a glance





Expert Education



Expert Assortment Analysis



IMAGINE

We are at your side.

Invest minutes – save hours. Fasteners play a critical role in the design of every product. For this reason, it pays to evaluate the best fastening solutions right in the design phase. Precise specifications result in maximum reliability and uncompromising safety. High-quality fastening solutions also contribute to product longevity. That is why we actively support our customers right in the design stage. Why? To avoid unnecessary costs by design modifications and in the production phase.





REALIZE

Quick to market with a well-thought-out design



Alex Shi Application Engineer, Bossard Fastening Solutions (Shanghai) Co. Ltd, China

Why are fastening elements already important in product design?

Alex Shi: We know from experience that it pays to work out the best fastening technology while the product is being designed. This results in significant cost savings to the customer during subsequent production or maintenance processes. We select fastening elements that can be installed quickly and easily. And we always bear the costs in mind. For new products we prefer to select fasteners that are already being used in current operations, thus contributing to product line optimization.

How does Expert Design support customers during the development phase?

We provide our customers with a specific sample bank of fasteners that they can test themselves. We create CAD drawings of the required elements that can be integrated directly into the design plans. We also help customers with proper tool selection and procurement of fasteners.

Are product developers open for input during this phase?

Yes, we get very positive feedback. Customers appreciate our input because they can benefit from our broad technical knowledge on the properties of fastening elements, such as alloying, surface treatment, and load-bearing capacity. Product developers also appreciate that we support them with CAD drawings and 3D prints.

Why is cooperation at this early stage so beneficial?

Because we can address everything correctly from the very beginning. In this way we avoid the problems that often seem to arise during the production phase of a product. We minimize the risk over the long term while ensuring efficient solutions. Thanks to this approach, we consistently help our customers to achieve astonishing cost-savings.

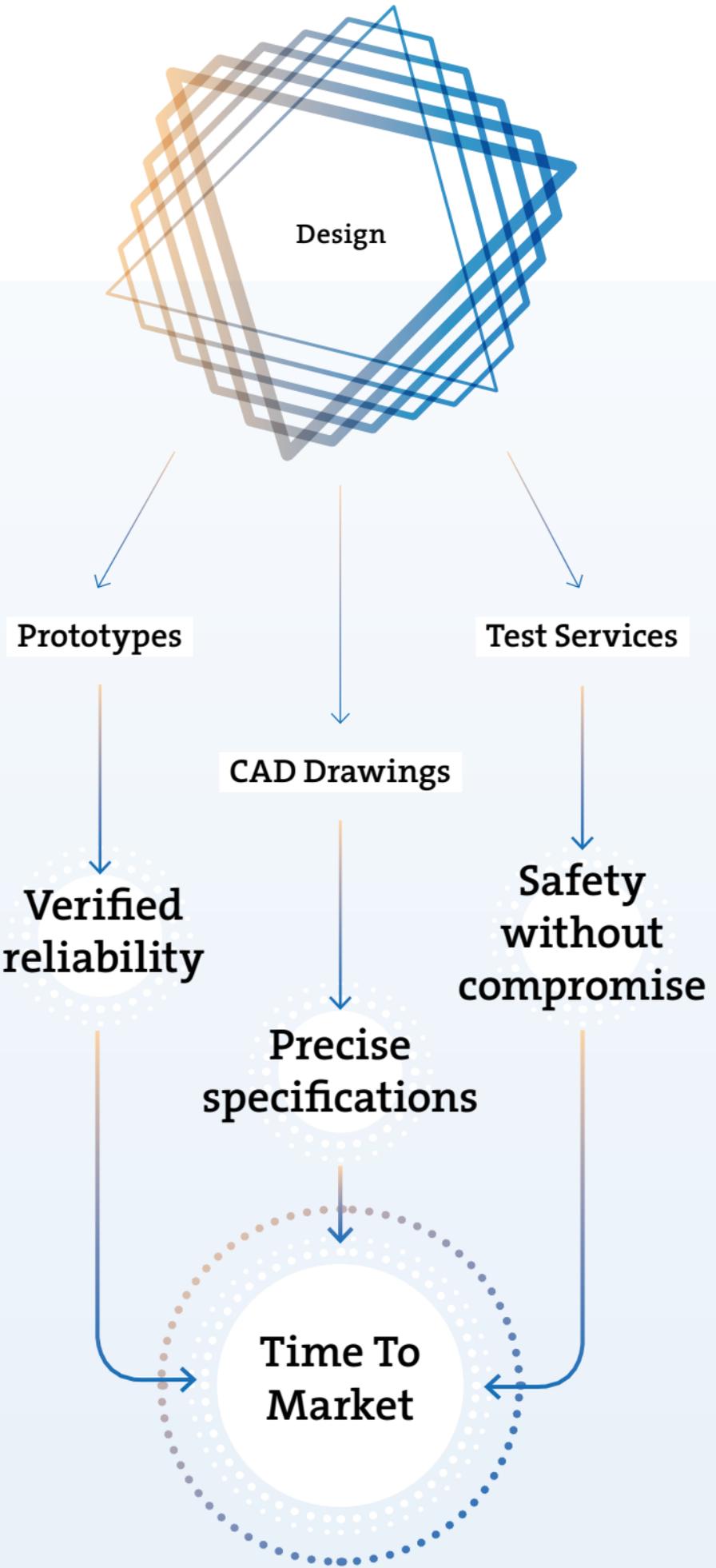
For what products are fastening elements particularly important in the design process?

Basically for all products. Choosing the right components can be critical, particularly in the design process. That is why we recommend taking into account the following properties when choosing fasteners: Material selection, mechanical properties, corrosion protection, friction, securing of the screwed connection to name just a few.

What role does Expert Test Services play in this process?

In our test laboratory, we perform thorough quality tests for all elements. We conduct tensile strength, torque, and microhardness tests, among others. Right now we are organizing a technology day for one of our customers. On that day the customer can conduct practical tests himself and gain valuable insights and knowledge.

ASSEMBLY TECHNOLOGY EXPERT
Shape the future



PROVEN

*“We cut
throughput
time by 20 %
thanks to
the right
fastening
element.”*



Liu WeiMing
Coach, Siemens Medical,
China

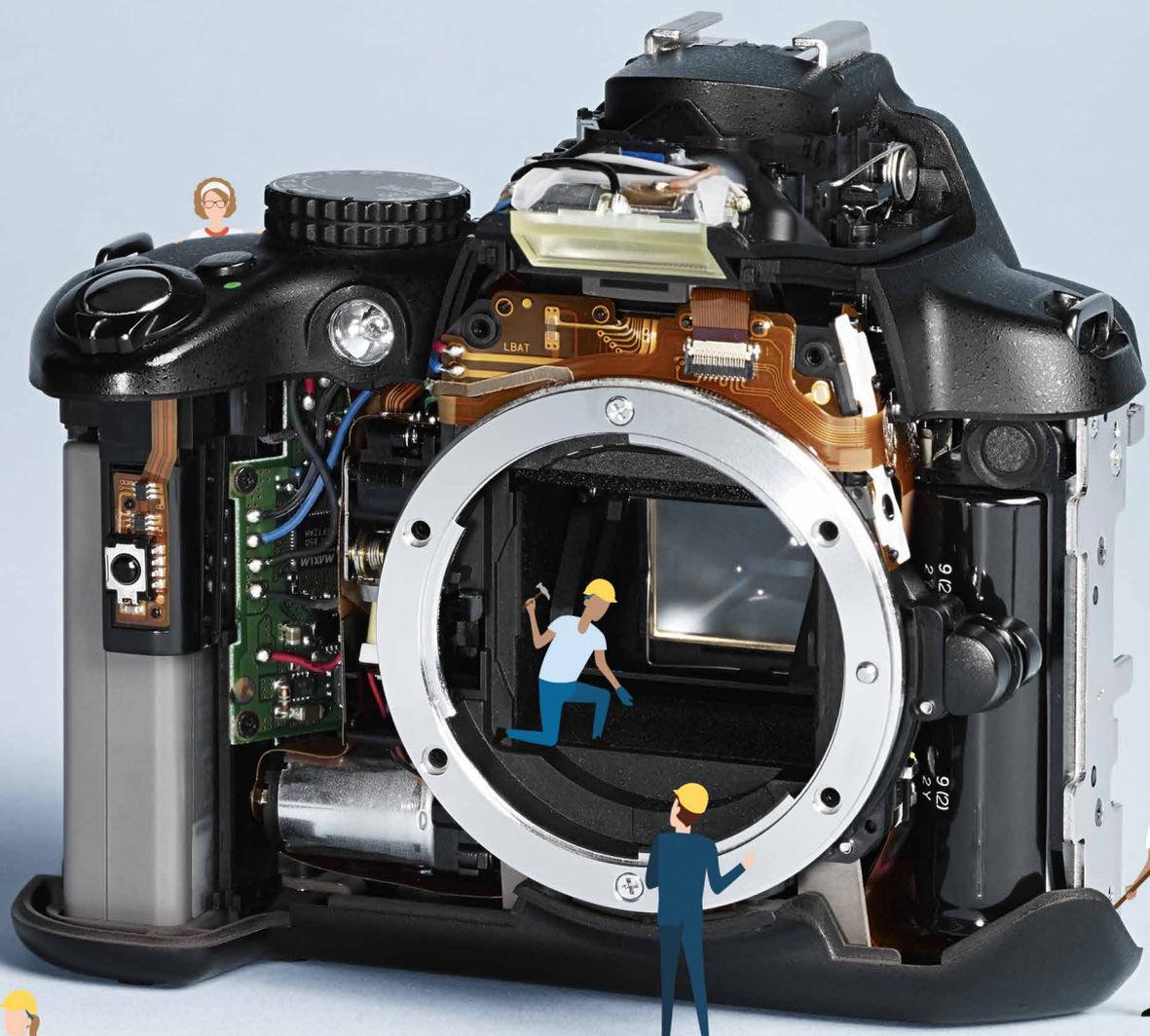
More than once Bossard China has assisted Siemens Medical in the design phase of new products. The sample range of fasteners and special tools helped make prototype testing easier for the engineers. Using a special fastening element improved product quality and significantly cut throughput time.



IMAGINE

We'll clear up the picture for you.

Identify hidden potential. It is worth periodically evaluating established fastening solutions. Often it is possible not only to improve the quality but also to reduce the complexity of the product range. Ultimately, more sophisticated fasteners, leaner work processes and smarter warehouse management drive down production costs. For this reason, Bossard is committed to more effective and more efficient solutions. Why? Because realized potential directly increases productivity.



REALIZE

Effectively boost productivity



Sarah Bernstein Director of Category Management, Bossard North America, USA

How does Bossard contribute to optimizing fastening solutions?

Sarah Bernstein: When it comes to fasteners, we know right away where there is potential for quality improvements and cost savings. With over 185 years of experience, we also understand the special challenges of the individual sectors. For comprehensive optimization, Bossard's Assembly Technology Expert offering includes a service package that permanently improves the productivity of our customers.

What does the service Expert Teardown involve?

In this step, we break down the products into their individual parts to carefully review all the fastening solutions used. We often achieve improvements by using more resilient materials or better gripping fasteners, or by reducing assembly time already.

Are there any other areas with potential for optimization?

There are so many other ways to make improvements besides those already mentioned. We often see that it's possible to streamline the assortment of fasteners. We also recommend replacing parts with less expensive solutions of the same quality. Torsion, isolation or corrosion can all be areas of improvement. Sometimes the problem is not even the fastener itself but the tool used for assembly.

What does your service Expert Walk entail?

Here we focus on the assembly process. The following example illustrates the Service Expert Walk at a vehicle manufacturer: while presenting the prototype for a new model, the customer pointed out specific difficulties in assembly. We then delved into the assembly process and recommended the appropriate tools. The company was able to streamline the assembly workflows and make them more efficient.

How does the customer benefit from Expert Assortment Analysis?

Quite simply: assortment optimization. We were able to support an electric vehicle manufacturer, for example. Our analysis allowed the company to greatly reduce its broad assortment of fasteners. We were able to demonstrate savings of \$60 per vehicle as a result.

What does the analysis involve?

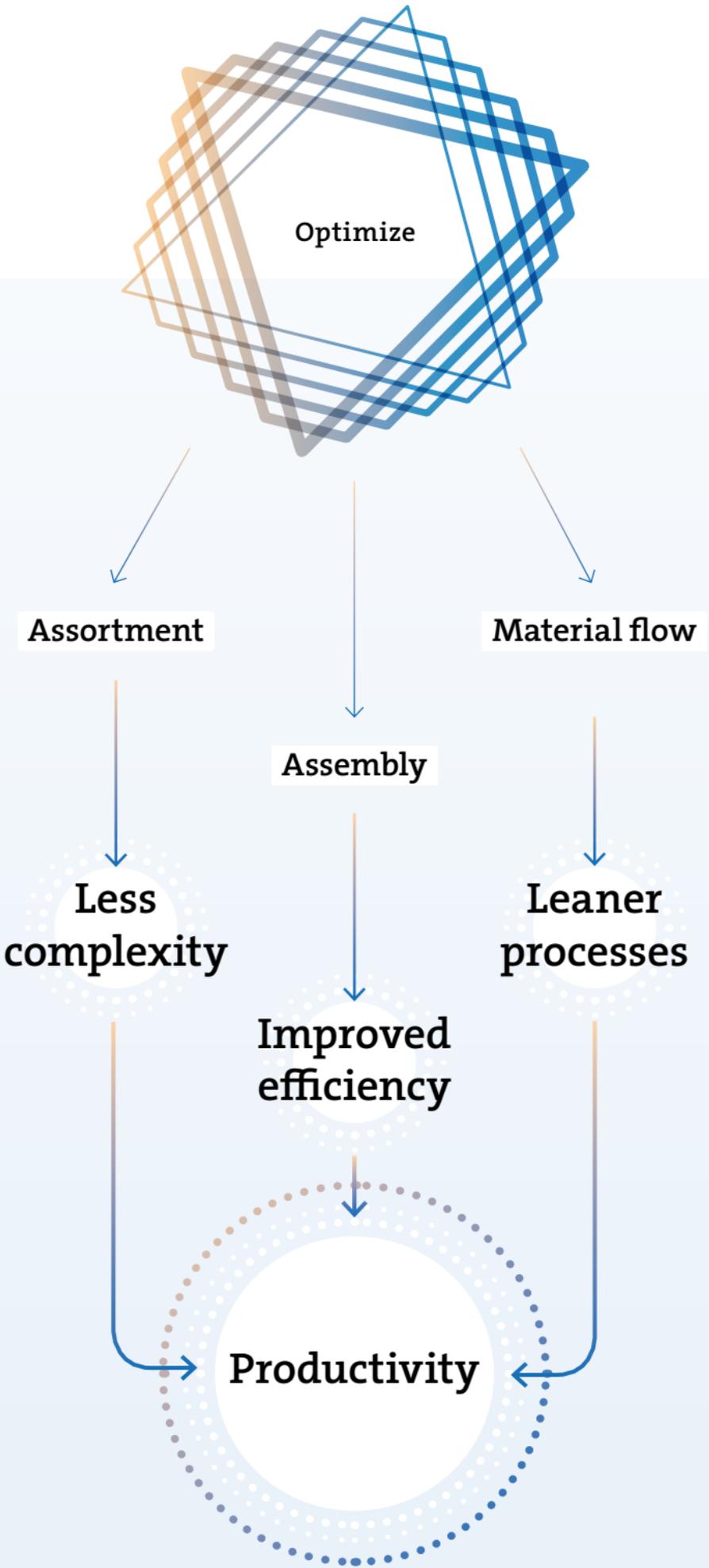
We always focus on whether the customer can reduce the number of fasteners used. We often find that the different departments do not communicate with each other enough and the engineers end up using different fastening solutions. In this case, we bring the teams together and systematically show them how they can use synergies and reduce costs by choosing the same technical solution wherever possible. We are almost always able to cut the number of different fastening solutions in this way. In turn, this means a optimized assortment, higher quality, and shorter assembly times.

What companies would find your services interesting?

Our services are of interest to every manufacturer of products or components that use fastening elements. Fastening solutions are just as important for specialized medical equipment as for drones or electrical switching cabinets.

ASSEMBLY TECHNOLOGY EXPERT

Boost productivity



PROVEN

“A valuable partner in the development of our flagship vehicle from the get-go.”



Chris LaMorte
Body Mechanisms Manager,
Faraday Future, USA

Bossard assisted Silicon Valley's Faraday Future in the fastener selection process. Bossard's knowledge and technical expertise were highly valued.

IMAGINE

We make you the expert.

Knowledge saves costs. Fastening technology is steadily developing further. Bossard uses the latest innovations in the world of fasteners and their assembly. Our customers can drastically cut assembly and production costs by using cost saving elements, special parts, and lean processes. The experts at Bossard share their knowledge in special training sessions, thus ensuring peace of mind and the highest quality. Why? To promote innovation and reduce costs.



REALIZE

Know-how transfer in fastening technology



André Müller Consulting Engineer, Bossard AG, Switzerland

What is the goal of Expert Education?

André Müller: That's easy: we want our customers to become experts in fastening technology. With that end in mind, our training courses are designed to share in-depth knowledge about fastening technology.

Why should the customer invest in education?

Education is always worth it – in every area of life. The same goes for fastening technology. The numbers speak for themselves: customers can save up to 40 percent of their production costs by using multifunctional fastening elements. They can replace a screw-nut-washer combination with a single fastener. This type of element costs less and saves time during assembly. In turn, this has a positive effect on purchasing, logistics, and warehousing, thus boosting productivity. Continuing education is also a way to ensure that customers can profit from the latest innovations.

What exactly do you teach in your training courses?

Primarily we demonstrate how to install fasteners correctly and efficiently in the production process. With developers and designers, we delve more deeply into the functions, design, influencing forces and qualities of fasteners.

Who is your intended audience?

Our main target group are designers who would like to refresh or update their knowledge. Another group are assembly employees who want to work more confidently with tools and fastening elements. We also train maintenance and repair technicians as well as procurement and sales personnel.

What forms of training do you offer?

We offer needs-based seminars, e-learning courses, and webinars. In Switzerland, we hold an annual public seminar on fastening technology basics. Furthermore, we also hold seminars especially designed to meet customer needs – at the customer site, if required. E-learning is one way to acquire basic knowledge through self-study. Webinars, on the other hand, deal with individual technical topics, like corrosion. This way our customers acquire the knowledge they need on specific topics.

How long does a seminar last?

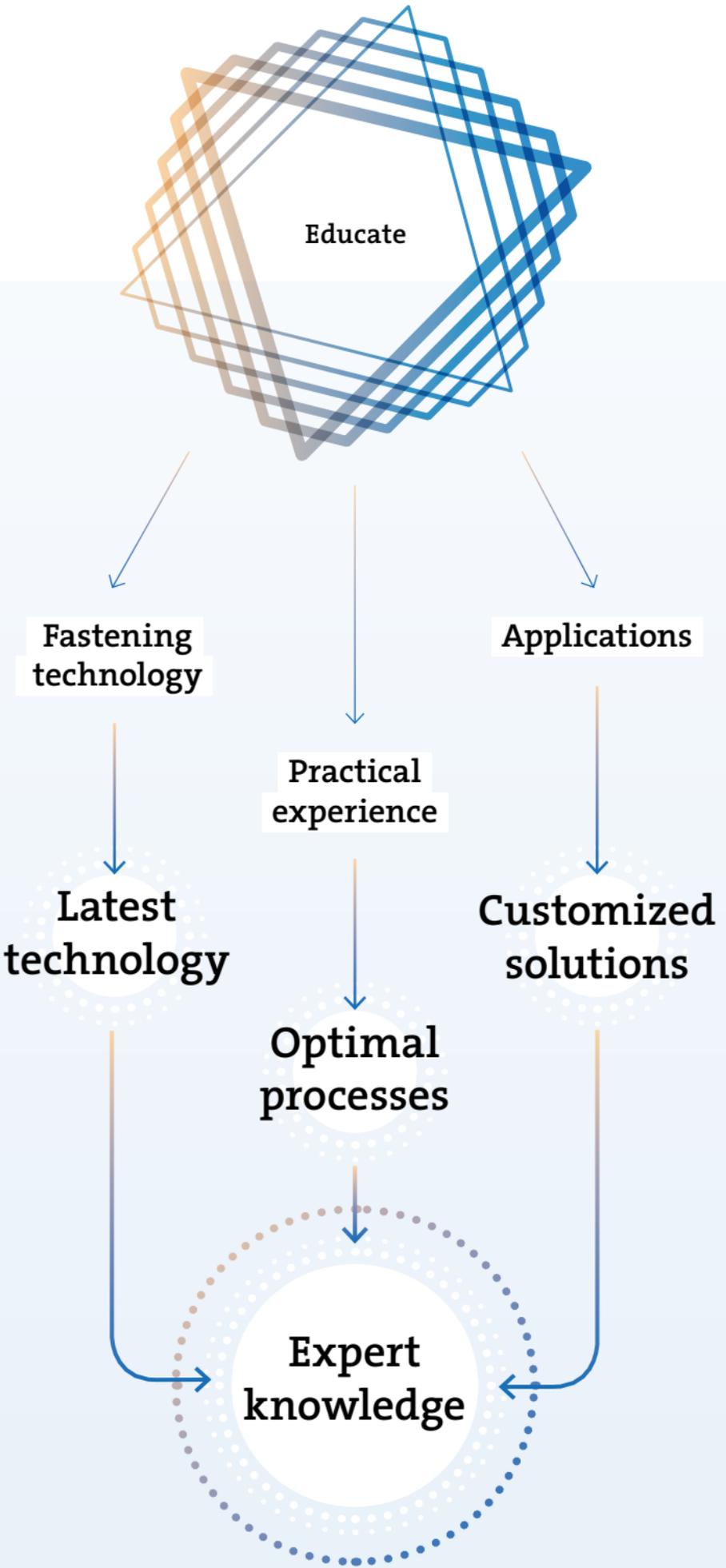
Usually a half to a whole day. In addition to the theoretical part, seminars focus on practical applications. Participants learn, for example, how to tighten a screw correctly and what effects fastening elements have. Only practical experience demonstrates what is really important.

Why are your training sessions different from industry to industry?

The basics are the same for all industries. Beyond that, we also teach industry-specific topics, such as for the automotive, rail, or construction industry. We know exactly where our customers' pain points are and help alleviate them with solution-oriented fastening technologies. Here we ultimately add value as well.

ASSEMBLY TECHNOLOGY EXPERT

Firmly anchor knowledge



PROVEN

“From 0 to 100: The very first seminar with Bossard opened our eyes.”

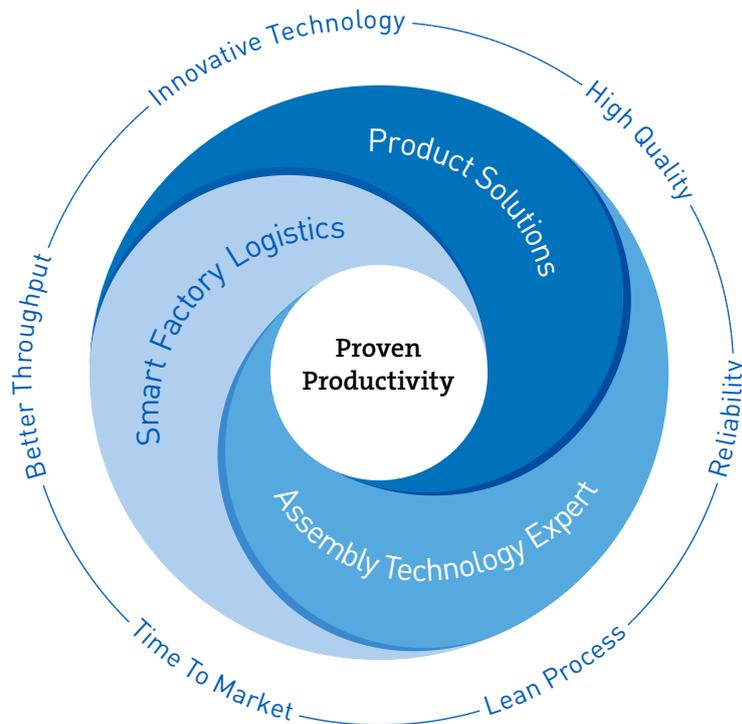


André Fedier
Director of Construction,
Dätwyler Sealing Solutions,
Switzerland

Thanks to the customized "secure screw connections" seminar, Switzerland's specialized industrial supplier Dätwyler honed its awareness of the importance of screws in maintenance, tool-making, and construction. The acquired knowledge not only prevents damage to screws but also increases safety.

BUSINESS MODEL

Making our customers more competitive



We live in a fascinating world. The products that surround us make our lives and work easier than ever before. From smartphones and computers to trains and tractors – today’s products are signs of progress.

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

Hidden Potential

At first glance, you will see things like screws, nuts or bolts. However, some things remain undiscovered and do not become obvious until you take a closer look. At Bossard, that is what we call the “hidden potential” of fastening technology. Hidden because at first glance they are invisible. Potential, because it has the power to permanently boost our customers’ ability to compete. Because these hidden aspects

make up approximately 85 percent of the total cost of ownership (TCO) for fasteners.

Getting ahead together

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

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

As a promise to our customers, Proven Productivity has two hallmarks: first, that it is proven to work and second, that it permanently improves our customers’ productivity.

Strong performance

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

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

Second, our Assembly Technology Expert services deliver the smartest solutions for all possible fastening challenges. From developing a new product and optimizing the assembly processes to training our customers in all aspects of fastening technology.

And third, optimizing our clients' productions in a smart and lean way with Smart Factory Logistics, our methodology, with intelligent logistics systems and tailor-made solutions.

Key benefits

From our customers' perspective, the synergy of product solutions, Assembly Technology Expert services, and Smart Factory Logistics yields six core benefits:

- Time To Market: this means that our customers' products are brought to market faster – a crucial competitive advantage in a global environment where speed counts.
- Lean process: for our customers, that saves time, money and resources, meaning lower total cost of ownership – but most importantly, higher margins.
- Better throughput: this is a main cost consideration for our customers when it comes to boosting effectiveness, and especially improving efficiency.
- High quality: for our customers, this means absolute reliability with respect to the safety of their products, processes, and production, and hence less waste and fewer complaints.
- Innovative technology: from a customer's perspective this is crucial. Only companies open to new developments are ready to successfully forge new paths and go where no other competitor has gone before.

- Maximum reliability: for our loyal customers, this means knowing that they can rely on us and our long-time employees with the utmost confidence – not just now, but decades down the line.

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

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

STRATEGY AND HISTORY

Solid foundation for further growth

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

Proven Productivity – our promise ...

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

... for a globally fragmented market

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

Customer proximity creates growth opportunities ...

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

... and drives our strategic ambition

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

1831

Franz Kaspar Bossard-Kolin establishes a hardware store.

1931

The hardware business holds on to its local character.

1956

The hardware business looks for new opportunities.

Our strategy for strong high-quality growth

Within the context of our strategic goals, which remain unchanged for 2016 to 2020, we are aiming to achieve sustainable high-quality growth. We want to substantially increase our sales revenue in the coming years to further strengthen and expand our market position. However, volume growth should not come at the expense of profit, which must at least keep pace with revenue. In addition, the invested capital must yield a reasonable return for our investors.

Greater focus on high-end products and solutions

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

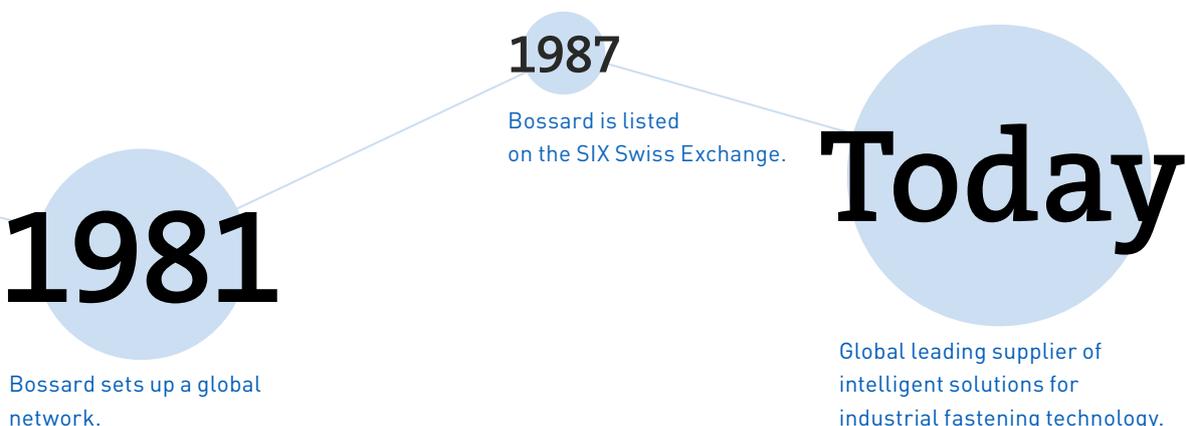
On the whole, our Proven Productivity philosophy increasingly targets products and solutions that are proven to give customers lasting added value. This will offer us attractive profit margins. The main focus is on our engineering services and on the development of functional modules that intelligently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

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

Market development shows that Bossard is on the right track

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

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



VALUES AND SUSTAINABILITY

Commitment to sustainability across generations

The Bossard Group has been committed to sustainable corporate development for generations. We pursue success based on responsible long-term strategies, thus creating the foundation for economic, social and ecological progress. At the root of this progress is the trust our stakeholders have placed in us for many decades. Our shared values are laid down in a group-wide binding code of conduct. These values are integrity, fairness, compliance, professionalism, responsibility, and transparency. These ethical principles drive all thoughts and actions of the Bossard Group.

Over more than 185 years of sustainable corporate management, the Bossard Group has earned an excellent reputation which we view as a central prerequisite for achieving our corporate goals. The success we have enjoyed is built on the trust our investors, customers, suppliers, employees and the general public place in us. We know from our long history that this kind of reputation is the result of constant hard work and must be cultivated each and every day. One misstep can quickly tarnish our valuable reputation. That is why we have developed a comprehensive code of conduct that all Bossard employees, and especially new employees, can use as a guidepost.

Our code of conduct is based on the core values of integrity, fairness, compliance, professionalism, responsibility, and transparency. As a global multicultural group of companies with activities in industrial centers throughout the world, we need a framework that represents our shared understanding of ethical business practices. At the same time, we are committed to adapting the code as business and regulatory needs dictate.

Integrity and responsibility

Integrity in our code of conduct means that we respect, in all ways, the interests of our stakeholders – investors, customers, suppliers, employees and authorities – and attempt to harmonize them as best as possible. In so doing, we also wish to contribute to social harmony within and outside the company. By responsibility, we mean meeting our responsibilities and assuming responsibility for our actions. Our policy is to only make promises we can

keep. Fairness, too, is one of our core values: we treat all our stakeholders with respect. We promote equal opportunity in our company and foster a working environment that is free from discrimination and harassment of any kind. All employees, regardless of position, gender, age, life situation, sexual orientation, nationality, race or religion, are entitled to equal opportunities and prospects.

Respect for laws and regulations

At Bossard, compliance with all legal provisions is a matter of course. We acknowledge the importance of all relevant national laws as well as internal and external regulations, guidelines and standards, and we comply with them. Bossard's history plainly shows that we follow this ethical principle to the letter. Nowhere in the world do we have a conflict with authorities or public interest groups. Furthermore, the Bossard code of conduct dictates that every violation be met with appropriate sanctions. Any wrongdoing must be reported immediately to the responsible supervisor, executive committee or – if appropriate – to the CEO. Reports are confidential and can be made anonymously. These strict conditions are designed to safeguard our reputation, which represents our most valuable asset: Bossard stands for integrity and fairness.

Professionalism is another part of our core values. We staff our teams with motivated, performance- and solution-oriented individuals, regardless of position, gender, age, life situation, sexual orientation, nationality, race or religion. Recruiting is strictly professional and follows detailed guidelines. Every job has a clear requirements profile that is carefully scrutinized and, if need be, modified each time a job is filled.

Transparency and constructive dialog

In addition, Bossard is committed to the core value of transparency. We maintain an open and constructive dialog with all stakeholders, a dialog informed by fairness, respect and professionalism. One example is our disclosure policy for investors and financial markets that establishes the basis for a fair valuation of Bossard shares. The board of directors endeavors at all times to keep shareholders apprised of new strategic directions and to lay out the concomitant financial commitments in a transparent way. In recent years, this disclosure policy

resonated highly with the financial markets and contributed to increased valuation of our company.

In summary, Bossard is well aware of its great responsibility to its employees and external stakeholders. The standards we set for our executives and employees through the mandatory Bossard code of conduct are commensurately high. The great value Bossard places on this code is also reflected in the successful development of our Group. Our goal is sustainable profitability that enables us to implement our strategies, drive long-term investments, pay our employees fairly, and generate attractive returns for our shareholders. Our code unequivocally states: “We value compliance with our core ethical values even more highly than making a profit. Profit making should never be a justification for breaking the law, shirking responsibility or taking unreasonable risks.”

United Nations sustainability principles

Beyond the code of conduct, Bossard also upholds the sustainability principles of the United Nations Global Compact. These ten principles revolve around the core issues of human rights, labor standards, environmental protection and anti-corruption. All of them aim to encourage change in business processes and to promote sustainability along the entire value and supply chain. In accordance with the UN initiative, Bossard remains committed to its fight against child labor and forced labor of any kind. This underscores our resolute stance against all types of corruption – as set forth in the code of conduct – including extortion and bribery. One of the three ecological principles of the UN initiative is to take a precautionary approach and to encourage the development and spread of environmental-friendly technologies. And finally, the initiative opposes all human rights violations – a principle shared by the Bossard Group, as described previously.

Bossard evaluates risks and business opportunities with a view towards the health and safety of its employees, suppliers, and other individuals affected by its business activities. We comply with the ISO 26000 standard and use it as a guideline for social responsibility, thus contributing to sustainable and forward-looking growth.

Sustainable and profitable growth

The statements concerning our code of conduct reflect Bossard’s strong commitment to sustainable corporate growth. We are deeply convinced that only a corporate strategy aligned with sustainability and acceptable to all stakeholders can succeed in the long term. Bossard’s very successful growth over recent years flows from this strategy. We have pursued new activities in demanding markets while consolidating our business foundation in all crucial regions of the Group. In spite of the high financial cost of this strategy, the profit curve of the Bossard Group continues to trend upward. This performance is reflected in above-average profitability, which ultimately benefits all stakeholders.

Our strategy does not pursue short-term profit maximization because such an approach could threaten the company’s long-term stability. Our financial resources are handled with appropriate caution and purpose. We invest only in areas that promise long-term gains for the Bossard Group. Our goal is sustainable value growth and reasonable returns for our investors. In pursuing this goal, Bossard gains the necessary entrepreneurial freedom of action and secures the company’s independence.

In recent years, the Bossard Group has made substantial investments in new capacities and acquisitions. We were able to achieve a smooth implementation of this ambitious expansion policy because we involved all the relevant stakeholders in every project. This consensus-based policy is a core element of our successful strategy, and we are convinced it also creates a viable foundation for the future of our company.

Successful acquisition policy

Our approach to acquisitions exemplifies this consensus-based growth strategy. Bossard has taken over several businesses in Europe and North America in recent years, consolidating the Group’s market position in a sustainable manner. The interests of all stakeholders were a major factor during the implementation of this strategy. This approach allowed us to integrate the acquired companies into the Bossard corporate structure to everyone’s advantage, thus securing us access to new know-how. We are proud that we never had to resort to painful and costly restructuring that would almost certainly have led to

job losses. Today, the employees we gained through acquisitions play a crucial role in expanding our business in Europe and America.

Finally, our strategy of sustainable growth has contributed to Bossard's above-average profitability compared to its peers in the industry – year after year. The acquisitions we made did not weigh us down. Instead, they created added value for all stakeholders.

Our goal is sustainable value growth and returns for our investors. We do not pursue short-term profit maximization to achieve this.

Reliability without compromise

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

Suppliers as partners

This sustainable strategy also characterizes our cooperation with suppliers. We expect excellence from the manufacturers of our top-quality fastening solutions. Bossard relies on cooperative relationships, superior attention to quality, and a fair price policy. We continually and systematically optimize our global procurement network, thus securing access to innovative solutions.

We demand from our suppliers the same performance that we strive to offer our customers: competence, quality and reliability at the highest level. It is important that we see our suppliers as partners and not as competitors. Only through healthy cooperation with innovative suppliers can we deliver excellent products to our customers. We develop long-term successful partnerships based on this fairness-oriented win-win approach. Mindful of our high standards, we are therefore very selective when choosing new suppliers. New suppliers must also sign our code of conduct, thus documenting their respect for Bossard's values.

Respect for customers

Fairness and mutual respect underpin our customer relationships. We strive to focus on our customers' most important needs and respond to them with customized and reliable solutions.

All our stakeholders, and especially our customers, benefit from our uncompromising commitment to quality, because it is what makes our products better and more competitive. It goes without saying that our quality-consciousness does not make us the most inexpensive supplier on the market. Our goal is to deliver the best products and services at competitive prices – which, in turn, help customers reduce their total cost of ownership. Our innovative fastening and logistics solutions can make a substantial contribution to boosting our customers' productivity and hence their competitiveness. In short, we want to be a strong and competent partner

whose creative solutions, highest quality standards and customer proximity set us apart from the rest.

Strict selection promotes sustainability

Bossard does not manufacture industrial products itself. Our entire range of more than 1,000,000 products is manufactured by specialized third parties utilizing our engineering expertise for fastening solutions. Establishing relationships with all suppliers based on the highest standards makes it possible to achieve major advancements in sustainability and especially environmental protection.

Specifications for improved environmental protection

To promote greater awareness of environmental issues, we have defined various requirements for our suppliers based on the ISO 14001 series of environmental standards. These environmental standards are intended to inspire continuous process improvement. For Bossard, this primarily means that we painstakingly analyze the production processes of our industrial suppliers. Furthermore, we check whether packaging meets ISO standards and we promote the use of recyclable materials. Bossard also wants to contribute to lower energy consumption by optimizing transport streams.

One of Bossard's core issues in the area of environmental protection is cutting material consumption and reducing waste. With our Proven Productivity know-how, we help to streamline logistics and production processes and realize substantial savings with every customer and supplier project. Leaner processes save resources, capital and time, thus increasing margins and competitiveness. In this respect, Proven Productivity is a measurable contribution to solidifying the competitiveness of all companies involved on a sustainable basis.

Strict selection process

Compliance with environmental standards also plays a role in our recruitment of new industrial suppliers. We require that our suppliers use environmental-friendly production processes in accordance with ISO 14001 standards. If multiple suppliers are being considered for a contract, compliance with such standards can be the deciding factor.

Over decades, Bossard has built up a broad network of 3,600 suppliers in Europe, America and Asia. Acceptance into this network is based on clearly defined quality criteria. A new supplier must submit to multiple selection processes per ISO 9001 to be approved as a Bossard Group partner. Selection criteria include factory audits to gather information on the production environment, manufacturing processes, machinery and expertise of the individuals involved. These preliminary evaluations and inspections are even more complex for potential new suppliers we deem strategically significant. Any new cooperation gets the green light only after all stages of the selection process have been successfully passed. Every unit in the Group can access all the collected data related to the approval of a new supplier on our internal information system.

Increasing level of performance

This comprehensive screening process creates a stable basis for maintaining the high standards of the Bossard Group. This selection process also helps us to continuously improve our own level of performance in every aspect. Because we are increasingly rolling out our business model in exacting industry sectors such as automotive and aerospace production, selection based on strict criteria is even more important. Against this backdrop, Bossard feels compelled to continuously develop new and more exacting quality standards for suppliers.

Bossard's code of conduct is also an element in the selection process in which we review the social climate of the suppliers. The code specifies detailed principles important to us for a responsible human resources policy. In particular, we do not tolerate any form of discrimination, harassment or reprisals toward employees. We promote equal opportunity regardless of position, gender, age, life situation, sexual orientation, nationality, race or religion. Bossard does not work with companies that do not align themselves with these standards. In addition, we require that the executives of our partner companies monitor compliance with these values and that they themselves model these values in front of their employees.

Only through optimal cooperation with innovative suppliers can we deliver top performance for our customers.

Proven expertise around the globe

Bossard's 14 test laboratories in Europe, America and Asia use cutting-edge measuring and testing equipment to ensure reliable quality assurance and flawless product quality. Our customers benefit from certified processes, documented safety and proven testing competence.

Our wide range of tests include for example:

- Tensile tests and proof load tests
- Drive tests and torsional strength tests
- Tear-off tests
- Coefficient of friction tests
- Hardness measurements
- Coating thickness measurements
- Optical 3D measurements
- Environmental simulation tests (corrosion resistance tests)
- Spectral analyses
- Microscopic analyses and measurements of surface roughness



Our employees: the key to our success

The Bossard Group largely owes its success to the dedication, knowledge and creativity of its 2,500 employees. With their skills and expertise, these individuals make a critical contribution to the success of our company. For this reason, our human resources policy has always been focused on the long term. We attribute great importance to the professional and personal development of our employees and ensure they share in our success. We therefore strive to promote employee retention over the long term and to offer professional development opportunities whenever possible.

Time and again our corporate history has underscored the great value we place in our employees. We are not interested in increasing profitability through lay-offs. On the contrary, we pursue success by continuously improving and expanding our range of products and services together with our employees. Our employment policy has led to the continuous growth of the Group over the last number of years as well as to a steady increase in the number of employees. In other words, Bossard is growing with its employees and not in conflict against them. We have proven that this approach can result in a respectable increase in profitability.

An attractive employer across the Group

Bossard has always accepted its social responsibilities – a fact acknowledged by the public. It is this commitment that makes us a desirable employer throughout Switzerland and well beyond. This reputation is a major opportunity for us because it allows us to consistently recruit highly qualified professionals.

The Bossard Group has grown continuously over the last several years. The number of employees has grown commensurately in the last ten years, from 1,600 to 2,500. We were able to successfully integrate many new colleagues thanks to our corporate culture, which is based on mutual trust as a prerequisite for employee loyalty. In spite of the major changes throughout the Group, there has been no turmoil or conflict in the last ten years that would have challenged our culture. Our sustainable growth strategy, which permits only the amount of growth that the company can successfully manage, is also reflected in the satisfaction of our workforce.

Our employees know that their dedication pays off for our company.

Employees at all levels share in the company's success. Individual salaries are based primarily on personal performance. We foster entrepreneurial thinking and action through fair and competitive compensation based on targets and individual performance. In addition to a fixed pay component, we offer different profit-linked compensation systems that support our winning spirit.

From hiring ...

Careful selection and integration of employees is the basis for long-term retention. We create a framework for fair employment conditions. During recruitment, duties, requirements and processes are communicated clearly and transparently. We see the careful onboarding of new employees as an important foundation for long-term successful cooperation and ultimately for our company's successful development.

... to continuing education as strategic investment

Bossard highly values the quality education and training of its employees. We foster line, specialist and project careers as well as the exchange of knowledge throughout the Group. Whenever possible, we recruit new managers from within our own ranks. For us that is the best path to maintaining our high standards into the future. All members of our executive committee have had long careers within the company – evidence of the opportunities for advancement and change that provide significant motivation for employees.

Cross-divisional training is important to us. In-depth knowledge of our internal workflows and our complete product range promotes understanding and tolerance among the employees, making it easier for individuals to make valuable contributions.

We are proud of our interactive online learning program developed in-house. Tailored to each target group, it consists of 220 individual chapters with nearly 1,500 images and drawings that convey the current state of knowledge in fastening technology, Bossard's core competence.

Leadership and guidance

Our managers are responsible for working together with employees to achieve ambitious goals. We encourage initiative, motivation and quality-consciousness as virtues that will secure our future in increasingly demanding markets. It is important to us that employees at Bossard know our values and ideals, identify with them and help to give them life. In our view, leadership is based on respect, honesty, fairness and consistency towards employees. At Bossard, cooperation is characterized by openness, trust and mutual appreciation.

Direct and open communication

Bossard believes that it is extremely important for employees to know the entire Group's long-term goals and strategies and share in their pursuit. Conversely, managers know the expectations and goals of employees and motivate them to work together towards the promise of success. We firmly believe in a corporate culture in which employees can develop their skills.

Our communication, both internal and external, is direct, transparent and timely. This is important because dealing with one another openly engenders greater enthusiasm, creativity and efficiency.

In this way, Bossard promotes understanding for and acceptance of business decisions. To this end, we practice an open door policy. Constructive criticism is not only allowed, it is encouraged. In regular employee surveys, we identify the strengths and weaknesses of our company and learn about the wishes and suggestions of our employees. This feedback is a valuable source of information for improvements.

Bossard families – committed to sustainability since 1831

The Bossard families have been Bossard Group shareholders since 1831. Now in their seventh generation, they actively participate in managing the company and currently hold seats on the board of directors and the executive committee. The members of the Bossard family act as role models of sustainability and promote corporate development oriented towards the long term and to the benefit of all stakeholders across all business regions of the Bossard Group.

For generations, the Bossard families have demonstrated their special commitment to the areas where they live and where the Bossard Group is doing business. The Kolin Group and the Alice & Walter Bossard Foundation continue to support charitable, cultural and social projects in the region of Zug and at the over 77 Bossard Group locations around the world.

It is important to us that all Bossard employees know our values and virtues, identify with them and live them together.

RISK MANAGEMENT

Systematic risk monitoring and reduction

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

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

Low supply risk as a result of large network

Supply bottlenecks can occur when our suppliers are working close to capacity during times of above-average demand. Risks can also arise from working with suppliers and when the price of raw materials fluctuate. We counter these risks with tactical and preventive measures in our procurement activities by continuously assessing the market situation and by maintaining a sufficient level of stock. In taking these steps, we ensure that the required volume and quality of fastening parts are available in order to avoid production shutdowns on the part of our customers. Steel, chromium, nickel and different alloys are the most important raw materials for fasteners. Because we purchase finished products, we can not hedge against price increases. We have an extensive supply portfolio of more than 3,600 manufacturers worldwide and rely on long-term relationships with various suppliers in Europe, America and Asia. Our large network of suppliers enables us to minimize supply risks. Diversification also reduces the risk of negative consequences resulting from political upheavals or currency fluctuations.

Systematic quality monitoring

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

Responding to sales risks through diversification

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

IT protection is a high priority

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

Minimizing financial risks

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

Financial risk management is described in detail on pages 85/86.

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

Our testing laboratories are equipped worldwide with the most modern measuring and testing equipment. They guarantee reliable product quality for our customers.

CORPORATE GOVERNANCE

The Bossard Group's organizational structure derives from international standards for corporate management. The Group's corporate bodies and management follow the Directive on Information relating to Corporate Governance of SIX Swiss Exchange as well as the "Swiss Code of Best Practice for Corporate Governance" of economiesuisse.

The organizational structure of the Bossard Group is based on clear delimitation of tasks, competencies and responsibilities between the board of directors and the executive committee. The functions of the chairman of the board of directors and of the chief executive officer (CEO) are held by two different persons, so that the separation of powers is guaranteed. This report is prepared according to the Directive on Information relating to Corporate Governance (DCG) of SIX Swiss Exchange dated March 20, 2018. Unless otherwise indicated, all information applies as at December 31, 2018. The principles and rules on corporate governance are set out in the rules and regulations of Bossard Holding AG, i.e. in the articles of association of Bossard Holding AG (articles of association), in the organizational and business regulations of Bossard Holding AG (OBR), in the regulations of the board's committees, in the code of conduct and in the decisions of the board of directors. The rules are regularly reviewed by the board of directors and adapted to current requirements (articles of association most recently in 2017, OBR and regulations of the board's committees most recently in 2015).

Group structure and shareholders

Group structure

Bossard Holding AG, the parent company of the Bossard Group, is a joint-stock company under Swiss law with its registered office in Zug. Bossard Holding AG is the only listed company belonging to the group of consolidated companies. It has a direct or indirect interest in the companies listed in the financial report, note 34. Bossard Holding AG (Swiss securities no. 23862714, ISIN CH0238627142/BOSN) is listed on the SIX Swiss Exchange. Its stock market capitalization as at December 31, 2018 was CHF 1,065.6 million (2017: CHF 1,751.4 million). The Group's structure aims to provide optimum support

for its business activities within an efficient legal, financial and strategic framework. This means that the structure should be as simple as possible and also transparent to anyone outside the Group. The Bossard Group operates in industrial fastenings technology and generates its entire revenue in this market segment. Further information regarding the group structure are set out in the notes to the financial report, namely note 1, 16 and 17.

Significant shareholders

The following shareholders held more than 3 percent of the total voting rights in Bossard Holding AG as at December 31, 2018:

The Kolin Group – a shareholder group as per article 120seq. of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA) – consisting of Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, owns 56.1 percent (2017: 56.1 percent) of total voting rights and 27.8 percent (2017: 27.8 percent) of capital entitled to dividend (with notifications on April 26, 2018 due to changes in the composition of the shareholder group and on September 1, 2018 due to change in the information subject to the obligation to notify). Kolin Holding AG is wholly controlled by the Bossard families. This shareholder group does not include shares without pooled voting rights, which are held by individual members of the Bossard families outside this shareholder group.

The disclosure notifications in relation to shareholdings in Bossard Holding AG are published on the electronic publication platform of SIX Swiss Exchange and can be accessed via the search function of the disclosure office via the following link: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Bossard Holding AG is not aware of any other shareholders or groups of shareholders that held 3 percent or more of the total voting rights of Bossard Holding AG as at December 31, 2018.

Cross-shareholdings

There are no cross-shareholdings with other companies.

Capital structure

Share capital

As at December 31, 2018 the ordinary share capital of Bossard Holding AG totaled CHF 40,000,000, of which CHF 33,250,000 share capital relates to registered A shares and CHF 6,750,000 to registered B shares.

Authorized and conditional capital

Bossard Holding AG holds 370,000 registered A shares in reserve since the increase in share capital in 1989. These reserve shares can be used for management participation plans, acquisitions or other purposes in the interest of the company and carry no voting rights and are not entitled to dividends. Other than this, Bossard Holding AG does not hold any authorized or conditional capital.

Changes in capital in the last three years

There were no changes in capital in the last three years.

Shares

The share capital of Bossard Holding AG is CHF 40,000,000. It is divided into 6,650,000 registered A shares with a nominal value of CHF 5 per share and 6,750,000 registered B shares with a nominal value of CHF 1 per share (voting right shares). The share capital is fully paid up. With the exception of the own registered A shares held by Bossard Holding AG, (i) each registered share entered in the share register with voting rights is entitled to one vote (see also limitations on transferability and nominee registrations) and (ii) each registered share is entitled to a dividend. The measurement of voting rights by the number of registered voting right shares is not applicable for individual decisions specified in article 16 of the articles of association. Only registered A shares are listed on the SIX Swiss Exchange under the Swiss Reporting Standard (formerly Domestic Standard). Registered B shares are wholly owned by Kolin Holding AG. As at December 31, 2018, Bossard Holding AG held 377,433 own registered A shares (including the 370,000 reserve shares mentioned under authorized and conditional capital) that represent 2.817 percent of the total shares of Bossard Holding AG. 7,433 (0.055 percent) of these shares are held by Bossard Holding AG as sales positions related to grants

made under its management participation plan. For further details, please refer to the compensation report and note 15 and 19 of the financial report.

Participation and profit-sharing certificates

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

Limitations on transferability and nominee registrations

Limitations on share transferability

According to article 7 of the articles of association, the transfer of registered B shares is always subject to the approval of the board of directors, irrespective of the form in which these shares were issued. The board of directors may reject such a request for good reason – primarily to protect the purpose of the company and to maintain its economic independence (article 9 of the articles of association). In particular, this includes the transfer of registered B shares to a competitor and a fiduciary transfer, if the acquirer does not inform the board of directors in writing at its first request that she or he is acquiring the shares concerned in her or his own name and for her or his own account. Furthermore, the board of directors may refuse its approval if it offers to the seller or acquirer of the registered B shares that it will acquire these shares for the account of the company, other shareholders or third parties for at least their actual value at the time the request was made (article 8 of the articles of association). If there is good reason to do so, the board of directors may grant exceptions to these rules (no exceptions have been granted in the reporting year 2018). However, transfer requests containing incorrect information must always be rejected; a new, corrected request may subsequently be submitted (article 9 of the articles of association). For the incorporation or tightening of transferability restrictions, at least two-thirds of the votes represented and an absolute majority of the represented nominal share value are required a decision. The provisions also apply for registered B shares, which are acquired (subscribed) by the exercise of subscription, option or conversion rights, and for the establishment of usufruct of registered B shares.

Nominee registrations

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

Up to a registration limit of 0.5 percent of the total number of registered A shares entered in the commercial register, anyone who does not expressly state that she or he is acting on her or his own account shall be acknowledged as being a nominee with voting rights. Beyond this registration limit, anyone who makes known to Bossard Holding AG the name, address and/or registered office of the person for whose account she or he holds more than 0.5 percent of the total number of registered A shares entered in the commercial register, shall be acknowledged as being a nominee with voting rights. Otherwise the acquirers of registered A shares shall be acknowledged or registered as shareholders without voting rights. The board of directors makes the necessary arrangements for the acknowledgement and registration of acquirers of registered A shares, and particularly also of nominees. These provisions also apply to registered A shares that have been acquired by exercising subscription, option or conversion rights as well as to the creation of rights of usufruct to registered A shares.

Outstanding bonds and options

Bossard Holding AG currently has no bonds or convertible bonds outstanding. Information on conditional rights to receive registered A shares of Bossard Holding AG (outstanding options resp. Restricted Stock Units/RSUs) according to the management participation plan that is offered to selected members of the management of the Bossard Group is disclosed in the compensation report and in note 19 of the financial report. Further detailed information can be accessed on the electronic publication platform of the SIX Swiss Exchange via the following link:

www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=BOSSARD

Board of directors

Members of the board of directors

As at December 31, 2018, the board of directors of Bossard Holding AG consisted of seven non-executive members. None of the members of the board of directors previously sat on the executive committee.

The board of directors had the following members as at December 31, 2018:

Name	Function	Appointed
Dr. Thomas Schmuckli	Chairman	2007
Anton Lauber	Deputy chairman	2011
Dr. René Cotting	Member	2015
Martin Kühn	Member	2018
Daniel Lippuner	Member	2015
Prof. Dr. Stefan Michel	Repr. of registered A shares	2014
Maria Teresa Vacalli	Member	2013

At the annual general meeting of shareholders on April 9, 2018, Helen Wetter-Bossard resigned from her position as member of the board of directors and Martin Kühn was newly elected to the board of directors.

With press release on October 29, 2018, Bossard Group announced that Daniel Lippuner decided not to serve another term and resigned from his position as member of the board of directors as at annual general meeting of shareholders on April 8, 2019. On the annual general meeting of shareholders on April 8, 2019, the board of directors will request the election of Patricia Heidtman and David Dean as new members of the board of directors.

Other activities and vested interests

Dr. Thomas Schmuckli, Anton Lauber and Martin Kühn were proposed for election by the majority voting rights shareholder, Kolin Holding AG, Zug, and were elected to the board of directors of Bossard Holding AG. Dr. Thomas Schmuckli is a member of the Bossard family, which has 100 percent control over Kolin Holding AG. The members of the board of directors do not perform any activities outside of the Bossard Group other than the mandates listed on pages 44 to 47 and therefore do not have any

significant business relationships with Bossard Holding AG or one of the subsidiaries. Furthermore, they do not have any other significant external interests.

Allowed number of mandates

According to article 44 of the articles of association, a member of the board of directors may at the same time take on a maximum of 15 mandates outside the Bossard Group, of which a maximum of five may be in listed companies and an additional ten mandates which she or he exercises pro bono. If the mandates assumed relate to legal entities that belong to the same group or are similarly related in terms of management, these mandates are considered a single mandate. There are no restrictions on the number of mandates (i) for mandates assumed in legal entities that are directly or indirectly controlled by Bossard Holding AG or that directly or indirectly control Bossard Holding AG, or (ii) if, in exercising the function for the Bossard Group, a mandate in another, related legal entity is exercised.

Elections and terms of office

According to the articles of association, the board of directors consists of at least five members. The chairman of the board of directors and the other members of the board of directors are elected by the annual general meeting of shareholders for a period of one year (until the next ordinary annual general meeting of shareholders is held). Members are elected on an individual basis. The annual general meeting of shareholders also elects the chairman of the board of directors. There are no statutory limits to the term of office; members may be re-elected. According to the OBR, however, a member of the board of directors shall offer to step down at the annual general meeting of shareholders following her or his 70th birthday. Each category of shareholders, namely the holders of registered A shares as a group are entitled to one seat on the board of directors. Having been elected for the first time in 2011, Prof. Dr. Stefan Michel was re-elected in 2018 as the representative of the holders of registered A shares (he was elected for the first time in this role in 2014); holders of registered B shares with voting rights did not take part in this election. Generally speaking, the majority of board members should be external members with no executive functions in the company. None of the

members of the board of directors exercised any executive functions in the Bossard Group in the 2018 reporting year.

The following table shows the year in which each member was first elected to the board of directors as well as their function as at December 31, 2018:

Name	Function	First elected
Dr. Thomas Schmuckli	Chairman ¹⁾	2000
Anton Lauber	Deputy chairman ²⁾	2006
Dr. René Cotting	Member ³⁾	2015
Martin Kühn	Member ⁴⁾	2018
Daniel Lippuner	Member ⁵⁾	2015
Prof. Dr. Stefan Michel	Repr. of registered A shares ⁶⁾	2011
Maria Teresa Vacalli	Member ⁷⁾	2013

- 1) Chairman of the nomination committee (NC), member of the audit, risk & compliance committee (ARCC)
- 2) As at April 9, 2018 member of the compensation committee (CC), member of the nomination committee (NC)/until April 8, 2018 member of the audit, risk & compliance committee (ARCC)
- 3) Chairman of the audit, risk & compliance committee (ARCC)
- 4) As at April 9, 2018 member of the audit, risk & compliance committee (ARCC)
- 5) Member of the audit, risk & compliance committee (ARCC)
- 6) Chairman of the compensation committee (CC), member of the nomination committee (NC)
- 7) Member of the compensation committee (CC), member of the nomination committee (NC)

Until April 8, 2018, Helen Wetter-Bossard in her position as member of the board of directors (first elected 2002) has been member of the compensation committee (CC) and of the nomination committee (NC).

Internal organization

Allocation of duties within the board of directors

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

The board of directors has the following non-transferable and inalienable main tasks (article 23 of the articles of association):

- ultimate direction of the company, namely establishing the goals and policy, defining the resources available for same and the priorities, and issuing the instructions required for implementation
- determining the organizational structure
- defining finance and accounting as well as financial planning and control
- appointing and dismissing the CEO and other members of the executive committee and adopting provisions governing authorized signatories
- maintaining ultimate supervision of the CEO and other members of the executive committee
- exercising rights of participation from and to shareholdings/investments
- drawing up the annual report and the compensation report, preparing the annual general meeting of shareholders and implementing its resolutions
- notifying the judge in the event of excessive indebtedness
- adopting resolutions on subsequent payment of capital with respect to not fully paid-up shares
- adopting resolutions regarding the approval of capital increases and the resulting amendments to the articles of association

Committees

To assist it in its duties, the board of directors has established three permanent committees:

- the audit, risk & compliance committee (ARCC)
- the nomination committee (NC)
- the compensation committee (CC)

These committees prepare specific issues for discussion by the board of directors. The overall intrinsic responsibility of the board of directors is not affected by the activities of these committees or by any delegation of tasks to them. Ad hoc committees can be formed to deal with specific or time-limited projects or issues. Currently, Anton Lauber provides support with innovation and Maria Teresa Vacalli together with the audit, risk & compliance committee provides support with IT development. Unless otherwise stipulated by the articles of association, the board of directors defines the composition, duties,

competencies and compensation for these committees in the relevant regulations, which are periodically reviewed by the respective committee and are amended in accordance with any proposed amendments submitted to the board of directors by the latter. With exception to the CC, the board of directors may dismiss any of the committees it has appointed at any time.

Certain duties and competencies are assigned to the chairman of the board of directors alone.

The board of directors has additionally delegated operational management and overall leadership of the Bossard Group as well as the related duties and competencies to the CEO. In turn, the CEO is authorized to arrange further delegation.

Detailed information on the division of duties within the board of directors can be found in the OBR, which is available via the following link: www.bossard.com/en/about-us/investor-relations/corporate-governance/organization-regulations.aspx

Working methods of the board of directors

The board of directors normally meets six to eight times per year, but is available to discuss matters at short notice should this be required. A member of the board of directors may request that additional meetings be convened by providing written justification to the chairman of the board of directors. The duration of board and committee meetings depends on the respective agenda. In 2018, a total of six full-day board meetings were held, as well as a two-day retreat and a conference call. The board of directors holds a retreat once a year, which lasts for several days and is used for analyzing the strategic risk/opportunities mix and for fundamentally reviewing the strategy and its development. In 2018, this two-day retreat was held in the monastery Kappel am Albis, Switzerland, where the board of directors met with the expanded executive committee to actively discuss the opportunities and possibilities offered by block chain to the Bossard Group. Apart from its regular meetings, the board of directors is given monthly updates on the Bossard Group's financial development.

Board of directors	Function	Participation 2018
Dr. Thomas Schmuckli	Chairman	7/7
Anton Lauber	Deputy chairman	7/7
Dr. René Cotting	Member	6/7
Martin Kühn ¹⁾	Member	4/4
Daniel Lippuner	Member	7/7
Prof. Dr. Stefan Michel	Repr. of registered A shares	6/7
Maria Teresa Vacalli	Member	7/7
Helen Wetter-Bossard ²⁾	Member	3/3

1) Election to the board of directors in April 2018

2) Resignation from the board of directors in April 2018

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

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

Composition/working methods of the board's committees

The functions of the three permanent board committees are primarily analytical, advisory and supervisory. They also have decision-making authority in certain individual cases.

Audit, risk & compliance committee (ARCC)

The ARCC consists of at least three members elected by the board of directors from among its members, for a period of office lasting from one ordinary annual general meeting of shareholders until completion of the next ordinary annual general meeting of shareholders. As at December 31, 2018, the members of the ARCC were Dr. René Cotting (chairman), Dr. Thomas Schmuckli, Daniel Lippuner and Martin Kühn. The ARCC meets at least three times per year: in the summer, to define the scope and key points of the annual audit with the audit company, in late fall to discuss the findings from the main audit and the existence and effectiveness of the internal control system (ICS), and in February, to discuss the result of the audit of annual accounts. These meetings are attended by the chairman of the board of directors (unless she or he is already a member of the ARCC), the CFO, the Group controller and at least one representative of the external auditors. The CEO, other members of the executive committee and other persons (internal or external) may be invited to attend the meetings, depending on the agenda. The minutes of these meetings are circulated to all members of the board of directors, the CFO and the CEO, as well as to those who attended the meeting. In addition, the ARCC regularly reports on its activities to the board of directors at meetings of the latter. In 2018, the ARCC held three meetings. On average, the meetings lasted half a day. A conference call was also held.

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BOARD OF DIRECTORS

Dr. Thomas Schmuckli-Grob (1963)

Swiss citizen



- Chairman of the board of directors since 2007
- Chairman of the nomination committee since 2007
- Member of the audit, risk & compliance committee since 2002
- Member of the board of directors since 2000
- Secretary to the board of directors from 1997 to 2000

Professional background

Dr. Thomas Schmuckli-Grob currently works as a professional board member. Between 1993 and 2013, he held various management positions in the General Counsel division of Credit Suisse Group, initially in the Bank Leu Group and then from 1998 with a break at Credit Suisse. From 2005 to 2007, he headed the legal department of Corporate & Institutional Clients at Credit Suisse in Zurich, afterwards he was Managing Director of the Legal and Compliance Asset Management division in Zurich (2007 to 2013). From 2000 to 2005, he was head of process and product management at Zuger Kantonalbank.

Educational background

- Studied law (LLB and LLD) at the University of Fribourg
- Accredited lawyer and notary in Zug
- Management studies at the University of Zurich
- Further studies at the IMD, Lausanne, at the HSG, St. Gallen, and at the University of Zurich

Other activities and vested interests

- Chairman of the board of directors of Credit Suisse Funds AG, Zurich
- Member of the board of directors of the MultiConcept (Luxembourg) S.A., Luxembourg (a company of the Credit Suisse Group)
- Member of the board of directors of the Hans Oetiker Holding AG, Horgen
- Chairman of the board of directors of the Patria Genossenschaft, Basel
- Member of the board of directors of Helvetia Holding AG, Basel/St. Gallen, and its subsidiaries Helvetia Swiss Life Insurance Company Ltd. and Helvetia Swiss Insurance Company Ltd.
- Chairman of the foundation board of Helvetia Patria Jeunesse, Basel

Anton Lauber (1951)

Swiss citizen



- Member of the board of directors since 2006
- Member of the compensation committee since 2018
- Member of the nomination committee since 2018

Professional background

Anton Lauber works as a professional board member since 2012. From 2008 to 2011, he headed the Schurter AG, the Schurter Group's Electronic Components division in Lucerne as a delegate of the board of directors of Schurter AG. From 1993 to 2008, he was CEO of Schurter AG and from 1996, he was the delegate of the board of directors of Schurter AG, where he worked as the head of production and technology between 1988 and 1992. Prior to that, he managed the Generator Plant of ABB Switzerland.

Educational background

- Degree in mechanical engineering and various post-degree diplomas awarded by the University of St. Gallen, IMD in Lausanne and the Lucerne University of Applied Sciences and Arts

Other activities and vested interests

- Member of the board of directors of Fr. Sauter AG, Basel; CTC Analytics AG, Zwingen
- Chairman of the board of directors of Hightech Zentrum Aargau AG, Brugg
- Chairman of the board of directors of Voegtlin-Meyer AG, Brugg
- Chairman of the board of directors of Thermalbad Zurzach AG, Bad Zurzach
- Vice president of the board of directors of ThermalBaden AG, Baden
- Chairman of the council of the Lucerne University of Applied Sciences and Arts
- Member of the foundation board of Förderstiftung Technopark Aargau, Brugg

Dr. René Cotting (1970)

Swiss citizen



- Member of the board of directors since 2015
- Chairman of the audit, risk & compliance committee since 2015

Professional background

Dr. René Cotting has held various positions in Switzerland and abroad for the ABB Group since 1995. From 2013 until the end of May 2017, he was CFO of ABB Switzerland. On March 1, 2017, he was named Head of Operation, Innovation and R&D for the ABB Group and Chairman of ABB Technology Ventures.

Educational background

- Degree in economics and social sciences and doctorate from the University of Fribourg
- Further studies at the IMD, Lausanne
- Further studies at the Harvard Business School, Boston, USA
- Further studies at Kellogg School of Management Northwestern University, Evanston, USA
- Further studies at MIT Massachusetts Institute of Technology, Cambridge, USA

Other activities and vested interests

- Vice president of the board of directors of AVADIS Vorsorge AG, Zurich
- Member of the board of directors of ABB Switzerland AG, Baden
- Member of the foundation board of ABB Jürgen Dormann Foundation for Engineering Education, Baden
- Member of the foundation and economic advisory board of Switzerland Innovation, Bern
- Member of the board of CCI Cotting Consulting AG, Tafers

Martin Kühn (1976)

Swiss citizen



- Member of the board of directors since 2018
- Member of the audit, risk & compliance committee since 2018

Professional background

Since 2010 Martin Kühn is working for the KIBAG Group in Zurich, since 2014 as CFO and member of the executive committee. He is responsible for finance, ICT, human resources, real estate, KIBAG Marina and the technical services of the construction and building materials company. From 2002 to 2010, he had been employed at PricewaterhouseCoopers AG national and international as an auditor and M&A consultant for industrial clients. Prior to that, he worked two years for UBS in Zug.

Educational background

- Business economist FH
- Swiss certified public accountant

Other activities and vested interests

- Member of the board of directors of Kannewischer Ingenieurbüro AG, Cham; Runwaysafe AB, Stockholm, Sweden
- Member of the foundation board of the pension fund of KIBAG Group, Zurich
- Member of the foundation board of the employee foundation of KIBAG Group, Zurich
- Member of the audit commission of the Bürgergemeinde Zug

Daniel Lippuner (1969)

Swiss citizen



- Member of the board of directors since 2015
- Member of the audit, risk & compliance committee since 2015

Professional background

Daniel Lippuner is Chief Operating Officer of the Meyer Burger Group in Thun, Switzerland since 2017. From 2013 to 2015, he headed the Saurer Group in Shanghai, China, and Wattwil, Switzerland, as Group Chief Executive Officer. He took over this position after posts in finance, sales and marketing as well as in general management with OC Oerlikon, Hilti AG and Autoneum (formerly Rieter Automotive).

Educational background

- Degree in business administration from the St. Gallen University of Applied Sciences

Other activities and vested interests

- Member of the board of directors of Amsler Tex AG, Aesch ZH
- Member of the board of directors of 3S Solar Plus AG, Gwatt
- Owner of Lippuner Consulting GmbH, Wollerau

Prof. Dr. Stefan Michel (1967)

Swiss citizen



- Member of the board of directors since 2011
- Representative for holders of registered A shares since 2014
- Chairman of the compensation committee since 2015
- Member of the nomination committee since 2015

Professional background

Prof. Dr. Stefan Michel is a professor for marketing and service management and director of the executive MBA at the IMD Business School in Lausanne, Switzerland since 2008. Between 2003 and 2008, he was as a professor at the Thunderbird School of Global Management in Arizona, USA. Prior to this, he taught as a professor at the Lucerne University of Applied Sciences and Arts, managed a family-run hotel and worked at Bank Leu in Zurich.

Educational background

- Degree in economics and doctorate in marketing at the University of Zurich

Other activities and vested interests

- Owner of Dr. Stefan Michel & Partner GmbH, Zug
- Owner of Business School Press AG, Zug
- Chairman of the foundation board of the Swiss Association for Marketing GfM, Zurich
- Member of the foundation board of the IMD, Lausanne (school representative)

Maria Teresa Vacalli (1971)

Swiss citizen



- Member of the board of directors since 2013
- Member of the compensation committee since 2015
- Member of the nomination committee since 2015

Professional background

Maria Teresa Vacalli is since October 2018 CDO (Chief Digital Officer) as member of the management board of Basler Kantonalbank in Basel. From 2016 until 2018, she was CEO of Moneyhouse in Rotkreuz. Between 2008 and 2016, she has directed the wholesale unit at Sunrise Communications AG, Zurich, and was appointed executive director in 2014. Between 2002 and 2008, she worked in various executive positions at UPC Schweiz GmbH (formerly upc cablecom GmbH), Zurich. Before that, she had been employed in managerial posts in different companies.

Educational background

- Graduate in plant and production engineering at the ETH Zurich

Other activities and vested interests

- Member of the board of directors of WWZ Telekom Holding AG, Zug

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Audit, risk & compliance committee	Function	Participation 2018
Dr. René Cotting	Chairman	4/4
Martin Kühn ¹⁾	Member	3/3
Anton Lauber ²⁾	Member	1/1
Daniel Lippuner	Member	4/4
Dr. Thomas Schmuckli	Member	4/4

1) Member since April 2018

2) Member until April 2018

The ARCC ensures that the board of directors is informed of all matters that could significantly impact the financial situation of the Bossard Group and the business environment. The primary duty of the ARCC is to support the board of directors in its ultimate supervisory role and in its financial management activities. In particular, with the assistance of the external auditor it reviews the structures and processes in the area of finance and accounting, thus ensuring that financial reporting and audit activities are transparent and comply with the related legislation. The ARCC also evaluates the effectiveness of the ICS, risk management and compliance with tax-related and other statutory and regulatory provisions as well as corporate ethics. Furthermore, the ARCC works closely together with the external auditor and evaluates the performance, independence and remuneration of the external auditor. The board of directors has drawn up in the rules and regulations of the audit, risk & compliance committee the detailed regulations on the areas of activity and competencies of the ARCC. To date, the board of directors has refrained from creating an internal audit unit.

Compliance

The board of directors is kept continuously informed of all major matters affecting the compliance principles. The statutory auditors additionally inform the board of directors on reports it has received on matters of a legal nature. An evaluation of such reports received in 2018 did not reveal anything new but confirmed what the board of directors already knew. Ultimate supervision of compliance matters rests with the board of directors.

Nomination committee (NC)

The NC consists of at least three members elected by the board of directors from among its members, for a period of office lasting from one ordinary annual general meeting of shareholders until completion of the next ordinary annual general meeting of shareholders. The representatives of the A shareholder group on the board of directors is entitled to a seat on the NC. As at December 31, 2018, the members of the NC were Dr. Thomas Schmuckli (chairman), Prof. Dr. Stefan Michel, Maria Teresa Vacalli and Anton Lauber. The NC meets as required, but at least twice a year. Normally also the CEO and the chairman of the board of directors (unless she or he is already a member of the NC) attend the meeting. Other members of the executive committee and other persons (internal or external) may be invited to attend the meetings, depending on the agenda.

The minutes of these meetings are circulated to all members of the board of directors and the CEO, as well as to those who attended the meeting. The NC also regularly reports to the board of directors at the latter's meetings on its activities and, at least once a year, in detail on the progress of the nomination process. In 2018, the NC met six times; these meetings lasted each three hours. In addition, two conference calls (each one hour) were held.

Nomination committee	Function	Participation 2018
Dr. Thomas Schmuckli	Chairman	8/8
Anton Lauber ¹⁾	Member	6/6
Prof. Dr. Stefan Michel	Member	8/8
Maria Teresa Vacalli	Member	8/8
Helen Wetter-Bossard ²⁾	Member	2/2

1) Member since April 2018

2) Member until April 2018/Resignation from the board of directors

The NC prepares all relevant business with regard to the nomination of members at strategic and operational management levels of the Bossard Group for the meetings of the board of directors and has the following main tasks:

- periodically reviewing the composition of the board of directors
- developing criteria and requirement profiles for election/re-elections to the board of directors, the CEO and, in collaboration with the CEO, the other members of the executive committee

- supporting the board of directors in implementing selection processes for the nomination of candidates for the board of directors and, in collaboration with the CEO, the executive committee
- providing possible training to the board of directors in relation to its duties
- ensuring succession planning for members of the board of directors, the executive committee and, in collaboration with the CEO, the deputies on the executive committee
- developing annual objectives to be submitted to the board of directors for the CEO (in collaboration with the chairman of the board of directors), defining the annual objectives of the other members of the executive committee and assessing the performance of the CEO and the other members of the executive committee (with the assistance of the chairman of the board of directors and the CEO). If necessary, the NC requests from the board of directors measures to improve performance
- submitting applications concerning the election and dismissal of members of the board of directors of the more important Group companies

The board of directors has drawn up in the nomination committee regulations the detailed regulations on the areas of activity and competencies of the NC.

Compensation committee (CC)

The CC consists of at least three members of the board of directors individually elected as members of the CC by the annual general meeting of shareholders for a period of office until completion of the next ordinary annual general meeting of shareholders. Subject to election by the annual general meeting of shareholders, the representative of the A shareholder group on the board of directors is entitled to a seat on the CC. Prof. Dr. Stefan Michel, Maria Teresa Vacalli and Anton Lauber were elected to the CC at the annual general meeting of shareholders on April 9, 2018. The board of directors appointed Prof. Dr. Stefan Michel as the chairman of the CC. The CC meets as required, but at least twice a year. The members of the executive committee and other persons (internal or external) may be invited to attend the meetings, depending on the agenda. Normally, the CEO attends the meetings of the CC. The minutes of these meetings are circulated to all members of the board of directors and the CEO, as well as to

those who attended the meeting. The CC also regularly reports to the board of directors at the latter's meetings on its activities and, at least once a year, in detail on the progress of the compensation process. In 2018, the CC met twice; these meetings lasted an average of half a day.

Compensation committee	Function	Participation 2018
Prof. Dr. Stefan Michel	Chairman	2/2
Anton Lauber ¹⁾	Member	1/1
Maria Teresa Vacalli	Member	2/2
Helen Wetter-Bossard ²⁾	Member	1/1
Dr. Thomas Schmuckli	Minutes/no voting rights	2/2

1) Election to the compensation committee in April 2018

2) Member until April 2018/Resignation from the board of directors

The CC prepares all relevant business with regard to the compensation of members at strategic and operational management levels of the Bossard Group for the meetings of the board of directors and has the following main tasks:

- developing the general remuneration principles and the remuneration system for the board of directors, the CEO and the other members of the executive committee for the board of directors to make a decision on
- developing the guidelines governing the structure of the occupational pension scheme for the CEO and the other members of the executive committee for the board of directors to make a decision on
- periodically reviewing the compensation system and proposing any necessary changes to the board of directors
- preparing the annual compensation report to be submitted to the board of directors for the annual general meeting of shareholders and, where applicable, preparing other reports as requested
- submitting proposals concerning the compensation of the individual members of the board of directors, the CEO and the other members of the executive committee
- checking and approving employment contracts as well as other agreements with members of the executive committee
- if the CC considers necessary, the assignment, the supervision and the critical evaluation of the results of advisers or the comparison with third party companies regarding the compensation practices

The board of directors has drawn up in the compensation committee regulations detailed regulations on the areas of activity and competencies of the CC.

Division of responsibility

The division of responsibility between the board of directors and the executive committee is defined in the OBR in accordance with article 23, paragraph 2 and article 25 of the articles of association. These describe the non-transferable and inalienable duties which are vested in the board of directors by law, and also govern the duties and powers of the executive committee. The OBR define the duties and competencies of the board of directors, the chairman of the board of directors and the CEO. The CEO is entitled to delegate tasks.

Furthermore, the OBR lay down the procedures to follow in the event of a conflict of interests: a member of the board of directors and/or executive committee must abstain from voting if matters are discussed which touch on that member's personal interests or the interests of an individual or legal entity associated with the member.

Regulations on the division of responsibility are set out in the OBR. These are available via the following link: www.bossard.com/en/about-us/investor-relations/corporate-governance/organization-regulations.aspx

Information and control instruments with regard to the executive committee

The board of directors ensures that the executive committee establishes and maintains an internal control system (ICS), which is adapted to the dimensions of the Bossard Group and the risks involved in its business activities. The external auditors review the existence of the ICS as part of its annual audit and submit an annual report to the board of directors. The company renounces from carrying out its own internal audit at present.

Each member of the board of directors may request information concerning all matters relating to Bossard Holding AG. The board of directors receives monthly updates on the Group's financial development. It receives a written monthly report consisting of the income statement, various balance sheet items and the main key figures. The information is

based on the internal management information system and includes the current and budget data as well as regular projections based on current trends and expectations.

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

Outside the meetings of the board of directors, each member can request information from persons responsible for management concerning the course of business and, with authorization from the chairman, individual transactions.

Executive committee

Members of the executive committee

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

The executive committee had the following members as at December 31, 2018:

Name	Function	Joined company	Appointed
David Dean	CEO	1992	2005
Stephan Zehnder	CFO	1996	2005
Beat Grob	CEO Central Europe	1995	2006
Dr. Daniel Bossard	CEO Northern & Eastern Europe	2000	2009
Steen Hansen	CEO America	2001	2008
Robert Ang	CEO Asia	1997	2009
Dr. Frank Hilgers	CCO	2012	2015

With press release on January 29, 2018, the Bossard Group announced that CEO David Dean will be stepping down as of the annual general meeting of shareholders 2019. Dr. Daniel Bossard, member of the executive committee, has been unanimously elected by the board of directors as successor (transition as at May 1, 2019). The election of David Dean as member of the board of directors will be requested at the annual general meeting of shareholders 2019. The board of directors has appointed Dr. Frank Hilgers to take over the area of responsibility from Dr. Daniel Bossard (business units in the northern and eastern European economic area) as at May 1, 2019 (press release dated June 26, 2018). In addition, Dr. Frank Hilgers will continue to have the group-wide responsibility for the category management.

Other activities and vested interests

The executive committee members do not perform any other activities outside the Bossard Group apart from the mandates listed on pages 52 to 55. Furthermore, they do not have any other significant vested interests. Beat Grob and Dr. Daniel Bossard are members of the Bossard families, which have 100 percent control over Kolin Holding AG. Beat Grob is chairman of the board of directors of Kolin Holding AG. Dr. Daniel Bossard resigned as a member of the board of directors of Kolin Holding AG as at January 29, 2018. Individual members of the executive committee carry out executive functions at Bossard Holding AG subsidiaries.

Allowed number of mandates

According to article 44 of the articles of association, a member of the executive committee may at the same time take on a maximum of five mandates outside the Bossard Group, of which a maximum of three may be in listed companies and an additional five mandates which she or he exercises pro bono. If the mandates assumed relate to legal entities that belong to the same group or are similarly related in terms of management, these mandates are considered a single mandate. There are no restrictions on the number of mandates (i) for mandates assumed in legal entities that are directly or indirectly controlled by Bossard Holding AG or that directly or indirectly control Bossard Holding AG, or (ii) if, in exercising the function for the Bossard Group, a mandate in another, related legal entity is exercised.

Management contracts

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

Compensation, participations and loans

This information is provided in the compensation report.

Shareholders' participation rights

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

www.bossard.com/en/about-us/investor-relations/corporate-governance/articles-of-association.aspx

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EXECUTIVE COMMITTEE

David Dean (1959)

Swiss citizen



Group CEO since 2005

Professional background

From 1998 to 2004, David Dean served as CFO of Bossard Group and has been with Bossard since 1992. Between 1990 and 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 AG in various management functions in auditing and business consulting.

Educational background

- Swiss certified accountant/controller
- Swiss certified public accountant
- Executive education at Harvard Business School in Boston and at IMD in Lausanne

Other activities and vested interests

- Member of the board of directors of Komax Holding AG, Dierikon; Agta Record AG, Fehraltorf; Haag-Streit Holding AG, Köniz
- Member of the Industry Executive Advisory Board and Executive MBA Supply Chain Management at the ETH in Zurich
- Member of the USA Chapter Board at the Swiss American Chamber of Commerce, Zurich

Stephan Zehnder (1965)

Swiss citizen



Group CFO since 2005

Professional background

From 1996 to 1997, Stephan Zehnder was a controller in Bossard's corporate finance unit. In 1998, he took over the function of corporate controller of Bossard Group, remaining in this position until the end of 2004. Prior to this, he was employed by various international companies in functions concerned with finance and controlling.

Educational background

- MBA in Finance from the Graduate School of Business Administration, Zurich and the University of Wales

Other activities and vested interests

- Member of the board of directors of Sun Shares Trading & Consultancy Private Limited, New Delhi, India

Beat Grob (1962)

Swiss citizen



CEO Central Europe since 2006

Professional background

Beat Grob joined Bossard in 1995 as a project manager in logistics; the following year, he became head of logistics for Bossard Group. From 2005 to 2016 he was managing director of Bossard Switzerland.

Educational background

- Degree in law from the University of Zurich
- Postgraduate MBA from the University of San Diego, USA

Other activities and vested interests

- Chairman of the board of directors of Kolin Holding AG, Zug
- Member of the board of directors of Aeschbach Holding AG, Zug
- Member of the foundation board of Bossard Unternehmensstiftung, Zug

Dr. Daniel Bossard (1970)

Swiss citizen



CEO Northern & Eastern Europe since 2009

Professional background

From 2006 to 2008, he served as sales & marketing manager of Bossard Group and was responsible for the reorientation of Bossard's sales strategy as well as the development of international customer relations. From 2003 until 2006, he was CEO of Bossard Denmark. Dr. Daniel Bossard joined Bossard in 2000 as an e-business manager, after having worked as a consultant for Accenture (formerly Andersen Consulting).

Educational background

- Business administration degree from the University of St. Gallen, with postgraduate studies leading to a doctorate in technology management (Dr. oec. HSG)

Other activities and vested interests

- Chairman of Bossard Unternehmensstiftung, Zug

Steen Hansen (1959)

Citizen of the USA



CEO America since 2008

Professional background

From 2006 to 2008, he served as the president of Bossard IIP, Cedar Falls, Iowa. He was responsible for the Group's logistics between 2004 and 2006, having joined Bossard in 2001 as head of logistics for Bossard Denmark. Prior to joining Bossard, he filled various management positions, the last being supply chain manager at Nomeco Denmark, a leading wholesaler for pharmaceuticals.

Educational background

- Bachelor degree in technology management and marine engineering at the Technical University of Denmark
- MBA from the ETH in Zurich

Other activities and vested interests

- Member of the board of directors of Kryton Engineered Metals, Cedar Falls, USA
- Member of the board of directors of Hectronic USA Corp., Chesapeake, USA

Robert Ang (1963)

Citizen of Singapore



CEO Asia since 2009

Professional background

From 2005 until 2009, Robert Ang was responsible for Bossard Greater China (China, Taiwan) and prior to that, the Southeast Asia region. From 1997 until 1999, he was CEO of Bossard Singapore. Robert Ang managed his own company from 1994 until it was acquired by Bossard in 1997. He spent the four years prior as a product manager for Conner Peripherals and Optics Storage Pte Ltd. in Singapore. Between 1986 and 1989 he worked as a buyer at Printronix AG.

Educational background

- Executive MBA from the Thames Business School, Singapore
- Diploma in mechanical engineering from Singapore Polytechnic
- MBA from the Lee Kong Chian School of Business, Singapore

Dr. Frank Hilgers (1966)

German citizen



Group CCO since 2015

Professional background

Since 2015, Dr. Frank Hilgers has been responsible for the group-wide management of branded products and high quality fastening solutions (Chief Category Officer, CCO). He has also headed the business units of KVT-Fastening since 2012. From 2009 to 2012, he was a member of the KVT-Koenig management team in charge of sales, product management and the fastening systems division. During his employment at Continental between 2007 and 2009, he was in charge of all national organizations of the spare parts business and key account management in the Commercial & Special Vehicle area. From 2004 to 2007, Dr. Frank Hilgers headed Group Strategy and Corporate Development at Siemens VDO Automotive and was instrumental in the turnaround and sale of this Siemens segment. As senior manager for strategy, Dr. Frank Hilgers was in charge of major international projects at Accenture (formerly Andersen Consulting) from 1997 until 2004, and was responsible for automotive suppliers and the shareholder value initiative in the German speaking countries.

Educational background

- Degree in chemistry and doctorate from the University of Stuttgart
- Executive MBA from Kellogg School of Management Northwestern University (Accenture Program), Evanston, USA

Other activities and vested interests

- Member of the advisory board of enersis suisse AG, Bern

Continued from page 51

Voting right restrictions and representation (articles 16 to 18 of articles of association)

Registered B shares are voting right shares. At the annual general meeting of shareholders each share registered with voting rights is entitled to one vote. The voting rights for registered A shares may be exercised by anyone entered in the share register as the owner or beneficiary. A shareholder entitled to vote can have her- or himself represented at the annual general meeting of shareholders by the independent proxy, or – with written power of attorney – by any other person. Legal representatives do not require a written power of attorney. In the invitation to the annual general meeting of shareholders, the board of directors shall make known the date by which the shareholders may issue their powers of attorney and instructions to the independent proxy, including by electronic means. Shareholders can issue a special instruction to the independent proxy for each motion announced on the agenda sent out in the invitation.

Shareholders may issue general instructions to the independent proxy for other motions on agenda items proposed at the annual general meeting of shareholders as well as for motions for convening extraordinary general meetings without any agenda and the performance of a special audit. The independent proxy is obliged to exercise as instructed the voting rights that have been transferred to her or him by the shareholders. If she or he has not received any instructions, she or he shall abstain from voting.

The measurement of voting rights by the number of shares with voting rights is not applicable for:

- electing the external auditor
- appointing experts to review the management of the business or individual parts thereof
- making decisions on the initiation of a special audit
- making decisions on the filing of a liability claim

Statutory quorum (article 19 of articles of association)

The annual general meeting of shareholders makes its decisions and holds its elections with an absolute majority of the valid votes cast, provided there are

no legal provisions or provisions in the articles of association to the contrary. In a second ballot, the relative majority decides the outcome.

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

- a change to the corporate purpose
- an increase in the voting power of existing voting shares and the issue of new shares with more extensive voting privileges than those of existing voting shares
- the introduction of more stringent transferability restrictions
- an approved or conditional capital increase
- a capital increase from equity, subscribed in kind or for granting special privileges
- the restriction or withdrawal of subscription rights
- the relocation of the company domicile
- the dissolution of the company

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

Convocation and listing of agenda items for the annual general meeting of shareholders (articles 12 and 13 of articles of association)

The ordinary annual general meeting of shareholders is held each year at the latest four months after the end of the financial year. It is convened by the board of directors by announcing the venue, date and time of the meeting and the invitation is published at least 20 calendar days before the meeting, along with the agenda, motions and the required form of proving share ownership.

One or more shareholders who together represent at least 10 percent of the share capital, can request the board of directors to convene a general meeting of shareholders.

Inclusion of items on the agenda

Shareholders themselves or collectively representing shares with a nominal value of at least CHF 1 million are entitled to have an item placed on the agenda. By publication in the Swiss Official Gazette

of Commerce (Schweizerisches Handelsamtsblatt/SOGC) at least 20 calendar days before the publication of the invitation for the ordinary annual general meeting of shareholders, the board of directors requests the shareholders, that are fulfilling the mentioned requirements, to submit any items to be placed on the agenda with the respective motions within the time stated.

Entry in the share register (article 5 of articles of association)

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

In the invitation to the annual general meeting of shareholders, the board of directors announces the date by which an entry in the share register must be made in order to attend the meeting and vote.

Entry in the share register is subject to advance proof that ownership of the registered A shares was acquired or that usufruct has been granted (the conditions for transfer of ownership and the registration requirements for registered B shares are governed by articles 7 to 9 of the articles of association). Shareholders are entered with voting rights if they expressly declare that the shares in question are held in their own name and for their own account.

The company only recognizes a person as a shareholder or beneficiary if this person is registered as such in the share register.

The voting right and the associated rights may only be exercised by the person registered in the share register as having voting rights.

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

Changes of control and defense measures

Duty to make an offer

According to FMIA, anyone, who directly or indirectly or acting in concert with third parties, acquires shares and thereby exceeds the threshold of 33 1/3 percent of the voting rights of Bossard Holding AG must make a takeover offer for all outstanding shares. Bossard Holding AG has waived its opportunity to modify (opting-up) or dispense (opting-out) with this regulation.

Clauses on changes of control

The employment agreement for members of the executive committee does not contain any clauses on changes of control. The Group does not provide golden parachutes for its senior management.

The period of notice for members of the executive committee is between six and twelve months, during which time they are entitled to receive salary and bonus payments. If the company changes hands or goes into liquidation, all share options (RSUs) held under the management participation plan become due immediately.

Auditors

Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, has been the statutory auditor for Bossard Holding AG since 1986 and audits the annual financial statements and the consolidated financial statements. The statutory auditors are elected by the annual general meeting of shareholders for a term of one year. The auditor in charge is Bruno Häfliger, Swiss certified public accountant, who has been responsible for the auditing mandate since the 2017 financial year. A new auditor in charge is appointed every seven years, with the next changeover due in 2024.

Fees for the statutory auditor

In the 2018 financial year, PricewaterhouseCoopers AG received fees of CHF 724,722 (2017: CHF 689,882) for auditing services, CHF 32,422 (2017: CHF 23,612) for tax consulting and CHF 41,376 (2017: CHF 25,419) for legal advice.

Information and control instruments towards the statutory auditor

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

Information policy

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

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

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

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

List of key dates in 2019:

Meeting for financial analysts & media conference	March 6, 2019
Publication Annual Report 2018	
Annual general meeting	April 8, 2019
Publication of sales results 1st quarter 2019	April 8, 2019
Publication of first results Sales/net income 1st half of 2019	July 11, 2019
Publication of Semi-Annual Report 2019	August 22, 2019
Publication of sales results 3rd quarter 2019	October 10, 2019
Publication of sales results 2019	January 14, 2020

Bossard maintains contact with representatives of the capital market via media conferences, meetings with analysts and roadshows. The company also regularly holds individual and group meetings with institutional investors and analysts. All publications on business results and press releases are available in English and in German under the "Investor Relations" section of the Bossard website www.bossard.com (www.bossard.com/en/about-us/news-and-press-releases.aspx).

Further, shareholders can subscribe on the Bossard website (www.bossard.com/en/about-us/investor-relations/subscription-press-releases.aspx) to our announcements, press releases and ad hoc publications. All Bossard publications can be ordered by e-mailing investor@bossard.com or from Bossard Holding AG, Investor Relations, Steinhäuserstrasse 70, 6300 Zug, Switzerland.

COMPENSATION REPORT

The compensation report describes the compensation principles and programs as well as the governance framework related to the compensation of the board of directors and the members of the executive committee of Bossard Holding AG. The report also provides details around the compensation awarded to those two bodies in the 2018 financial year.

The compensation report has been prepared in compliance with the Ordinance against Excessive Compensation in Listed Companies (VegüV/OaEC), the Directive on Information relating to Corporate Governance (DCG) of SIX Swiss Exchange and the principles of the “Swiss Code of Best Practice for Corporate Governance” of *economiesuisse*.

1. Compensation philosophy and principles

The compensation philosophy of Bossard Holding AG reflects the commitment to recruit, retain, motivate and develop well-qualified employees and executives at all levels in the organization. Compensation programs are designed to motivate executives to achieve the business objectives and to create long-term and sustainable value for the company. They are based on the following principles:

Pay for performance	A portion of compensation is directly linked to the sustainable success of the company and to individual contributions
Alignment to shareholders' interests	The compensation system strengthens the link of management and shareholders' interests through the delivery of part of the compensation in the form of shares or sharebased compensation
Balanced system	There is a healthy balance between fixed and variable performance-based compensation (no excessive leverage of variable compensation, capped at 100 percent of fixed compensation)
Market competitiveness	Compensation levels are market competitive in order to attract and retain individuals with the required skill sets and leadership capabilities
Simplicity and transparency	Compensation programs are straightforward and transparent

2. Compensation Governance

2.1. Articles of association

In line with the requirement of VegüV/OaEC, the articles of association of Bossard Holding AG summarize the compensation principles and include the following provisions:

- compensation principles (articles 36 to 40): the compensation of the members of the board of directors and the executive committee consists of fixed and variable compensation. Variable compensation is measured primarily
 - for the board of directors: on the EBIT of the Bossard Group
 - for the CEO: on the EBIT of the four market regions and on the achievement of further, purely qualitative objectives (discretionary power of the board of directors)

- for the other members of the executive committee: on the EBIT for which the person has managerial responsibility, as well as on the EBIT of the Bossard Group and by the achievement of further, purely qualitative objectives (discretionary power of the board of directors)

In addition, members of the executive committee may be awarded restricted stock units (management participation plan) at the discretion of the board of directors with regard to achieved goals.

- Binding vote on compensation amounts of the board of directors and the executive committee (article 11.8): the annual general meeting of shareholders approves separately the maximum aggregate amounts of compensation payable to the board of directors and to the executive committee:
 - for the board of directors: for the period until the next annual general meeting of shareholders;
 - for the executive committee: for the following financial year.
- In addition, the annual general meeting of shareholders has the opportunity to express its opinion on the compensation report in a consultative vote (article 43).
- Additional amount for payments to members of the executive committee appointed after the vote on compensation at the annual general meeting of shareholders (article 42): to the extent that the maximum aggregate compensation amount as approved by the annual general meeting of shareholders does not suffice, an amount of up to 30 percent of the maximum aggregate compensation amount approved for the executive committee is available, without further approval, for the compensation of the members of the executive committee who have been appointed after the annual general meeting of shareholders.
- Loans, credit facilities and post-employment benefits for members of the executive committee (article 41): upon proposal of the compensation committee, the board of directors may, in justified cases, grant to members of the executive committee and persons related to them mortgage-backed loans or credit up to a maximum of CHF 1 million per person, unsecured loans or credit up to a maximum of CHF 0.5 million per person, pension benefits outside the occupational pension scheme up to a maximum of CHF 0.5 million (one-time) per person.

Details available at:

www.bossard.com/en/about-us/investor-relations/corporate-governance/articles-of-association.aspx

2.2. Compensation committee

In accordance with the articles of association, the organizational and business regulations of Bossard Holding AG and the compensation committee regulations, the compensation committee is composed of at least three members of the board of directors that are elected individually by the annual general meeting of shareholders for a period of one year. Subject to the approval of the annual general meeting of shareholders, the representative of registered A shares is entitled to be a member of the compensation committee. The 2018 annual general meeting of shareholders elected again Prof. Dr. Stefan Michel (chairman) and Maria Teresa Vacalli and new Anton Lauber as members of the compensation committee. All three members are independent in accordance with the regulations.

It is the responsibility of the compensation committee to:

- develop and regularly review the compensation policy and principles applicable to the board of directors and the executive committee, including the design of compensation programs and retirement benefits plans; and, if necessary, proposing any changes to the board of directors;
- propose to the board of directors the maximum aggregate amounts of compensation of the board of directors and of the executive committee to be submitted to the shareholders' vote at the annual general meeting of shareholders;
- propose to the board of directors the individual compensation for the members of the board of directors, the CEO and the other members of the executive committee, within the limits approved by the annual general meeting of shareholders;
- review and approve the employment contracts of the executive committee members;
- develop and regularly review the guidelines governing the structure of the occupational pension scheme for the executive committee;
- prepare the compensation report;
- if the compensation committee considers necessary: the assignment, the supervision and the critical evaluation of the results of advisers or the comparison with third party companies regarding the compensation practices.

The levels of authority between the CEO, the compensation committee (CC), the board of directors (BoD) and the annual general meeting of shareholders (AGM) are summarized in the table below:

	CEO	CC	BoD	AGM
Compensation policy and principles (incl. guidelines for the pension scheme)		Proposes	Approves	
Maximum aggregate compensation amounts of the board of directors		Proposes	Reviews	Approves (binding vote)
Maximum aggregate compensation amounts of the executive committee		Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the board of directors		Proposes	Approves	
Compensation of CEO		Proposes	Approves	
Individual compensation of members of the executive committee	Proposes	Reviews	Approves	
Compensation report		Proposes	Approves	Consultative vote

The compensation committee meets as often as business requires but at least twice a year. In 2018, it held two meetings, each lasted half a day. All members were present at these meetings.

As a general rule, the CEO participates in the meetings of the compensation committee in an advisory capacity. Other members of the board of directors may attend the committee meetings (without voting rights) and other executives may be invited in an advisory capacity as well. However, the other members of the board of directors and the executives abstain from voting when their own performance and/or compensation are being discussed. After each meeting, the chairman of the compensation committee reports to the board of directors on

its topics and recommendations. The minutes of the compensation committee meetings are available to the entire board of directors.

The compensation committee may retain external consultants to provide support in fulfilling its duties. In 2018, no such external advisors were engaged. The compensation committee regularly compares compensation levels with benchmarks, reviews Bossard's compensation policies and conducts a self-assessment.

2.3. Method of determination of compensation

Benchmarking: in order to assess the market competitiveness of compensation and to determine appropriate compensation levels for the members of the board of directors and of the executive committee, the compensation committee periodically reviews the compensation reports published by other international industrial companies that are listed in Switzerland and comparable to the Group in terms of size (market capitalization, employees, revenues), geographic scope and business complexity. Such benchmarking analysis was conducted at the end of 2015 on the basis of the Ethos study "annual general meetings 2015, compensation and corporate governance in SPI companies", published in October 2015. The SPI companies ranking 49 to 100 in terms of market capitalization (excluding financial sector) were selected as peer group. The result of the benchmark analysis led to some structural changes in the compensation of the board of directors and the executive committee what has been explained more in details in the compensation report 2016.

Performance management: the actual compensation effectively paid out in a given year to the executive committee members depends on their individual performance. Depending on the level of responsibility, the evaluation of individual performance takes into account the results of the entire Group and/or of a business area. The performance evaluation is based on quantitative and qualitative assessment criteria. The quantitative elements are derived both from the current business results and from the longer-term value drivers, which are decisive for the Group's future results and profitability. This is aligned to the value-oriented and sustainability-focused management approach implemented by the Bossard Group. Qualitative criteria are derived from the company's strategic targets. Therefore, compensation reflects both the sustainable success of the company and the individual contributions.

3. Compensation structure – board of directors

The compensation of the board of directors includes a fixed component and a variable component. The fixed component adequately compensates members of the board of directors for their time spent serving on the board of directors and on the committees. It amounts to CHF 300,000 for the chairman and to CHF 90,000 for the other members of the board of directors. The variable component corresponds to 0.05 percent of the Group EBIT and is capped for all members of the board of directors to a maximum of CHF 60,000. Those amounts are exclusive of social security contributions.

Effective for the period of office starting at the annual general meeting of shareholders in 2018, at least CHF 30,000 of the total compensation is paid in the form of registered A shares of Bossard Holding AG. Members of the board of directors may elect to receive up to CHF 60,000 of their total compensation in shares. The shares are subject to a restriction period of three years during which they can not be sold, transferred or pledged. The restriction period also applies in case of termination of mandate, except in case of termination following death where the restriction immediately lapses. The shares are priced at their market value, determined at the end of February of each year based on the average share price over the previous ten trading days, less a discount of approximately 16 percent for the three-year restriction period as permitted under Swiss tax law.

The decision on the proportion of compensation to be paid in shares (at least CHF 30,000 up to CHF 60,000 of total compensation) is made the day after the annual general meeting of shareholders. Bossard Holding AG acquires the shares required for the share plan from its own stock of treasury shares or share purchases on the market.

in CHF per year	Fixed compensation	Variable compensation
Chairman of the board of directors	300,000	0.05 percent of EBIT, maximum 60,000
Members of the board of directors	90,000	0.05 percent of EBIT, maximum 60,000

4. Compensation structure – Executive committee

According to the compensation principles defined in section 1, the compensation of the executive committee includes the following elements:

- fixed compensation
- variable compensation
- management participation plan
- occupational benefits

Structure of compensation of the executive committee:

	Purpose	Drivers	Performance measures	Vehicle
Fixed compensation	Attract & retain	Position, skills and experience		Monthly cash payments
Variable compensation	Pay for performance	Annual performance	EBIT, Group net income, strategic goals	Annual bonus in cash
Management participation plan	Align to shareholders' interests, retain	Overall result of Bossard Group, achieved strategic goals		RSU with five-year staged vesting period
Occupational benefits	Protect against risks, attract & retain	Market practice and position		Retirement plan, insurance, perquisites

4.1. Fixed compensation

The annual fixed compensation is paid in cash on a monthly basis. It reflects the scope and responsibilities of the role, the skills required to perform the role and the profile of the jobholder in terms of experience and capabilities.

4.2. Variable compensation

The variable compensation rewards the achievement of annual financial goals and of individual strategic objectives agreed within the annual objective-setting process and evaluated at the end of a year.

The fixed compensation and the expected variable compensation (assuming 100 percent achievement of all performance objectives) form the so-called total cash compensation. The target value of the total cash compensation of the CEO and the other executive committee members is reviewed annually based on the scope of the role, competitive market practice, individual profile and performance, as well as the company's affordability.

For the CEO, the fixed compensation amounts to 62 percent of total cash compensation, while the variable compensation amounts to 38 percent (or 68 percent of the annual fixed compensation). For the other executive committee members, the fixed compensation ranges from 62 percent to 68 percent of total cash compensation while the variable portion ranges from 32 percent to 38 percent. In order to maintain compensation at a reasonable level and to not encourage excessive risk taking or a focus on short-term decisions to the expense of the company's sustainable success, the variable compensation is capped at 100 percent of the annual fixed compensation.

The variable compensation is based on two components:

- the financial performance of the Group as a whole and/or its businesses;
- the achievement of individual strategic goals that are defined and reviewed annually by the board of directors.

The approximate weighting of those components is illustrated in the following table. The weightings are defined as ranges because the system shall remain flexible enough to reflect specific strategic priorities for any business area in any given year.

Components		CEO	CFO	Other members of the executive committee
Financial performance 80–100 percent	Group	Operational results of all business areas	Operational results of all business areas, Group net income	Group net income
	Own business area			Operational results of own business area and Group
Strategic objectives 0–20 percent		Individually determined	Individually determined	Individually determined

The financial objectives always include a measurement of profitability, such as Group net income or business area and Group operating profit, because profitability is absolutely critical to the long-term success of the company. In addition, financial objectives may also include a measurement of growth, such as revenue or gross profit growth, depending on the strategic priorities of the respective business area. For each financial objective, an expected level of performance is determined, either on the basis of the annual financial plan or of the previous year's results. In addition, a threshold level of performance, below which the payout factor is zero, and a maximum level of performance, above which the payout factor is capped, are determined as well.

The strategic objectives are linked with the strategic initiatives and the goals 2020 of the Bossard Group; these objectives include more qualitative goals related to innovation, key project management and leadership.

Due to the commercial sensitivity of financial and strategic objectives, the board of directors abstains from such a disclosure in the compensation report. However, the actual payout level of the variable compensation in the reporting year is explained and commented on in section 5.

The CEO and the other members of the executive committee may opt to buy up to 20 percent of their total cash compensation in the form of registered A shares of Bossard Holding AG. The shares are subject to a restriction period of three years during which they can not be sold, transferred or pledged. The restriction period also applies in case of termination of employment, except in case of termination following death where the restriction immediately lapses. The shares are priced at their market value, determined at the end of February of each year, based on the average share price over the previous ten trading days, less a discount of approximately 16 percent for the three-year restriction period as permitted under Swiss tax law. The decision to buy shares by the CEO or the other members of the executive committee is made the day after the annual general meeting of shareholders. Bossard Holding AG acquires the shares required for the share plan from its own stock of treasury shares or share purchases on the market.

4.3. Management participation plan

The objectives of the management participation plan are to strengthen the link between management and shareholders' interests, to foster the participants' long-term motivation and identification with the Group, to let participants directly participate in the long-term shareholder value created through share price appreciation, and to enable the company to retain and motivate highly-qualified employees.

The long-term management participation plan is offered to selected members of the management of the Group in the form of restricted stock unit (RSU) awards. At the beginning of the vesting period, a number of RSUs are granted to each participant, which is based on a monetary amount. The conversion is carried out at market value and is based on the average share price over the last ten trading days in November. For the CEO, there is a maximum amount of CHF 150,000 and for the other members of the executive committee a maximum amount of CHF 50,000 foreseen. The condition for a grant is the achievement of the overall results of the Bossard Group and the strategic objectives defined by the board of directors. For other participants, the grant size is determined at the discretion of the CEO.

Each RSU is a conditional right to receive one registered A share of Bossard Holding AG after the vesting period. The RSUs vest conditionally if she or he is employed at the time of the vesting date and according to the following vesting schedule: one third of the RSUs vest three years after the grant date, one third vest four years after the grant date and the last third vest five years after the grant date. At the respective vesting date, the vested RSUs are converted into registered A shares of Bossard Holding AG. The shares are not subject to any further restrictions other than the general rules governing management transactions. In circumstances where the allocation of shares may be unsuitable or impractical, the award may be settled in cash.

Vesting period:



In case of termination of employment, the RSUs forfeit without any compensation, except in the cases of retirement, death, disability or change of control, where the RSUs are subject to an accelerated vesting at the date of termination or change of control.

4.4. Occupational benefits

The members of the executive committee participate in the benefit plans available in the country of their employment contract. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, risk of disability, death and health. The members of the executive

committee with a Swiss employment contract participate in the pension plan of Bossard (Bossard Personalstiftung, Zug) offered to all employees in Switzerland, in which a base compensation up to an amount of CHF 282,800 per annum is insured, as well as a supplementary plan in which earnings in excess of this limit are insured up to the maximum amount permitted by law. Bossard's pension benefits exceed the legal requirements of the Swiss federal law on occupational retirement, survivors' and disability pension plans (BVG) and are in line with what other international industrial companies offer. Members of the executive committee under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and are, as a minimum, in accordance with the legal requirements of the respective country.

In addition, members of the executive committee are also eligible to standard perquisites, such as a company car, seniority awards, child allowance and other benefits in kind, according to competitive market practice in their country of contract. The monetary value of these other elements of compensation is evaluated at fair value and is disclosed in the compensation tables.

4.5. Employment contracts

The members of the executive committee are employed under employment contracts of unlimited duration with a notice period of six months, respectively twelve months for the CEO. Members of the executive committee are not contractually entitled to termination payments or any change of control provisions other than the early vesting of RSU awards in specific situations mentioned previously.

5. Compensation to members of the board of directors and of the executive committee

5.1. Compensation paid to current members of the board of directors for the financial years 2018 and 2017

In 2018, the members of the board of directors received a total compensation of CHF 1.4 million (2017: CHF 1.3 million) in the form of fixed compensation of CHF 0.8 million (2017: CHF 0.8 million), variable compensation of CHF 0.4 million (2017: CHF 0.3 million) and social security contributions of CHF 0.2 million (2017: CHF 0.2 million). Of the total amount, CHF 0.3 million was delivered in restricted shares (2017: CHF 0.3 million).

The increase in the variable compensation of the board of directors is based on the growth of the EBIT by 12.1 percent compared to the previous year.

The chairman's variable compensation in 2018 amounted to 17 percent of the fixed compensation (2017: 15 percent). For the other board members, the variable compensation amounted to 58 percent (2017: 51 percent).

Compensation paid to members of the board of directors for the financial year 2018

in CHF		Fixed	Variable	Social costs	Total compensation	Thereof in shares ⁷⁾
Dr. Thomas Schmuckli	Chairman, chairman NC ¹⁾ , ARCC ²⁾	300,000	52,433	48,745	401,178	30,170
Anton Lauber ⁴⁾	Deputy chairman, ARCC, NC, CC ³⁾	90,000	52,433	17,234	159,667	38,680
Dr. René Cotting	Chairman ARCC	90,000	52,433	20,096	162,529	38,680
Martin Kühn ⁵⁾	ARCC	60,000	36,267	13,583	109,850	0
Daniel Lippuner	ARCC	90,000	52,433	20,096	162,529	59,954
Prof. Dr. Stefan Michel	Repr. of registered A shares, chairman CC, NC	90,000	52,433	20,096	162,529	38,680
Maria Teresa Vacalli	NC, CC	90,000	52,433	20,096	162,529	59,954
Helen Wetter-Bossard ⁶⁾	NC, CC	30,000	16,167	6,513	52,680	38,680
2018		840,000	367,032	166,459	1,373,491	304,798

1) Nomination committee (NC)

2) Audit, risk & compliance committee (ARCC)

3) Compensation committee (CC)

4) As at April 9, 2018 member of the compensation committee (CC), member of the nomination committee (NC)/ until April 8, 2018 member of the audit, risk & compliance committee (ARCC)

5) Election to the board of directors in April 2018

6) Resignation from the board of directors in April 2018

7) Each member of the board of directors will get delivered at least CHF 30,000 of its total compensation in registered A shares of Bossard Holding AG. Members of the board of directors are entitled to draw up to CHF 60,000 of their total compensation in shares. The shares are priced at market value, less a reduction (tax) of approximately 16 percent for the three years lockup period. For the drawn shares in 2018 the price was CHF 193.40. The draw took place one day after the annual general meeting of shareholders 2018.

Compensation paid to members of the board of directors for the financial year 2017

in CHF		Fixed	Variable	Social costs	Total compensation	Thereof in shares ⁴⁾
Dr. Thomas Schmuckli	Chairman, chairman NC ¹⁾ , ARCC ²⁾	300,000	45,417	47,675	393,092	43,815
Anton Lauber	Deputy chairman, ARCC	90,000	45,417	16,326	151,743	29,940
Dr. René Cotting	Chairman ARCC	90,000	45,417	19,074	154,491	55,791
Daniel Lippuner	ARCC	90,000	45,417	19,074	154,491	59,881
Prof. Dr. Stefan Michel	Repr. of registered A shares, chairman CC ³⁾ , NC	90,000	45,417	19,074	154,491	59,881
Maria Teresa Vacalli	NC, CC	90,000	45,417	19,074	154,491	59,881
Helen Wetter-Bossard	NC, CC	90,000	45,417	19,074	154,491	36,513
2017		840,000	317,919	159,371	1,317,290	345,702

1) Nomination committee (NC)

2) Audit, risk & compliance committee (ARCC)

3) Compensation committee (CC)

4) Each member of the board of directors will get delivered at least CHF 30,000 of its total compensation (2016: 20 percent of total compensation) in registered A shares of Bossard Holding AG. Members of the board of directors are entitled to draw up to CHF 60,000 of their total compensation (2016: up to 50 percent of total compensation) in shares. The shares are priced at market value, less a reduction (tax) of approximately 16 percent for the three years lockup period. For the drawn shares in 2017 the price was CHF 146.05. The draw took place one day after the annual general meeting of shareholders 2017.

In 2017, the annual general meeting of shareholders authorized a maximum compensation amount for the board of directors of CHF 1,500,000 for the period from the annual general meeting of shareholders 2017 until the next annual general meeting of shareholders 2018. The compensation of the board of direc-

tors for this term of office augmented to CHF 1,342,155 and remains therefore within the approved compensation payable to the board of directors.

In 2018, the annual general meeting of shareholders approved a maximum compensation amount for the board of directors of CHF 1,500,000 for the period from the annual general meeting of shareholders 2018 until the next annual general meeting of shareholders 2019.

Payments to former members of the board of directors

In 2017, no compensation was paid to former members of the board of directors. Helen Wetter-Bossard, who resigned from her position as member of the board of directors at the annual general meeting of shareholders 2018, received compensation in 2018. The total compensation for the period from January 1, 2018 to April 8, 2018 amounted to CHF 52,680 of which drawn in shares with a value of CHF 38,680.

Payments to related parties of members of the board of directors

In 2018, as well as in 2017, no compensation was paid to related parties of present or former members of the board of directors.

Loans and credits to present or former members of the board of directors or to related parties

As of December 31, 2018 as well as of December 31, 2017 no such loans or credit payments existed to present or former members of the board of directors, or to related parties of present or former members of the board of directors.

5.2. Compensation paid to current members of the executive committee for the financial years 2018 and 2017

In 2018, the members of the executive committee received a total compensation of CHF 6.2 million (2017: CHF 6.0 million) in the form of fixed compensation of CHF 2.8 million (2017: CHF 2.8 million), variable compensation of CHF 1.9 million (2017: CHF 1.8 million), other benefits of CHF 0.1 million (2017: CHF 0.1 million), RSU grant of CHF 0.5 million (2017: CHF 0.5 million) and social security/pension contributions of CHF 0.9 million (2017: CHF 0.9 million). Of the total amount, CHF 0.1 million was delivered in restricted shares (2017: CHF 0.6 million).

The increase in compensation compared to the previous year is due to the following factors: due to the result improvements compared to the previous year based on the EBIT (12.1 percent) as well as the net income (6.5 percent), the variable compensation of the executive committee augmented disproportionately by 2.6 percent. Individual qualitative objectives were exceeded overall as well.

In 2018, the variable component of the fixed compensation amounted to 82 percent of fixed compensation for the CEO (2017: 75 percent) and to 62 percent on average for the other executive committee members (2017: 64 percent). The total expenses for the management participation plan offered to the executive committee and specified middle and senior managers amounted to CHF 1.1 million in 2018 (2017: CHF 1.7 million).

Compensation paid to members of the executive committee

in CHF	Executive committee total		David Dean, CEO	
	2018	2017	2018	2017
Fixed compensation	2,832,161	2,757,700	540,000	540,000
Variable compensation ¹⁾	1,871,069	1,823,680	442,000	404,000
Other benefits ²⁾	92,770	94,209	9,600	9,600
Subtotal (compensation)	4,796,000	4,675,589	991,600	953,600
Management participation plan (RSU) ³⁾	450,000	450,000	150,000	150,000
Social and pension costs	944,514	874,411	242,412	225,894
Total	6,190,514	6,000,000	1,384,012	1,329,494
Thereof share payment ⁴⁾	120,488	629,476	-	175,260
Members of the executive committee	7	7		

1) The disclosed variable compensation is accrued for the reporting year. This may differ from the actual payment made in the following year. Any deviations between accruals and actual payments are recognized in the following reporting year for which the compensation was paid. The compensation disclosed for 2017 is the actual total payment made.

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

3) The market value of the RSUs allocated in the 2018 financial year was CHF 156.60 (2017: CHF 224.55).

4) Members of the executive committee may draw up to 20 percent of their total compensation in registered A shares of Bossard Holding AG of the previous year (according to article 38 and 39 of the articles of association). The shares are priced at market value, less a reduction of approximately 16 percent for the three years lockup period. The draw always takes place one day after the annual general meeting of shareholders. For the drawn shares in 2018 the price was CHF 193.40 (2017: CHF 146.05).

In 2017, the annual general meeting of shareholders authorized a maximum compensation amount for the executive committee of CHF 6,200,000 for the period from January 1, 2018 to December 31, 2018. The total compensation of CHF 6,190,514 paid to the executive committee in 2018 remains within the approved compensation payable to the executive committee for 2018.

In 2018, the annual general meeting of shareholders authorized a maximum compensation amount for the executive committee of CHF 6,300,000 for the period from January 1, 2019 to December 31, 2019.

Compensation paid to former members of the executive committee

In 2018, as well as in 2017, no compensation was paid to former members of the executive committee.

Compensation paid to related parties of members of the executive committee

In 2018, as well as in 2017, no compensation was paid to related parties of present or former members of the executive committee.

Loans and credits to present or former members of the executive committee or to related parties

As of December 31, 2018, as well as of December 31, 2017, no such loans or credit payments existed to present or former members of the executive committee, or to related parties of present or former members of the executive committee.

6. Participations of members of the board of directors and of the executive committee at December 31, 2018

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

Board of directors		2018	2017
Dr. Thomas Schmuckli	Chairman, chairman NC, ARCC	13,981	13,825
Anton Lauber	Deputy chairman, CC, NC	6,783	7,083
Dr. René Cotting	Chairman ARCC	1,500	1,300
Martin Kühn ¹⁾	ARCC	10	-
Daniel Lippuner	ARCC	1,888	1,278
Prof. Dr. Stefan Michel	Representative of registered A shares, chairman CC, NC	1,478	3,680
Maria Teresa Vacalli	NC, CC	3,208	2,898
Helen Wetter-Bossard ²⁾		-	23,103
Total		28,848	53,167

1) Election to the board of directors in April 2018

2) Resignation from the board of directors in April 2018

Executive committee		2018	2017
David Dean	CEO	1,701	5,735
Stephan Zehnder	CFO	13,640	10,651
Beat Grob	CEO Central Europe	34,842	34,053
Dr. Daniel Bossard	CEO Northern & Eastern Europe	3,854	3,015
Steen Hansen	CEO America	2,036	1,447
Robert Ang	CEO Asia	11,784	10,372
Dr. Frank Hilgers	CCO	2,312	1,521
Total		70,169	66,794

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

		2018	2017
David Dean	CEO	3,208	3,039
Stephan Zehnder	CFO	1,397	1,867
Beat Grob	CEO Central Europe	1,397	1,867
Dr. Daniel Bossard	CEO Northern & Eastern Europe	1,397	1,867
Steen Hansen	CEO America	1,397	1,867
Robert Ang	CEO Asia	1,397	1,867
Dr. Frank Hilgers	CCO	1,396	1,868
Total		11,589	14,242

REPORT OF THE STATUTORY AUDITOR on the compensation report



Report of the statutory auditor
to the General Meeting of
Bossard Holding AG
Zug

We have audited the compensation report of Bossard Holding AG for the year ended December 31, 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the note 5 on pages 67 to 70 of the compensation report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report of Bossard Holding AG for the year ended December 31, 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Häfliger
Audit expert
Auditor in charge

Remo Waldispühl
Audit expert

Zurich, February 22, 2019

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FINANCIAL REVIEW 2018

A year of records

The Bossard Group remains on its growth path: we posted new records for sales as well as EBIT and net income. Sales rose by 10.8 percent to CHF 871.1 million, with all market regions contributing to this significant growth. EBIT climbed by 12.1 percent to CHF 108.8 million, and the EBIT margin also reached a new record at 12.5 percent. Net income rose by 6.5 percent to CHF 85.4 million; excluding the non-operating result of CHF 4.5 million net from a real-estate sale last year, profit climbed by a considerable 12.8 percent.

The gratifying development of our results of this past financial year provide further confirmation of our profitability-oriented growth strategy, which particularly reflects our dedicated investment policy over recent years. The expansion of our range of logistics and engineering services also had a positive effect on our market position and thus on the development of Bossard.

Solid growth in Europe

In the financial year 2018, Bossard increased sales in Europe by 10.8 percent to a new record of CHF 493.0 million despite tougher market conditions brought on by declining economic momentum in the second half of the year. The reasons for slower growth in Europe are manifold. Some customers were operating at full capacity, which flattened the potential for above-average growth. Another factor was a certain basis effect: the basis for comparison – the second half of 2017 – was already at a high level. Last but not least, the purchasing managers' indices (PMIs) signaled a normalization in demand.

Dynamic development in America

In America, we saw increased demand for Bossard products and services, particularly in the second half of the year. For overall 2018, Bossard posted a sales increase in America of 9.4 percent (in local currency: +10.1 percent) to CHF 240.9 million. This pleasing performance was broad-based. The uptick in demand in the second half of the year was also driven by our cooperation with the largest US electric vehicle manufacturer, which significantly increased the production output of its third model series.

Marked growth in Asia

The Bossard Group posted a new record in Asia as well. Sales grew by a healthy 13.4 percent over the previous year (in local currency: +12.5 percent) to CHF 137.2 million. Our investment activities on the Asian markets continue to pay off. In China, India, Thailand, and Taiwan we achieved above-average growth.

Expanded logistics and engineering services

The marked growth in sales is also reflected in higher gross profits, which rose by 8.9 percent to CHF 275.8 million. The gross profit margin dropped just slightly, from 32.2 percent to 31.7 percent.

Selling and administrative expenses rose by 6.9 percent to CHF 166.9 million, yet measured against sales their share fell to 19.2 percent from 19.9 percent in the previous year. A 6.8 percent increase in the number of employees was partly responsible for increased costs – we added another 157 employees for a total of 2,451. The growth in sales and our expanded logistics and engineering services fueled the increase in staffing.

EBIT hits new record

For the first time ever, the Bossard Group's EBIT exceeded the CHF 100 million mark, reaching yet another milestone in the company's 187-year history. EBIT grew by 12.1 percent over the previous year to a record CHF 108.8 million, with the EBIT margin likewise reaching a new high of 12.5 percent.

The financial result rose by CHF 0.6 million to CHF 4.6 million compared to the prior year. The increase was largely due to foreign currency valuations, which were partly offset by lower interest expenses. The tax rate fell from the previous year's 19.2 percent to 18.1 percent. This is explained in part by the altered profit mix as well as the lower tax rate in the US due to the tax reform. As a result, income taxes dropped from CHF 19.1 million in the previous year to CHF 18.8 million, even though profits were higher.

Profit increase and higher dividend

Net income reached a record CHF 85.4 million, 6.5 percent over previous year. Excluding the non-operating result of CHF 4.5 million net from a real-estate sale in the previous year, profit grew by a consider-

able 12.8 percent. In accordance with our dividend policy, which stipulates a payout of 40 percent of net income, the record result will lead to a further dividend increase. At the annual general meeting of shareholders, the board of directors will propose a dividend increase from CHF 4.20 to CHF 4.50 per registered A share. This corresponds to a rise of more than 7 percent.

Higher inventory

In 2018, ongoing growth combined with our investment activities boosted total assets by 11.9 percent to CHF 604.1 million. Measured against sales, operating net working capital rose from 37.4 percent in the previous year to 38.2 percent. One major driver for this increase was inventory, whose value rose by an above-average 16.8 percent. This increase was brought about by higher sales volumes along with Bossard assuming a higher capital commitment to ensure security of supply to its customers. Due to the favorable economic conditions, longer delivery times were widely observed on the market.

The equity ratio rose during the reporting period from 48.9 percent to 51.3 percent, underscoring the Bossard Group's solid balance sheet. This is also reflected in the gearing – the ratio of net debt to equity – which was 0.4 at year's end, even though net debt was trending in the opposite direction. Net debt rose year on year from CHF 124.0 million to CHF 130.2 million.

As already mentioned, higher inventory accounted in part for the increase in net working capital and hence the rise in net debt. While cash flow from operating activities before changes in net working capital rose by CHF 9.5 million to a new record high of CHF 102.3 million, cash flow from operating activities fell from CHF 77.2 million to CHF 58.9 million. Cash flow from investing activities increased from CHF 15.5 million in the previous year to CHF 29.6 million. Higher investments in tangible assets were one reason; another was the exclusion of the proceeds from the real-estate sale in the previous year. Overall, the result was a free cash flow of CHF 29.2 million, compared to CHF 61.8 million in the prior year.

Solidly positioned

The Bossard Group consolidated its competitive position in various markets and countries in 2018 by broadening its products and services and expanding its own infrastructure and sales channels. This broadened base, which we have been continually expanding for a number of years, gives us confidence for 2019, even in spite of the risk of additional trade barriers. We also have to adjust to political imponderables and potential changes in the macroeconomic conditions in individual countries. The flow of orders from our customers remains healthy, so we remain confident.



Stephan Zehnder
CFO

Zug, February 22, 2019

Consolidated balance sheet

in CHF 1,000	Notes	31.12.2018	31.12.2017
Assets			
Current assets			
Cash and cash equivalents	4	32,600	20,568
Accounts receivable, trade	5	141,190	138,161
Other receivables		3,745	3,978
Prepaid expenses		9,916	7,671
Inventories	6	251,413	215,200
		438,864	385,578
Non-current assets			
Property, plant and equipment	7	117,860	114,954
Intangible assets	8	26,758	20,562
Financial assets	9	3,939	4,039
Deferred tax assets	10	16,673	14,625
		165,230	154,180
Total assets		604,094	539,758
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable, trade	11	59,593	59,351
Other liabilities		16,876	15,452
Accrued expenses		32,187	30,904
Tax liabilities		5,844	11,922
Provisions	12	1,053	751
Short-term debts	13	72,941	46,292
		188,494	164,672
Non-current liabilities			
Long-term debts	14	89,821	98,299
Provisions	12	7,721	7,671
Deferred tax liabilities	10	8,408	5,154
		105,950	111,124
Total liabilities		294,444	275,796
Shareholders' equity			
Share capital	15	40,000	40,000
Treasury shares	15	-2,882	-3,697
Capital reserves		62,219	63,084
Retained earnings		208,331	163,100
		307,668	262,487
Non-controlling interest		1,982	1,475
Total shareholders' equity		309,650	263,962
Total liabilities and shareholders' equity		604,094	539,758

The notes on pages 80 to 104 are an integral part of the consolidated financial statements.

BOSSARD GROUP

Consolidated income statement

in CHF 1,000	Notes	2018	2017
Net sales	16/17	871,070	786,175
Cost of goods sold		595,302	533,024
Gross profit		275,768	253,151
Selling expenses		114,202	102,290
Administrative expenses		52,745	53,813
EBIT		108,821	97,048
Financial result	21	4,593	4,030
Ordinary result		104,228	93,018
Non-operating result	7	0	6,249
Income before taxes		104,228	99,267
Income taxes	10	18,818	19,074
Net income		85,410	80,193
Attributable to:			
Shareholders of Bossard Holding AG		83,441	78,499
Non-controlling interest		1,969	1,694
in CHF	Notes	2018	2017
Earnings per registered A share ¹⁾	22	10.95	10.33
Earnings per registered B share ¹⁾	22	2.19	2.07

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 pages 80 to 104 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

in CHF 1,000	Issued share capital	Treasury shares	Capital reserves	Retained earnings		Share- holders Bossard	Non- controlling interest	Share- holders' equity
				Retained earnings	Translation differences			
Balance at January 1, 2017	40,000	-5,987	63,427	185,727	-80,869	202,298	5,346	207,644
Dividend				-25,086		-25,086	-1,524	-26,610
Net income for the period				78,499		78,499	1,694	80,193
Management participation plan			1,231			1,231		1,231
Change in treasury shares		2,290	-1,574			716		716
Offset goodwill from acquisitions				-707		-707		-707
Non-controlling interest from acquisitions						0	-3,977	-3,977
Translation differences					5,536	5,536	-64	5,472
Balance at December 31, 2017	40,000	-3,697	63,084	238,433	-75,333	262,487	1,475	263,962
Balance at January 1, 2018	40,000	-3,697	63,084	238,433	-75,333	262,487	1,475	263,962
Dividend				-32,007		-32,007	-1,302	-33,309
Net income for the period				83,441		83,441	1,969	85,410
Management participation plan			1,301			1,301		1,301
Change in treasury shares		815	-2,166			-1,351		-1,351
Offset goodwill from acquisitions				-1,384		-1,384		-1,384
Non-controlling interest from acquisitions						0	32	32
Translation differences					-4,819	-4,819	-192	-5,011
Balance at December 31, 2018	40,000	-2,882	62,219	288,483	-80,152	307,668	1,982	309,650

For details regarding share capital, please refer to note 15 on pages 93/94 and regarding the offset goodwill from acquisitions to note 25 on page 98.

The notes on pages 80 to 104 are an integral part of the consolidated financial statements.

Consolidated cash flow statement

in CHF 1,000	Notes	2018	2017
Net income		85,410	80,193
Income taxes	10	18,818	19,074
Financial income	21	-2,445	-2,648
Financial expenses	21	7,038	6,678
Depreciation and amortization	7/8	16,119	14,982
Increase/(Decrease) provisions	12	400	-1,967
Gain from disposals of property, plant and equipment	7	-94	-6,449
Loss from disposals of intangible assets	8	6	2
Interest received		694	608
Interest paid		-2,815	-3,609
Taxes paid		-22,807	-14,474
Increase management participation plan (part of equity)		1,301	1,231
Other non-cash expenses/(income)		629	-830
Cash flow from operating activities before changes in net working capital		102,254	92,791
Increase accounts receivable, trade		-6,552	-9,601
(Increase)/Decrease other receivables		-2,122	881
Increase inventories		-38,790	-20,792
Increase accounts payable, trade		1,180	9,891
Increase other liabilities		2,910	4,073
Cash flow from operating activities		58,880	77,243
Investments in property, plant and equipment	7	-19,898	-15,271
Proceeds from sales of property, plant and equipment	7	1,135	7,623
Investments in intangible assets	8	-7,893	-7,424
Cash flow from purchases of companies	23	-3,024	-673
Investments in financial assets	9	-511	-372
Divestments of financial assets	9	545	666
Cash flow from investing activities		-29,646	-15,451
Proceeds/Repayment of short-term debts	13	26,907	-38,175
Proceeds/Repayment of long-term debts	14	-8,781	45
Purchase/Sale of treasury shares		-1,555	293
Dividends paid to shareholders		-32,007	-25,086
Dividends paid to non-controlling interest		-1,302	-1,387
Cash flow from financing activities		-16,738	-64,310
Translation differences		-464	575
Change in cash and cash equivalents		12,032	-1,943
Cash and cash equivalents at January 1		20,568	22,511
Cash and cash equivalents at December 31	4	32,600	20,568

The notes on pages 80 to 104 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Scope of operations (1)

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

Accounting principles of the consolidated financial statements (2)

The consolidated financial statements of Bossard are based on the financial statements of the individual Group companies at December 31, 2018, prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and liabilities at market value, in accordance with full Swiss GAAP FER. They are consistent with Swiss law and the listing rules of the SIX Swiss Exchange.

The consolidated financial statements were authorized for issue by the board of directors on February 22, 2019 and will be recommended for approval at the annual general meeting of shareholders.

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

Principles of consolidation (2.1)

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

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

Investments in subsidiaries

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

Associated companies

Associated companies are those in which Bossard Holding AG directly or indirectly holds 20 percent to 50 percent and exercises significant influence. Associated companies are accounted for using the equity method.

Non-controlling interest

Non-controlling interest of less than 20 percent and without any other form of control or significant influence is recognized at acquisition cost less any economically necessary impairment.

Goodwill

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

Foreign currency translation (2.2)

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

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

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

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

Accounting and valuation principles (2.3)

Cash and cash equivalents

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

Accounts receivable, trade

Accounts receivable are carried at the invoiced amount less allowances. The allowance for bad debts is based on the aging of accounts receivable and recognized credit risks.

Inventories

Goods for trading are recognized at average acquisition cost. Should the net realizable value be lower, the necessary value adjustments are made. Acquisition cost comprises product price and delivery cost (freight, customs duties, etc.).

Cash discounts are treated as reductions of the acquisition value. Inventories that lack marketability or have low turnover are written down to the estimated market value less sales costs.

Property, plant and equipment

Land is stated at cost and generally not depreciated. Buildings, machinery and equipment, office machines and furniture as well as vehicles are stated at cost less economically necessary depreciation. Depreciation is calculated on a straight-line basis over the expected useful life of the asset. The general applicable useful lives are as follows:

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

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

Leasing

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

Intangible assets

Software

Costs (purchased or self-created) arising from the development of computer software are recognized as intangible assets; provided such costs are clearly associated with an identifiable and business-related computer program, can be reliably determined, and lead to measurable benefits over a number of years. Computer software is amortized using the straight-line method over its estimated useful life, up to a maximum of 15 years.

Others

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

Financial assets

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

Impairment

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

Derivative financial instruments

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

Liabilities

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

Provisions

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

Contingent liabilities

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

Financial debts

Financial debts are recognized at nominal value. They are classified as current liabilities unless Bossard can defer the settlement of the liability for at least twelve months after the balance sheet date.

Treasury shares

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

Share-based compensation

There is a share purchase plan for the board of directors and the executive committee, and they are required, or may elect, to draw part of their total compensation in shares. The shares are made available at market price, less the allowable tax discount of approximately 16 percent for the three-year lockup period. The market value is always determined in February and is based on the average closing price over the last ten trading days in February. There is a restricted stock unit plan (RSU) in place for the members of the management. The eligible participants annually receive a defined sum which is converted into RSUs on Bossard Holding AG registered A shares. The conversion is performed at market value and is based on the average closing price over the last ten trading days in November. The stock options (RSUs) are subject to a three-year vesting period. After three years, yearly one-third of the allocated RSUs is passed on to the manager provided as long as he or she is employed at the time of the vesting. After the last contractual working day, all remaining stock options (RSUs) forfeit immediately. The share-based compensation is

valued at present value when granted and is recognized over the vesting period as personnel costs and as equity (instruments with equity compensation) or liabilities (instruments with cash compensation). If no cash settlement is planned, no subsequent valuation is made unless the terms of exercise and purchase are amended. The subsequent valuation is based on the closing price for the share of the last trading day of the financial year. No dilution effect results because no additional shares have been issued.

Pension benefit obligations

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

Any actual economic impacts of pension plans on the company are calculated as at the balance sheet date. An economic benefit from a surplus is capitalized provided this is admissible and the surplus is to be used to decrease the company's future contributions to its pension plans. An economic liability is recognized if the conditions for forming a provision are met. Contributions by subsidiaries to other pension plans are recognized in the income statement in the year in which they are made.

Net sales and revenue recognition

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

Non-operating result

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

Income taxes

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

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

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

Related parties

A party is related to Bossard if the party directly or indirectly controls, is controlled by, or is under common control with Bossard, has an interest in Bossard that gives it significant influence over Bossard, has joint control over Bossard

(board of directors and executive committee) or is an associate or a joint venture of Bossard. In addition, members of the key management personnel of Bossard as well as pension plans are also considered related parties.

Accounting estimates and assumptions

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

Risk management (2.4)

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

Financial risk management

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

The board of directors and the executive committee lay down the principles governing the Group's financial risk management with regard to exchange rate, interest rate, credit, liquidity and capital risks. The aim is, where necessary, to hedge against the financial risks listed previously and thus to minimize any negative impact on the consolidated result as well as on the Group's performance. Where this is considered advisable, the Group may hedge individual financial risks using financial instruments such as derivatives. However, these must be linked with the Group's business operations. The Group has comprehensive insurance cover to safeguard itself against other risks.

Foreign currency risk

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

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Capital risk

To minimize its capital risk, Bossard ensures that the company's operations can run smoothly and that the shareholders will receive an adequate yield. To achieve this, the company may, if necessary, adjust dividend payments, pay back capital to shareholders, issue new shares or sell assets. Bossard Group monitors its capital structure on the basis of its equity ratio. The equity ratio is equity as a percentage of total assets.

Changes in the scope of consolidation (3)

In 2018, the Bossard Group invested in the following company:

- 3d-prototyp GmbH, Switzerland
49 percent investment, November 2018

In 2018, assets from RGM SAS, France, were acquired as part of an asset deal.

The scope of consolidation changed in 2018 as follows:

- Effilio AG, Switzerland (founding)
- KVT-Fastening d.o.o., Serbia (founding)
- Arnold Industries Shanghai, Ltd, China (liquidation)

In 2017, bigHead Fasteners Ltd, England, and bigHead Bonding Fasteners Ltd, England, were included in the scope of consolidation with an investment of 19 percent.

Cash and cash equivalents (4)

in CHF 1,000	2018	Interest rates in %	2017	Interest rates in %
Cash at banks and on hand	32,564	0.0–2.7	20,033	0.0–1.5
Short-term bank deposits	36	6.9–7.6	535	1.3–7.8
Total	32,600		20,568	

For details of movements in cash and cash equivalents please refer to the consolidated cash flow statement (page 79).

Accounts receivable, trade (5)

in CHF 1,000	2018	2017
Accounts receivable, trade gross	142,304	139,376
According to due date not due	132,415	131,078
30 days overdue	5,246	4,028
60 days overdue	1,483	1,495
90 days overdue	3,160	2,775
Notes receivable	3,058	2,594
Allowance for bad debts		
Balance at Jan. 1	-3,809	-4,124
Changes	-509	400
Changes scope of consolidation	-8	0
Translation differences	154	-85
Balance at Dec. 31	-4,172	-3,809
Total	141,190	138,161

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

Inventories (6)

in CHF 1,000	2018	2017
Goods for trading/components	282,352	245,785
Value adjustments	-30,939	-30,585
Total	251,413	215,200
Value adjustments in percent of inventory value	11.0%	12.4%

Inventories predominantly consist of goods for trading and components. Inventories that lack marketability or have low turnover are written down to the estimated market value less sales costs. The total costs for value adjustments reported in cost of goods sold amounted to CHF 5.6 million (2017: CHF 2.6 million).

Property, plant and equipment (7)

in CHF 1,000	Facilities under construction	Land and buildings	Machinery and equipment	Others	Total
Cost					
Balance at Jan. 1, 2018	69	123,795	111,601	8,835	244,300
Additions	16	5,123	12,294	2,465	19,898
Changes scope of consolidation	-	35	595	10	640
Disposals	-	-408	-5,587	-1,713	-7,708
Reclass	-	-	-	-	-
Translation differences	-2	-1,456	-1,669	-206	-3,333
Balance at Dec. 31, 2018	83	127,089	117,234	9,391	253,797
Accumulated depreciation					
Balance at Jan. 1, 2018	-	50,005	75,135	4,206	129,346
Depreciation	-	3,536	9,084	1,822	14,442
Disposals	-	-406	-4,855	-1,406	-6,667
Translation differences	-	-224	-864	-96	-1,184
Balance at Dec. 31, 2018	0	52,911	78,500	4,526	135,937
Net book value	83	74,178	38,734	4,865	117,860

The insurance value of property, plant and equipment is CHF 235.5 million (2017: CHF 220.5 million).

in CHF 1,000	Facilities under construction	Land and buildings	Machinery and equipment	Others	Total
Cost					
Balance at Jan. 1, 2017	22,593	101,917	105,559	7,926	237,995
Additions	-	2,536	10,447	2,288	15,271
Changes scope of consolidation	-	267	485	8	760
Disposals	-	-3,002	-9,982	-1,704	-14,688
Reclass	-22,889	19,952	2,937	-	-
Translation differences	365	2,125	2,155	317	4,962
Balance at Dec. 31, 2017	69	123,795	111,601	8,835	244,300
Accumulated depreciation					
Balance at Jan. 1, 2017	-	48,647	75,194	3,973	127,814
Depreciation	-	3,086	8,543	1,654	13,283
Disposals	-	-2,147	-9,805	-1,562	-13,514
Translation differences	-	419	1,203	141	1,763
Balance at Dec. 31, 2017	0	50,005	75,135	4,206	129,346
Net book value	69	73,790	36,466	4,629	114,954

The disposal in the category land and buildings related to the real-estate sale of our former location in Austria. The profit of this transaction in the amount of CHF 6,248,773 (before income taxes) was disclosed as non-operating result in 2017.

Intangible assets (8)

in CHF 1,000	Software in development	Software	Others	Total
Cost				
Balance at Jan. 1, 2018	14,641	30,552	427	45,620
Additions	5,905	1,988	-	7,893
Changes scope of consolidation	-	2	-	2
Disposals	-	-1,013	-	-1,013
Translation differences	-	-248	-	-248
Balance at Dec. 31, 2018	20,546	31,281	427	52,254
Accumulated amortization				
Balance at Jan. 1, 2018	-	24,745	313	25,058
Amortization	-	1,634	43	1,677
Disposals	-	-1,007	-	-1,007
Translation differences	-	-232	-	-232
Balance at Dec. 31, 2018	0	25,140	356	25,496
Net book value	20,546	6,141	71	26,758

In 2018, CHF 1.5 million self-created intangible assets were capitalized (2017: CHF 1.5 million).

in CHF 1,000	Software in development	Software	Others	Total
Cost				
Balance at Jan. 1, 2017	9,509	27,929	427	37,865
Additions	5,132	2,292	-	7,424
Changes scope of consolidation	-	28	-	28
Disposals	-	-194	-	-194
Translation differences	-	497	-	497
Balance at Dec. 31, 2017	14,641	30,552	427	45,620
Accumulated amortization				
Balance at Jan. 1, 2017	-	22,819	272	23,091
Amortization	-	1,658	41	1,699
Disposals	-	-192	-	-192
Translation differences	-	460	-	460
Balance at Dec. 31, 2017	0	24,745	313	25,058
Net book value	14,641	5,807	114	20,562

Financial assets (9)

in CHF 1,000	2018	Interest rates in %	2017	Interest rates in %
Loans and deposits to third parties	3,904	0.0–5.0	4,004	0.0–5.0
Other financial assets	35		35	
Total	3,939		4,039	

Income taxes (10)

The tax expenses are made up as follows:

in CHF 1,000	2018	2017
Current taxes	16,737	22,359
Deferred taxes	2,081	-3,285
Total	18,818	19,074

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

in %	2018	2017
Group's average tax rate	21.6	26.5
Non tax deductible expenses	0.5	0.5
Non-taxable income	-5.7	-5.9
Expenses taxed at special rate	0.0	0.1
Unrecognized current year tax losses	0.3	0.6
Utilization unrecognized prior year tax losses	-1.1	-3.1
Change in applicable tax rate	1.4	0.0
Others	1.1	0.5
Effective tax rate	18.1	19.2

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

The deferred taxes consist of the following:

in CHF 1,000	Assets 2018	Liabilities 2018	Assets 2017	Liabilities 2017
Accounts receivable	996	233	1,066	96
Inventories	5,259	2,908	4,825	2,337
Property, plant and equipment	265	1,398	303	682
Intangible assets	8,441	386	5,568	128
Liabilities	1,712	3,483	2,863	1,911
Total deferred taxes	16,673	8,408	14,625	5,154
Net	8,265		9,471	

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	After 5 years	Total
2018	0	17,835	17,835
2017	0	21,337	21,337

This results in not capitalized deferred tax assets for unused tax loss carryforwards of CHF 3.7 million (2017: CHF 4.6 million).

Accounts payable, trade (11)

in CHF 1,000	2018	2017
Accounts payable, trade	59,365	59,023
Notes payable	228	328
Total	59,593	59,351

Provisions (12)

in CHF 1,000	Pension and other termination benefits	Management participation plan	Others	Total
Balance at Jan. 1, 2018	3,582	958	3,882	8,422
Additions	1,061	299	434	1,794
Change in consolidation scope	21	-	173	194
Usage	-85	-270	-429	-784
Reversals	-	-533	-96	-629
Translation differences	-147	-15	-61	-223
Balance at Dec. 31, 2018	4,432	439	3,903	8,774
Thereof short-term	103	-	950	1,053

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

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

Other provisions include CHF 1.7 million (2017: CHF 1.8 million) for assumed obligations for renovations related to the acquisition of KVT-Fastening.

in CHF 1,000	Pension and other termination benefits	Management participation plan	Others	Total
Balance at Jan. 1, 2017	3,226	732	6,344	10,302
Additions	296	449	1,179	1,924
Change in consolidation scope	67	-	-	67
Usage	-296	-236	-1,218	-1,750
Return to equity (Note 23)	-	-	-2,300	-2,300
Reversals	-6	-4	-107	-117
Translation differences	295	17	-16	296
Balance at Dec. 31, 2017	3,582	958	3,882	8,422
Thereof short-term	1	-	750	751

Short-term debts (13)

in CHF 1,000	2018	Interest rates in %	2017	Interest rates in %
Bank overdrafts	4,677	0.6–5.0	8,051	0.6–5.5
Bank loans	42,387	0.7–6.3	12,879	0.7–6.1
Personnel savings accounts	25,877	1.0	25,356	1.0–1.3
Others	-	-	6	0.0
Total	72,941		46,292	

The personnel savings accounts correspond to savings of employees. The effective weighted average interest rate on all borrowings was 1.2 percent (2017: 1.4 percent).

Long-term debts (14)

in CHF 1,000	2018	Interest rates in %	2017	Interest rates in %
Bank loans	88,529	0.7–1.0	98,299	0.7–1.3
Others	1,292	1.0–12.0	-	-
Total	89,821		98,299	

Share capital (15)

Details of share capital 2018/2017	Par value in CHF	Number of shares	Total in CHF 1,000
Registered A shares	5	6,650,000	33,250
Registered B shares	1	6,750,000	6,750
Total			40,000

377,433 registered A shares of CHF 5 par value are held by Bossard Holding AG and have neither voting rights nor dividend entitlement.

The consolidated retained earnings and reserves include non-distributable legal reserves of CHF 16 million (2017: CHF 16 million).

Treasury shares

in CHF	2018	2017
Balance at Jan. 1: 385,291 shares (2017: 409,793 shares)	3,697,091	5,987,478
Additions: 19,426 registered A shares of CHF 5 par value (2017: 2,600 shares)	2,890,770	514,460
Disposals: 27,284 registered A shares of CHF 5 par value (2017: 27,102 shares)	-3,706,339	-2,804,847
Balance at Dec. 31: 377,433 shares (2017: 385,291 shares)	2,881,522	3,697,091

The treasury shares can be used especially for management participation plans, acquisitions or other purposes in the interest of the company.

The disposals contain 17,767 shares (2017: 20,025) for the restricted stock unit plan (RSU).

7,433 registered A shares (2017: 15,291) are reserved for the management participation plan (RSU).

Dividend

At the upcoming annual general meeting of shareholders on April 8, 2019 the board of directors of Bossard Holding AG will propose a dividend for the 2018 financial year of CHF 4.50 (2017: CHF 4.20) per registered A share or CHF 0.90 (2017: CHF 0.84) per registered B share.

Segment information (16)

The Bossard Group and all its regional companies are internationally active in the field of industrial fastening technology. There are no separate segments as per Swiss GAAP FER 31. All the regional companies are managed based on a uniform business strategy. The core of Bossard's strategy is a uniform business model with the same customer and product orientation in the world's major industrial regions. Bossard supplies industrial companies at their worldwide production sites with fastening technology products and related services based on uniform quality standards using uniform operational systems and processes. The board of directors and executive committee manage the Bossard Group on the basis of the financial statements of the individual regional companies and the Group's consolidated financial statement. Based on the number of regional companies, the CEO delegates the oversight of the goals and their implementation in daily operations to the remaining members of the executive committee, each of whom is responsible for a different number of companies in the various regions.

Sales by regions (17)

in CHF million	Europe		America		Asia		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Sales	495.7	445.7	241.4	220.5	137.6	121.7	874.7	787.9
Sales deductions	2.7	0.8	0.5	0.2	0.4	0.7	3.6	1.7
Net sales	493.0	444.9	240.9	220.3	137.2	121.0	871.1	786.2

Personnel expenses (18)

in CHF 1,000	2018	2017
Salaries and variable compensation	140,219	130,615
Social security expenses	20,287	18,020
Pension expenses	10,352	10,351
Other personnel expenses	5,625	5,116
Total	176,483	164,102

The expense recognized for share-based compensation in the results for the period is CHF 1.1 million (2017: CHF 1.7 million).

Awarded restricted stock units (19)

Number of RSUs	2018	2017
Balance at Jan. 1: Number of RSUs outstanding	53,023	68,588
Deliveries	-20,739	-23,173
Allocations	11,092	7,742
Other changes	-564	-134
Balance at Dec. 31: Number of RSUs outstanding	42,812	53,023

Other operating expenses (20)

in CHF 1,000	2018	2017
Occupancy costs	14,543	13,497
Capital taxes, insurance and charges	3,745	3,838
Other operating expenses	9,814	7,347
Total	28,102	24,682

Financial result (21)

in CHF 1,000	2018	2017
Financial income		
Income from interests and securities	600	395
Income from non-consolidated investments	145	212
Exchange gains	1,700	2,041
Total	2,445	2,648
Financial expenses		
Interest expenses	3,391	3,858
Exchange losses	3,647	2,820
Total	7,038	6,678
Total Financial result	4,593	4,030

Earnings per share (22)

	2018	2017
Net income in CHF 1,000	83,441	78,499
Average number of shares entitled to dividend ¹⁾	7,621,131	7,601,986
Earnings per registered A share in CHF	10.95	10.33
Earnings per registered B share in CHF	2.19	2.07

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

Earnings per share are calculated by dividing the net income attributable to Shareholders of Bossard Holding AG by the weighted average number of shares entitled to dividend during the year. Since no options or convertible bonds are outstanding, no dilution effect results.

Acquisition and disposal of subsidiaries and businesses (23)

Acquisitions 2018

The following table shows the acquired balances at their market value as per acquisition date and the resulting goodwill.

in CHF 1,000	Provisional market value as per acquisition
Cash and cash equivalents	66
Accounts receivable, trade	33
Inventories	1,341
Other current assets	4
Non-current assets	1,355
Accounts payable, trade	-19
Other current liabilities	-167
Non-current liabilities	-684
Net assets	1,929
Non-controlling interest	-32
Net assets acquired	1,897
Goodwill	1,384
Total	3,281
Less acquired cash and cash equivalents	-66
Less purchase price not yet paid	-191
Cash flow from acquisition	3,024

The goodwill comprises CHF 2.1 million goodwill from acquisitions less CHF 0.7 million goodwill from purchase price adjustments.

In March 2018, assets from RGM SAS, France, were acquired as part of an asset deal.

In March 2018, a purchase price adjustment for assets, which were part of an asset deal with Mario Marchi Eredi S.p.A, Italy, in August 2017 resulted in a goodwill adjustment of CHF 0.1 million.

In June 2018, a purchase price adjustment of an acquisition in the USA from the year 2016 resulted in a cash inflow of CHF 0.8 million and a reduction of goodwill in the same amount.

In November 2018, 49 percent of 3d-prototyp GmbH, Switzerland, were acquired. According to the terms of the contract, the company is controlled and fully consolidated as of November 2018.

According to the press release of November 14, 2018 the business activities of Linquan Precision Co. Ltd, China, were taken over. The takeover was conducted in the form of an asset deal as of January 1, 2019.

Acquisitions 2017

The financial investment in bigHead Fasteners Ltd, England, of 19 percent acquired in 2014 was organizationally integrated into the Bossard Group. The company was fully consolidated after taking over the control over the business policy as of January 2017. The following table shows the acquired balances at their market value. The resulting goodwill amounts to CHF 1.6 million.

in CHF 1,000	Market value as per acquisition
Cash and cash equivalents	1,200
Accounts receivable, trade	483
Inventories	311
Other current assets	51
Non-current assets	819
Accounts payable, trade	-341
Other current liabilities	-807
Non-current liabilities	-6,626
Net assets	-4,910
Non-controlling interest	-3,977
Net assets acquired	-933

In August 2017, assets from Mario Marchi Eredi S.p.A, Italy, were acquired as part of an asset deal. The following table shows the acquired balances at their market value as per acquisition date and the resulting goodwill.

in CHF 1,000	Provisional market value as per acquisition
Inventories	225
Non-current assets	34
Other current liabilities	-76
Non-current liabilities	-69
Net assets acquired	114
Goodwill	1,446
Total	1,560
Less purchase price not yet paid	-234
Cash flow from acquisition	1,326

In 2017, a purchase price adjustment of an acquisition in the USA from the previous year resulted in the reversal of a provision of CHF 2.3 million and a reduction of goodwill in the same amount.

Disposals

In 2018 and 2017, no subsidiaries were disposed.

Derivative financial instruments (24)

Open forward contracts at December 31 were as follows:

in CHF million	2018	2017
Contract value	24.1	18.3
Fair value	0.1	-0.1
Balance sheet value	0.1	-0.1

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

Goodwill (25)

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

in CHF 1,000	2018	2017
Equity incl. non-controlling interest	309,650	263,962
Equity ratio	51.3%	48.9%
Cost		
Balance at Jan. 1	246,971	246,264
Additions	1,384	707
Balance at Dec. 31	248,355	246,971
Amortization over 5 years		
Balance at Jan. 1	214,810	169,912
Amortization	13,133	44,898
Balance at Dec. 31	227,943	214,810
Theoretical net book value goodwill as per Dec. 31	20,412	32,161
Theoretical equity incl. non-controlling interest and net book value goodwill	330,062	296,123
Theoretical equity ratio	52.9%	51.8%

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

Impact on income statement:

in CHF 1,000	2018	2017
EBIT without theoretical amortization goodwill	108,821	97,048
Theoretical amortization goodwill	-13,133	-44,898
EBIT incl. theoretical amortization goodwill	95,688	52,150

Pension benefit obligations (26)

The Group has various pension plans to which most of its employees contribute. With the exception of companies in Switzerland, the pension institution is responsible for providing coverage for retirement, survivors' and disability benefits. The pension plan institution for the Swiss companies is an independent pension plan in accordance with the Swiss federal law on occupational retirement, survivors' and disability pension plans (BVG). In accordance with Swiss GAAP FER 26, the provisional financial statements of the pension plan institution serve as a basis for calculation.

Economic benefit/economic obligation and pension plan expenses:

in CHF 1,000	Surplus/ Deficit according to pension plans	Economic share of the company		Change or capitalized in financial year	Contributions accrued	Pension plan expenses in personnel expenses	
	31.12.2018	31.12.2018	31.12.2017	2018	2018	2018	2017
Patronage funds/pension institutions	2,700				300	300	275
Pension institutions without surplus/deficit					5,530	5,530	5,370
Pension institutions with surplus							
Pension institutions with deficit							
Pension institutions abroad					3,461	3,461	4,416
Total	2,700	-	-	-	9,291	9,291	10,061

The surplus in the patronage fund corresponds to the non-committed funds. The patronage fund may, at its own discretion, make contributions to the pension plan institution.

Items comprising the pension plan expenses:

in CHF 1,000	2018	2017
Contributions to pension institutions charged to the company	9,291	10,061
Contributions to pension plans paid out of the employer contribution reserve (ECR)	-	-
Total contributions	9,291	10,061
Changes in ECR from asset development, value adjustments, discounting, interest, etc.	-	-
Contributions and changes in employer contribution reserve	9,291	10,061
Changes in economic benefit of the company from surplus	-	-
Changes in economic obligations of the company from deficit	-	-
Total changes of economic impact through surplus/deficit	-	-
Pension plan expenses in personnel expenses	9,291	10,061

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

Participations by the board of directors and the executive committee (27)

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

		2018	2017
Board of directors			
Dr. Thomas Schmuckli	Chairman, chairman NC ¹⁾ , ARCC ²⁾	13,981	13,825
Anton Lauber	Deputy chairman, NC, CC ³⁾	6,783	7,083
Dr. René Cotting	Chairman ARCC	1,500	1,300
Martin Kühn ⁴⁾	ARCC	10	-
Daniel Lippuner	ARCC	1,888	1,278
Prof. Dr. Stefan Michel	Representative of registered A shares, chairman CC, NC	1,478	3,680
Maria Teresa Vacalli	NC, CC	3,208	2,898
Helen Wetter-Bossard ⁵⁾		-	23,103
Total		28,848	53,167

1) Nomination committee

2) Audit, risk & compliance committee

3) Compensation committee

4) Election to the board of directors in April 2018

5) Resignation from the board of directors in April 2018

Executive committee

		2018	2017
David Dean	CEO	1,701	5,735
Stephan Zehnder	CFO	13,640	10,651
Beat Grob	CEO Central Europe	34,842	34,053
Dr. Daniel Bossard	CEO Northern & Eastern Europe	3,854	3,015
Steen Hansen	CEO America	2,036	1,447
Robert Ang	CEO Asia	11,784	10,372
Dr. Frank Hilgers	CCO	2,312	1,521
Total		70,169	66,794

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

		2018	2017
David Dean	CEO	3,208	3,039
Stephan Zehnder	CFO	1,397	1,867
Beat Grob	CEO Central Europe	1,397	1,867
Dr. Daniel Bossard	CEO Northern & Eastern Europe	1,397	1,867
Steen Hansen	CEO America	1,397	1,867
Robert Ang	CEO Asia	1,397	1,867
Dr. Frank Hilgers	CCO	1,396	1,868
Total		11,589	14,242

Related party transactions (28)

Kolin Holding AG, Zug, Switzerland, and Bossard Unternehmensstiftung, Zug, Switzerland, form a group of shareholders as defined in article 120seq. of Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA). They hold 56.1 percent (2017: 56.1 percent) of total voting rights or 27.8 percent (2017: 27.8 percent) of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.

The following related party transactions were undertaken:

Balance sheet positions as per year end in CHF million	2018	Interest rates in %	2017	Interest rates in %
Deposits in the personnel savings accounts	9.6	1.0	9.1	1.0

Lease and rental obligations (29)

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

Operating lease commitment in CHF 1,000	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due after 4 years	Total
2018	810	344	174	39	1	1,368
2017	986	603	201	73	23	1,886

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

Long-term rental liabilities in CHF 1,000	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due after 4 years	Total
2018	7,536	6,049	5,303	4,381	17,764	41,033
2017	7,430	5,181	4,052	3,305	15,488	35,456

Assets pledged or otherwise restricted (30)

in CHF 1,000	2018	2017
Inventories	3,912	4,686
Property, plant and equipment	13,265	2,551
Total	17,177	7,237

The pledged or restricted assets are used as collateral for outstanding bank and mortgage loans, which are not encumbered with any special conditions. After the repayment of the credits the assets are again freely available.

Contingent Liabilities (31)

As per December 31, 2018 as well as 2017 no contingent liabilities existed.

Events occurring after balance sheet date (32)

Between December 31, 2018 and the approval of the consolidated financial statements by the board of directors, no major events occurred which would require additional disclosures or changes in the consolidated financial statements 2018.

Exchange rates (33)

	31.12.2018 Year-end exchange rate	01.01.2018– 31.12.2018 Average exchange rate	31.12.2017 Year-end exchange rate	01.01.2017– 31.12.2017 Average exchange rate
1 EUR	1.13	1.15	1.17	1.11
1 USD	0.99	0.98	0.97	0.98
1 GBP	1.26	1.31	1.32	1.27
1 AUD	0.69	0.73	0.76	0.75
1 RON	0.24	0.25	0.25	0.24
1 CAD	0.72	0.75	0.78	0.76
1 NOK	0.11	0.12	0.12	0.12
1 ZAR	0.07	0.07	0.08	0.07
100 DKK	15.10	15.50	15.72	14.94
100 SEK	11.12	11.26	11.91	11.53
100 CZK	4.38	4.50	4.58	4.22
100 HUF	0.35	0.36	0.38	0.36
100 PLN	26.23	27.12	28.04	26.11
100 RSD	0.95	0.98	-	-
100 SGD	72.31	72.51	72.93	71.30
100 TWD	3.23	3.25	3.28	3.24
100 RMB	14.35	14.81	14.95	14.57
100 MYR	23.87	24.25	23.99	22.90
100 THB	3.04	3.03	2.99	2.90
100 INR	1.41	1.43	1.53	1.51
100 KRW	0.09	0.09	0.09	0.09
100 MXN	5.00	5.09	4.98	5.22

List of group companies (34)

Companies and branches		Headquarters	Currency	Capital in 1,000	Share- holding
Holding and finance companies					
Switzerland	Bossard Holding AG	Zug	CHF	40,000	100
	Bossard Finance AG	Zug	CHF	100	100
Germany	Bossard-KVT Beteiligungs GmbH	Illerrieden	EUR	25	100
	KVT-Fastening Beteiligungs GmbH	Illerrieden	EUR	25	100
England	bigHead Fasteners Ltd	Verwood	GBP	1,847	19
USA	Bossard U.S. Holdings, Inc.	Phoenix, AZ	USD	40,000	100
	Arnold Management Delaware, LLC	Canton, MA	USD	-	100
Europe					
Switzerland	Bossard AG	Zug	CHF	12,000	100
	KVT-Fastening, Branch of Bossard AG	Dietikon	CHF	-	100
	Interfast AG	Zug	CHF	50	100
	Effilio AG	Zug	CHF	100	100
	3d-prototyp GmbH	Stans	CHF	20	49
Germany	KVT-Fastening GmbH	Illerrieden	EUR	100	100
	Bossard Deutschland GmbH	Illerrieden	EUR	25	100
Italy	Bossard Italia S.r.l.	Legnano	EUR	100	100
	Forind Fasteners S.r.l.	Cassina de' Pecchi	EUR	10	100
Austria	Bossard Austria Ges.m.b.H.	Schwechat	EUR	1,017	100
	KVT-Fastening GmbH	Linz	EUR	509	100
Denmark	Bossard Denmark A/S	Hvidovre	DKK	9,000	100
Sweden	Bossard Sweden AB	Malmö	SEK	400	100
France	Bossard France SAS	Souffelweyersheim	EUR	17,600	100
	SertiTec SAS	Souffelweyersheim	EUR	681	100
Spain	Bossard Spain SA	Sant Cugat del Vallès	EUR	745	100
Poland	Bossard Poland Sp.Z o.o.	Radom	PLN	1,300	100
	KVT-Fastening Sp.Z o.o.	Radom	PLN	100	100
Romania	KVT-Fastening S.R.L.	Bucharest	RON	0.2	100
Serbia	KVT-Fastening d.o.o. Serbia	Belgrade	RSD	1,000	100
Slovakia	KVT-Fastening spol. s.r.o.	Bratislava	EUR	5	100
Slovenia	KVT-Fastening d.o.o.	Ljubljana	EUR	8.2	100
Czech Rep.	Bossard CZ s.r.o.	Brno	CZK	1,000	100
	KVT-Fastening s.r.o.	Brno	CZK	200	100
Hungary	KVT-Fastening Kft.	Budapest	HUF	3,000	100
South Africa	Bossard South Africa (Pty) Ltd	Kempton Park	ZAR	-	100
England	bigHead Bonding Fasteners Ltd	Verwood	GBP	1.8	19
Ireland	Arnold Industries Cork DAC	Cork	EUR	0.2	95
Norway	Torp Tekniske AS	Oslo	NOK	200	60

Continued on page 104

Companies and branches		Headquarters	Currency	Capital in 1,000	Share- holding
America					
USA	Bossard North America, Inc.	Cedar Falls, IA	USD	2,255	100
	Aero-Space Southwest, Inc.	Phoenix, AZ	USD	4.9	100
	Arnold Industries, LLC	Canton, MA	USD	-	100
Canada	Bossard Canada, Inc.	Montreal	CAD	-	100
Mexico	Bossard de México, S.A. de C.V.	Monterrey	USD	755	100
	Aero-Space Southwest Mexico S. de R.L. de C.V.	Guadalajara	MXN	10	100
Asia/Oceania					
Singapore	Bossard Pte. Ltd	Singapore	SGD	42,600	100
India	LPS Bossard Pvt. Ltd	Rohtak	INR	48,000	51
China	Bossard Industrial Fasteners Int. Trading (Shanghai) Co. Ltd	Shanghai	RMB	25,676	100
	Bossard Fastening Solutions (Shanghai) Co. Ltd	Shanghai	RMB	76,829	100
Malaysia	Bossard (M) Sdn. Bhd.	Penang	MYR	300	100
Thailand	Bossard (Thailand) Ltd	Bangkok	THB	45,000	100
Taiwan	Bossard Ltd Taiwan Branch	Taichung	TWD	-	100
South Korea	Bossard (Korea) Ltd	Cheonan	KRW	3,500,000	100
Australia	Bossard Australia Pty. Ltd	Melbourne	AUD	500	100

As per December 31, 2018

REPORT OF THE STATUTORY AUDITOR

on the consolidated financial statements



Report of the statutory auditor
to the General Meeting of
Bossard Holding AG
Zug

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bossard Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 76 to 104) give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

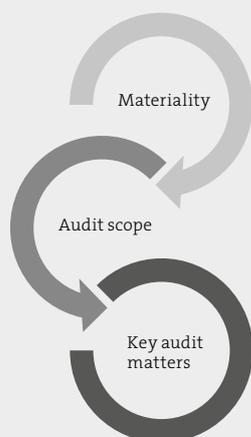
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 5,200,000

We concluded full scope audit work at nine Group companies in six countries. Our audit scope addressed 74 % of the sales and 75 % of the assets of the Group.

Additionally, we concluded reviews at a further four Group companies in three countries, which addressed an additional 7 % of the sales and 6 % of the assets of the Group.

As key audit matter the following area of focus has been identified:
Valuation of inventories



Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 5,200,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit, Risk & Compliance Committee that we would report to them misstatements above CHF 520,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. All significant subsidiaries of the Group were audited by PwC. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor included telephone conferences with the component auditors, an investigation of the risk analysis and participating in the audit discussions of group companies subject to full scope audits, at which the local management, the local auditor and Group representatives took part.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
<p>Inventories amount to CHF 251.4 million (after deduction of a value adjustment of CHF 30.9 million) as of December 31, 2018 and are thus the largest asset category, representing around 42 % of total assets.</p> <p>Inventories are stated at the lower of acquisition cost and net realisable value (lower of cost or market principle).</p> <p>We consider the valuation of inventories as a key audit matter due to the amount they represent on the balance sheet and the significant scope for judgement involved in determining the write-downs required on obsolescent or slow-moving products.</p> <p>Please refer to page 81 (2.3 Accounting and valuation principles) and page 88 (6 Inventories) in the annual report.</p>	<p>We performed the following audit procedures to assess the appropriateness of the valuation of the inventories:</p> <ul style="list-style-type: none"> – We checked on a sample basis the acquisition costs used for valuation purposes against the latest purchase prices. Additionally, by reference to sales prices achieved in the year, we checked on a sample basis compliance with the lower of cost or market principle. – We noted that the method for determining write-downs of inventories was applied consistently. – For obsolescent or slow-moving inventories, we discussed with Management the assumptions applied in calculating the required write-downs and assessed these assumptions. In doing so, we paid particular attention to changes in write-downs for each category of product or of write-downs compared with the prior year. We also took into account the experience of significant unforeseen product write-downs or write-offs in previous years. – We tested on a sample basis the computational accuracy and completeness of the calculation of the write-downs. – We discussed with Management and the Audit, Risk & Compliance Committee the results of our work and any movements in the write-downs. <p>On the basis of the audit procedures performed, we have addressed the risk of an incorrect valuation of the inventories. We have no findings to report.</p>



Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Bruno Häfliger
Audit expert
Auditor in charge

Remo Waldispühl
Audit expert

Zurich, February 22, 2019

BOSSARD HOLDING AG

Balance sheet

in CHF	Notes	31.12.2018	31.12.2017
Assets			
Current assets			
Cash and cash equivalents		2,031,398	652,249
Other receivables	1	1,648,976	1,522,233
Prepaid expenses		74,745	91,679
		3,755,119	2,266,161
Non-current assets			
Financial assets	2	12,482,064	10,498,379
Investments	3	118,023,215	118,023,215
		130,505,279	128,521,594
Total assets		134,260,398	130,787,755
Liabilities and shareholders' equity			
Current liabilities			
Other current liabilities	5	9,879	31,623
Accrued expenses		1,058,342	1,099,177
		1,068,221	1,130,800
Total liabilities		1,068,221	1,130,800
Shareholders' equity			
Share capital		40,000,000	40,000,000
Legal reserve			
Reserves from capital contributions		4,093,912	4,093,912
Other legal reserves		2,049,686	2,049,686
Statutory retained earnings			
General statutory retained earnings		16,000,000	16,000,000
Other reserves		34,111,700	34,111,700
Retained earnings			
Profit brought forward		5,091,611	11,541,810
Profit for the current year		34,726,790	25,556,938
Treasury shares	4	-2,881,522	-3,697,091
Total shareholders' equity		133,192,177	129,656,955
Total liabilities and shareholders' equity		134,260,398	130,787,755

BOSSARD HOLDING AG

Income statement

in CHF	2018	2017
Income		
Dividend income	35,000,000	25,000,000
Other operating income	300,000	300,000
Expenses		
Personnel expenses	1,434,756	1,342,943
Other operating expenses	391,612	250,237
Other financial income	1,359,567	2,014,868
Financial expenses	14,439	16,550
Income before taxes	34,818,760	25,705,138
Taxes	91,970	148,200
Net income	34,726,790	25,556,938

Notes to the financial statements

Accounting principles applied in the preparation of the financial statements

General

The financial statements of Bossard Holding AG, Zug, were prepared in accordance with the Swiss Code of Obligations and under the financial reporting law (Title 32 of the Swiss Code of Obligations).

Financial assets

Financial assets include non-current loans. Loans in foreign currency are translated into Swiss francs at year-end rate. Unrealized translation losses are recognized in the income statement, whereas unrealized translation gains remain unrecognized (Principle of imparity).

Investments

Investments are measured at cost at the time of recognition. Investments are valued individually if they are material and are not usually grouped together because of their similarity for the valuation.

Treasury shares

Treasury shares are measured at cost at the time of recognition and are disclosed as a negative item in the shareholders' equity. Gains and losses arising from disposal of treasury shares are recognized in the income statement as financial income or financial expenses.

Foreign currencies

	31.12.2018 Year-end exchange rate	31.12.2017 Year-end exchange rate
Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:		
EUR	1.13	1.17

Information and explanations relating to items in the balance sheet and in the income statement

in CHF	2018	2017
1. Other receivables		
To third parties	-	62
To subsidiaries	1,648,976	1,522,171
Total	1,648,976	1,522,233
2. Financial assets		
To subsidiaries	12,482,064	10,498,379
Total	12,482,064	10,498,379

3. Investments	2018		2017	
	Name, legal form, registered office	Capital	Votes	Capital
Direct investments				
Bossard Finance AG, Zug	100 %	100 %	100 %	100 %
Indirect investments				
Bossard-KVT Beteiligungs GmbH, Illerrieden	100 %	100 %	100 %	100 %
KVT-Fastening Beteiligungs GmbH, Illerrieden	100 %	100 %	100 %	100 %
Bossard AG, Zug	100 %	100 %	100 %	100 %
Interfast AG, Zug	100 %	100 %	100 %	100 %
KKV AG, Zug	35 %	35 %	35 %	35 %
Effilio AG, Zug	100 %	100 %	-	-
3d-prototyp GmbH, Stans	49 %	49 %	-	-
KVT-Fastening GmbH, Illerrieden	100 %	100 %	100 %	100 %
Bossard Deutschland GmbH, Illerrieden	100 %	100 %	100 %	100 %
Bossard Italia S.r.l., Legnano	100 %	100 %	100 %	100 %
Forind Fasteners S.r.l., Cassina de' Pecchi	100 %	100 %	100 %	100 %
Bossard Austria Ges.m.b.H., Schwechat	100 %	100 %	100 %	100 %
KVT-Fastening GmbH, Linz	100 %	100 %	100 %	100 %
Bossard Denmark A/S, Hvidovre	100 %	100 %	100 %	100 %
Bossard Sweden AB, Malmö	100 %	100 %	100 %	100 %
Torp Tekniske AS, Oslo	60 %	60 %	60 %	60 %
Bossard France SAS, Souffelweyersheim	100 %	100 %	100 %	100 %
SertiTec SAS, Souffelweyersheim	100 %	100 %	100 %	100 %
Bossard Spain SA, Sant Cugat del Vallès	100 %	100 %	100 %	100 %
Bossard Poland Sp.Z o.o., Radom	100 %	100 %	100 %	100 %
KVT-Fastening Sp.Z o.o., Radom	100 %	100 %	100 %	100 %
KVT-Fastening S.R.L., Bucharest	100 %	100 %	100 %	100 %
KVT-Fastening spol. s.r.o., Bratislava	100 %	100 %	100 %	100 %
KVT-Fastening d.o.o., Ljubljana	100 %	100 %	100 %	100 %
KVT-Fastening d.o.o. Serbia, Belgrade	100 %	100 %	-	-
Bossard CZ s.r.o., Brno	100 %	100 %	100 %	100 %
KVT-Fastening s.r.o., Brno	100 %	100 %	100 %	100 %
KVT-Fastening Kft., Budapest	100 %	100 %	100 %	100 %
Bossard South Africa (Pty) Ltd, Kempton Park	100 %	100 %	100 %	100 %
bigHead Fasteners Ltd, Verwood	19 %	19 %	19 %	19 %
bigHead Bonding Fasteners Ltd, Verwood	19 %	19 %	19 %	19 %
Arnold Industries Cork DAC, Cork	95 %	95 %	95 %	95 %
Bossard U.S. Holdings, Inc., Phoenix	100 %	100 %	100 %	100 %
Arnold Management Delaware, LLC, Canton	100 %	100 %	100 %	100 %
Bossard North America, Inc., Cedar Falls	100 %	100 %	100 %	100 %
Aero-Space Southwest, Inc., Phoenix	100 %	100 %	100 %	100 %
Arnold Industries, LLC, Canton	100 %	100 %	100 %	100 %
Bossard Canada, Inc., Montreal	100 %	100 %	100 %	100 %
Bossard de México, S.A. de C.V., Monterrey	100 %	100 %	100 %	100 %
Aero-Space Southwest Mexico S. de R.L. de C.V., Guadalajara	100 %	100 %	100 %	100 %
Bossard Pte. Ltd, Singapore	100 %	100 %	100 %	100 %
LPS Bossard Pvt. Ltd, Rohtak	51 %	51 %	51 %	51 %
LPS Bossard Information System Pvt., Rohtak	51 %	51 %	51 %	51 %
Bossard Industrial Fasteners Int. Trading (Shanghai) Co. Ltd, Shanghai	100 %	100 %	100 %	100 %
Bossard Fastening Solutions (Shanghai) Co. Ltd, Shanghai	100 %	100 %	100 %	100 %
Bossard (M) Sdn. Bhd., Penang	100 %	100 %	100 %	100 %
Bossard (Thailand) Ltd, Bangkok	100 %	100 %	100 %	100 %
Bossard (Korea) Ltd, Cheonan	100 %	100 %	100 %	100 %
Bossard Australia Pty. Ltd, Melbourne	100 %	100 %	100 %	100 %

4. Treasury shares, incl. shares held by subsidiaries	2018		2017	
	Number	Value	Number	Value
Balance at January 1	385,291	3,697,091	409,793	5,987,478
Additions	19,426	2,890,770	2,600	514,460
Disposals	-27,284	-3,706,339	-27,102	-2,804,847
Balance at December 31	377,433	2,881,522	385,291	3,697,091

Group companies do not hold any registered A shares. In 2018, 20,466 registered A shares (2017: 27,102 registered A shares) were used for the share option programs.

5. Other current liabilities	2018	2017
To third parties	9,879	31,623
Total	9,879	31,623

6. Collateral to third parties	2018	2017
Guarantees	235,124,634	208,540,226
Thereof used	136,348,474	126,263,946

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.

7. Shares and options on share held by management and related parties

The disclosure of shareholdings of the board of directors and the executive committee as per Swiss Code of Obligation article 959c, section 2, paragraph 11 and article 663c can be found in the notes to the consolidated financial statements (note 27 page 100).

8. Significant shareholders

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a shareholder group in accordance with article 120seq. of Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA). They hold 56.1 percent (2017: 56.1 percent) of the voting rights. Kolin Holding AG is wholly owned by the Bossard families.

Other information required by law

9. Full-time equivalents/Personnel expenses

Bossard Holding AG has no employees. The personnel expenses include the compensation of the board of directors.

Appropriation of available earnings

Statement of changes in retained earnings

in CHF	2018	2017
Retained earnings at the beginning of the year	37,098,748	36,628,126
Net income	34,726,790	25,556,938
Appropriation of available profit determined by the annual general meeting of shareholders		
Dividends for 2017 and 2016 respectively	-32,007,137	-25,086,316
Retained earnings at the end of the year	39,818,401	37,098,748

Statement of changes in capital contribution reserve

in CHF	2018	2017
Capital contribution reserve at the beginning of the year ¹⁾	4,093,912	4,093,912
Distribution	-	-
Capital contribution reserve at the end of the year	4,093,912	4,093,912

1) Subject to adjustments by the Swiss tax authorities

The board of directors proposes to the annual general meeting of shareholders the following appropriation of available retained earnings

in CHF	2018
Available retained earnings before distribution	39,818,401
Dividend of 90 percent on the share capital of max. CHF 38,112,835 eligible for dividends ²⁾	-34,301,552
To be carried forward	5,516,849

2) The figure is based on the issued share capital as of December 31, 2018 eligible for dividends. It may change due to movements on treasury shares after the balance sheet date.

REPORT OF THE STATUTORY AUDITOR

on the financial statements of

Bossard Holding AG



Report of the statutory auditor
to the General Meeting of
Bossard Holding AG
Zug

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bossard Holding AG, which comprise the balance sheet as at December 31, 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 109 to 113) as at December 31, 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1,300,000
How we determined it	1 % of shareholder's equity
Rationale for the materiality benchmark applied	We chose shareholders' equity as the benchmark because it is a relevant and generally accepted benchmark for materiality considerations relating to a holding company.

We agreed with the Audit, Risk & Compliance Committee that we would report to them misstatements above CHF 130'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.



Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of available earnings complies 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
Audit expert
Auditor in charge

Remo Waldispühl
Audit expert

Zurich, February 22, 2019

INVESTOR INFORMATION

	2018	2017	2016	2015	2014
Share capital					
Registered A shares at CHF 5 par					
Capital stock in CHF 1,000	33,250	33,250	33,250	33,250	33,250
Number of shares issued	6,650,000	6,650,000	6,650,000	6,650,000	6,650,000
Number of shares entitled to dividend	6,272,567	6,264,709	6,240,207	6,218,497	6,207,458
Registered B shares at CHF 1 par					
Capital stock in CHF 1,000	6,750	6,750	6,750	6,750	6,750
Number of shares issued	6,750,000	6,750,000	6,750,000	6,750,000	6,750,000
Number of shares entitled to dividend	6,750,000	6,750,000	6,750,000	6,750,000	6,750,000
Registered A shares equivalents, entitled to dividend at Dec. 31	7,622,567	7,614,709	7,590,207	7,568,497	7,557,458
Market price					
Ticker symbol (BOSN)					
Volume traded (daily average)	17,113	14,887	8,991	8,011	13,014
Closing price at Dec. 31	139.8	230.0	143.4	109.2	109.3
Registered A share high in CHF	252.0	242.3	144.0	118.4	130.8
Registered A share low in CHF	132.1	142.0	90.4	88.8	88.0
Dividend per share					
Registered A share in CHF	4.50 ¹⁾	4.20	3.30	3.00	3.00
Registered B share in CHF	0.90 ¹⁾	0.84	0.66	0.60	0.60
in % of share capital	90.0	84.0	66.0	60.0	60.0
Dividend yield in % (Basis: price at Dec. 31)	3.2	1.8	2.3	2.7	2.7
Earnings per share ^{2) 5)}					
Registered A share in CHF	10.95	10.33	8.04	7.01	7.49
Registered B share in CHF	2.19	2.07	1.61	1.40	1.50
Cash flow per share ^{2) 4)}					
Registered A share in CHF	13.32	12.52	9.90	8.74	9.20
Registered B share in CHF	2.66	2.5	1.98	1.75	1.84
Price/Earnings ratio (Basis: price at Dec. 31)	12.8	22.3	17.8	15.6	14.6
Net worth per share ³⁾					
Registered A share in CHF	40.6	34.7	27.4	24.6	27.9
Registered B share in CHF	8.1	6.9	5.5	4.9	5.6
Market capitalization (Basis: price at Dec. 31)					
in CHF million ³⁾	1,065.6	1,751.4	1,088.4	826.5	826.0
in % of shareholders' equity	344.1	663.5	524.2	443.9	392.2

in CHF million	2018	2017	2016	2015	2014
Economic value added analysis					
Net sales	871.1	786.2	695.0	656.3	617.8
Earnings before interest and taxes (EBIT)	108.8	97.0	78.5	70.3	72.8
Effective tax rate in %	18.1	19.2	17.5	19.7	18.0
Net operating profit after tax (NOPAT)	89.2	78.4	64.7	56.5	59.7
Equity	309.7	264.0	207.6	186.2	210.6
Gross financial debt	162.8	144.6	181.3	177.7	123.3
Less cash and cash equivalents	32.6	20.6	22.5	29.9	25.4
Capital employed (year-end)	439.9	388.0	366.4	334.0	308.5
Average annual capital employed (A)	414.0	377.2	350.2	321.3	288.5
Return on average capital employed in % (ROCE)	21.5	20.8	18.5	17.6	20.7
Cost of financial debt in %					
Average cost of financial debt	1.2	1.4	1.5	1.6	1.8
Less effective tax	18.1	19.2	17.5	19.7	18.0
Cost of financial debt after tax	1.0	1.1	1.2	1.3	1.5
Cost of equity in %					
Risk free rate (Basis: yearly average of yield Swiss government bond)	0.0	-0.1	-0.4	-0.1	0.7
Risk premium	5.5	5.5	5.5	5.5	5.5
Cost of equity	5.5	5.4	5.1	5.4	6.2
Equity ratio	51.3	48.9	41.9	40.2	48.5
Weighted average cost of capital in % (WACC)	3.3	3.2	2.9	3.0	3.8
Economic profit in % (ROCE – WACC) (B)	18.2	17.6	15.6	14.6	16.9
Economic profit in CHF million (A) * (B)	75.3	66.3	54.7	47.1	48.9

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

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

in CHF million	2018	2017	2016	2015	2014
Economic book value (EBV)					
Market value added (economic profit/WACC)	2,271.9	2,049.6	1,905.6	1,593.7	1,297.3
Capital employed	439.9	388.0	366.4	334.0	308.5
Implied enterprise value	2,711.8	2,437.6	2,272.0	1,927.7	1,605.8
Less gross financial debt	162.8	144.6	181.3	177.7	123.3
Plus cash and cash equivalents	32.6	20.6	22.5	29.9	25.4
Economic book value at Dec. 31	2,581.6	2,313.6	2,113.2	1,779.9	1,507.9
Market valuation and key ratios					
Share price at Dec. 31 in CHF	139.8	230.0	143.4	109.2	109.3
Market capitalization	1,065.6	1,751.4	1,088.4	826.5	826.0
Net financial debt	130.2	124.0	158.8	147.8	97.9
Enterprise value (EV)	1,195.8	1,875.4	1,247.2	974.3	923.9
EV in % of net sales	137.3	238.5	179.4	148.5	140.8
EV/EBITDA	9.6	16.7	13.7	11.9	10.8
EV/EBIT	11.0	19.3	15.9	13.9	12.7
EV/NOPAT	13.4	23.9	19.3	17.2	15.5
Price/book value per share	3.4	6.6	5.2	4.4	3.9
Return on equity in %	29.8	34.0	31.7	27.5	30.2

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

Share price development 2014–2018

Valor: 23862714, ISIN CH0238627142/BOSN



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AGENDA

**Meeting for financial analysts & media conference,
publication of Annual Report 2018**

March 6, 2019

Annual general meeting

April 8, 2019

Publication of sales results, 1st quarter 2019

April 8, 2019

Publication of first results

Sales/net income 1st half of 2019

July 11, 2019

Publication of Semi-Annual Report 2019

August 22, 2019

Publication of sales results, 3rd quarter 2019

October 10, 2019

Publication of sales results 2019

January 14, 2020

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This Annual Report 2018 is also available in German.

The German Annual Report 2018 is binding.

Dieser Jahresbericht 2018 ist auch in deutscher Sprache erhältlich.

Der deutsche Jahresbericht 2018 ist massgebend.

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