Notes to the Consolidated Financial Statements

Scope of Operations (1)

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

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

The consolidated financial statements of the Bossard Group (hereinafter the Group) are based on the financial statements of the individual Group companies at December 31 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 at market value, in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB). The consolidated financial statements were approved by the Board of Directors of Bossard Holding AG on March 3, 2006.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities and contingent assets and liabilities at the date of the financial statements as well as revenue and expenses reported for the financial year. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual results could differ from these estimates.

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

In the financial year 2005, Bossard adopted all new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on January 1, 2005. Prior year comparative figures were reclassified where necessary to reflect the changes in the accounting standards. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

IAS 1, Presentation of Financial Statements

This standard has affected the presentation of minority interest and other disclosures. Minority interest is now included in shareholders' equity in the consolidated balance sheet and no longer shown as a separate item.

IFRS 2, Share-Based Payment

IFRS 2 share-based Payment requires the recognition of share-based payments at fair value at the date of grant. The option scheme provided by Bossard to Group managers and members of the board of directors qualifies as a cash settled plan. The options are expensed at the date of grant under personnel expenses. The corresponding liability is hedged through purchases of own shares at fair value from the Swiss Exchange and reported as short-term dept. There is no issuance of shares and a related increase in a component of equity involved.

IFRS 3, Business Combinations

In 2005 the Group adopted the new standard and the revised standards IAS 36 and IAS 38. IFRS 3, Business Combinations, became effective as of April 1, 2004 for acquisitions and on January 1, 2005 for goodwill depreciation. This resulted in a change in the accounting policy for goodwill. Until December 31, 2004 goodwill was amortized on a straight line basis over its expected economic useful life, not exceeding a maximum of 20 years and assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3, the Group ceased amortization of goodwill as of January 1, 2005; accumulated amortization as at December 31, 2004 was eliminated with a corresponding decrease in the cost of goodwill. Goodwill is tested for impairment on an annual basis in the last four months of the year, when there are indications of impairment and, in the case

of newly acquired goodwill, before the end of the financial year in which the goodwill was acquired if there are indications that there is a potential loss of value.
The principal impact of the new Standard on the accounting for that transactions is the recognition of contingent liabilities that would not have been recognised separately from goodwill under the predecessor standards, IAS 22.

Other and Future Changes

Adopting IFRS 5, non-current assets held for sale and discontinued operations, as well as the other revised standards (IAS 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 32, 33, 39 and 40) did not result in substantial changes to Bossard's accounting policies. The revised IAS 21 (revised), effects of changes in foreign exchange rates, was early adopted.
Currently management is examining the influence on the Group's financial reporting of the following new standards as well as amendments and interpretations of existing standards which are not yet applicable for the Group (apply from January 1, 2006) and have therefore not yet been adopted: IAS 19 revised, IAS 39 revised, IFRS 1 revised, IFRS 4 revised, IFRS 6, IFRS 7, IFRIC 4, IFRIC 5 and IFRIC 6. Management anticipates that adopting the issued but not yet effective Standards and Interpretations will have no material impact on the financial statements of the Group.

Principles of Consolidation (2.2.)

The consolidated financial statements include the financial statements of Bossard Holding AG as well as the domestic and foreign subsidiaries over which Bossard Holding AG exercises control. Group companies acquired during the year are included in the consolidation from the date on which control over the company is transferred to the Group, and are excluded from the consolidation as of the date the Group ceases to have control over the company. A list of the significant companies which are consolidated is given in note 36. December 31 represents the uniform closing date for all companies included in the consolidated financial statements.
The purchase method of accounting is used for capital consolidation. Profits on intercompany sales not yet realized through sales to third parties as at year-end are eliminated in the consolidation.

Investment in subsidiaries

Investments in subsidiaries are fully consolidated. These are entities over which Bossard AG directly or indirectly exercises control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Under the full consolidation method, 100 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. Intercompany balances (incl. unrealized profit on intercompany inventories), and transactions are eliminated in full. Profits on intercompany sales not yet realized through sales to third parties as at year end are eliminated in the consolidation.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. These are entities in which Bossard has significant influence and which are neither subsidiaries nor joint ventures of Bossard. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies (usually 20–50 percent of voting rights). Bossard did not own any investment in associates during the period under review.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting. These are contractual arrangements whereby two or more parties undertake an economic activity that is subject of joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. No joint venture was held by Bossard during the period under review.

Foreign Currency Translation (2.3.)

The consolidated financial statements are expressed in Swiss francs ("CHF"), which is the company's functional and presentation currency. The functional currency of each Group company is the applicable local currency.
Group companies translate assets and liabilities denominated in foreign currencies to the reporting currency using year-end exchange rates. Items which are hedged against exchange rate exposures are translated at the hedged rate of exchange. Translation differences in individual Group company accounts are included in the income statement as exchange gains or losses.
For the purposes of consolidation, assets and liabilities of foreign Group companies reporting in currencies other than CHF are translated to CHF at year-end exchange rates, income and expense items are translated at the average exchange rate for the year, and the resulting translation differences are adjusted directly against the translation differences in shareholders' equity.
Exchange differences arising on intercompany loans that are considered part of the net investment in a foreign entity are recorded in equity.

Accounting and Valuation Principles (2.4.)

Cash and Cash Equivalents

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

Accounts Receivable

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the average purchase price (purchased goods) or production cost (manufactured goods).

Property, plant and equipment

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

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

Leasehold improvements are depreciated over the shorter of useful life or lease term. Repair and maintenance costs, which do not increase the value or useful life of an asset, are charged directly as an expense.

Research and Development

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

Long-term borrowings

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

Employee Benefits

Pension obligations

The Group operates a number of defined contribution plans for most employees in accordance with the legal requirements in the individual countries. Their assets are generally held in separate trustee-administered funds or state-managed retirement benefit schemes. The pension plans are generally funded by payments from employees and by the relevant Group companies. In addition the Group operates pension plans, which have the characteristics of defined benefit plans. The assets are also held in separate trustee-administered funds. The pension obligation is determined using the project unit credit method, with actuarial valuations being carried out every two to three years. Under this method, the projected benefit obligation is calculated on the basis of the completed and expected future service years of employees, the future salary development and changes in retirement benefits. All actuarial gains and losses are spread forward over the average remaining service lives of employees.The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.
Other long-term benefits comprise mainly length of service compensation benefits which certain subsidiary companies are required to provide in accordance with legal requirements in the respective countries. These benefits are accrued and calculated using the project unit credit method. The related liabilities are included under provisions.

Provisions

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

Taxes

All taxes are accrued irrespective of when such taxes are due.
Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.
Potential savings related to tax loss carry-forwards are generally recognized if the recovery is probable. Deferred taxes are calculated using the expected applicable local tax rates.
Taxes payable on distribution of the undistributed profits of subsidiaries and associates are accrued only if those profits are to be distributed the following year.

Share Capital

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

Financial Risk Management

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

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

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Subsidiaries are encouraged, but not required, to use forward contracts to hedge their exposure to foreign currency risk.
The net investment in foreign entities is exposed to currency exchange risk. The currency exposure is hedged through borrowings denominated in the relevant foreign currency and forward exchange contracts. These forward exchange contracts have terms up to twelve months.

Interest Rate Risk

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

Credit Risk

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

Segment Reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risk and returns that are different from those of segments operating in other economic environments.

Related Parties

A party is related to an entity if the party directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the key management personnel of the entity are also considered related parties. All transactions with related parties are on an arm's-length basis.

Net Debt

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

Revenue Recognition

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

Sales Deductions

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

Changes in the Scope of Consolidation (3)

As of January 1, 2005, the investment in Sigma AG, Stans, and as per May 1, 2005, the investment in Bossard Germany GmbH, Duisburg, was sold. As of these dates the companies were excluded from the consolidation. As of September 1, 2005 80% of Sal-Pol Sp.Z o.o., Radom, Poland, was acquired and as per December 1, 2005, Trimec Italia srl. was founded. As of these dates the companies were included in the consolidation. For more information refer to Note 36.

On January 1, 2004, 50% of Hi-Tec Fasteners ApS (Denmark) was acquired. The investment is consolidated, adjusted for minority interest, as the group exercises control over the company's activities. On November 1, 2004, the Bossard Group increased its investment in Bossard (Korea) Ltd. from 40% to 55%.

Cash and Cash Equivalents (4)

IN CHF 1,000	2005	INTEREST RATES %	2004
Cash at banks and in hand	8,005	0.0–4.6	5,760
Short-term bank deposits	2,014	1.4–6.0	1,006
Total	**10,019**		**6,766**

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

Accounts Receivable, Trade (5)

IN CHF 1,000	2005	2004
Accounts receivable, trade	80,027	71,866
Notes receivable	4,486	4,801
Allowance for bad debts	–3,374	–4,691
Total	**81,139**	**71,976**

The book value of the receivables is based on fair value.

Other Receivables and Prepaid Expenses (6)

IN CHF 1,000	2005	2004
Other receivables	2,303	2,337
Prepaid expenses	5,758	4,900
Total	**8,061**	**7,237**

Inventories (7)

IN CHF 1,000	2005	2004
Purchased goods	148,841	134,802
Work in progress	–	545
Compulsory inventories (pledged)	5,647	6,135
Total	**154,488**	**141,482**

Property, Plant & Equipment (8)

IN CHF 1,000	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	TOTAL
Cost			
Balance at Jan. 1, 2005	79,113	82,276	161,389
Exchange differences	2,375	3,654	6,029
Additions	7,311	11,789	19,100
Additions consolidation scope	–	136	136
Disposals	–578	–6,778	–7,356
Disposals consolidation scope	–3,965	–1,776	–5,741
Balance at Dec. 31, 2005	**84,256**	**89,301**	**173,557**
Accumulated depreciation			
Balance at Jan. 1, 2005	31,072	65,181	96,253
Exchange differences	570	2,516	3,086
Depreciation	2,114	6,173	8,287
Additions consolidation scope	–	63	63
Disposals	–465	–6,372	–6,837
Disposals consolidation scope	–1,562	–1,230	–2,792
Balance at Dec. 31, 2005	**31,729**	**66,331**	**98,060**
Net book amount	**52,527**	**22,970**	**75,497**
2004	48,041	17,095	65,136

The insurance value of property, plant and equipment is CHF 159.3 million (2004: CHF 157.9 million).

Intangible Assets (9)

IN CHF 1,000	GOODWILL	SOFTWARE	TOTAL
Cost			
Balance at Jan. 1, 2005	37,829	35,391	73,220
Exchange differences	4,313	694	5,007
Additions	–	1,285	1,285
Additions consolidation scope	2,183	1	2,184
Disposals	–	–716	–716
Disposals consolidation scope	–	–507	–507
Balance at Dec. 31, 2005	**44,325**	**36,148**	**80,473**
Accumulated amortization and impairment			
Balance at Jan. 1, 2005	–	24,429	24,429
Exchange differences	–	388	388
Amortization	–	2,370	2,370
Additions consolidation scope	–	1	1
Disposals	–	–693	–693
Disposals consolidation scope	–	–364	–364
Balance at Dec. 31, 2005	**–**	**26,131**	**26,131**
Net book amount	**44,325**	**10,017**	**54,342**
2004	37,829	10,962	48,791

Bossard does not have intangible assets that are individually important for the financial position.
No internally generated intangible assets have been capitalized during financial years 2005 and 2004. Goodwill has an indefinite life. Other intangible assets and software have finite lives.
In accordance with the requirements of IFRS 3, the Group has eliminated the accumulated amortisation of goodwill at December 31, 2004 with a corresponding decrease in cost of goodwill. There was no negative goodwill with a corresponding adjustment of the opening balance of retained earnings.

The cash flow projections are based on a five-year period. Key assumptions used for the value in use calculation for major goodwill items are:

CASH GENERATING UNIT	CARRYING AMOUNT OF GOODWILL IN CHF 1,000	CURRENCY	BASIS FOR RECOVERABLE AMOUNT	DISCOUNT RATE	PROJECTION PERIOD
America	22,655	USD	Value in use	7.5%	5 years
Europe	21,670	Multiple	Value in use	7.5%	5 years
Total	**44,325**				

Based on the impairment tests, there was no need for the recognition of any impairment in financial year 2005.

Financial Assets (10)

IN CHF 1,000	2005	INTEREST RATES %	2004
Other loans and deposits	3,013	0.0–8.0	2,967
Other investments			
Bossard & Staerkle AG, Zug, 10%	360		360
Others	88		88
Total	**3,461**		**3,415**

Other Liabilities and Accrued Expenses (11)

Other payables and accrued expenses include liabilities for success participation, accruals for compensated absences, social security, sales taxes as well as short-term provisions (see note 14).

Short-term Debt (12)

IN CHF 1,000	2005	INTEREST RATES %	2004
Bank overdrafts	10,532	1.4–9.5	8,739
Bank loans	38,571	1.5–8.7	18,947
Personal savings accounts	21,502	3.3	20,373
Notes payable	5,500	0.7–0.9	5,500
Other	1,054	3.2–4.8	2,656
Pension plans	–		236
Total	**77,159**		**56,451**

The personnel savings accounts include employee savings which, under IAS 1 (restated), are newly reported as short-term debt. From an economic perspective, these amounts are still long term in nature.

Long-term Debt (13)

IN CHF 1,000	2005	INTEREST RATES %	2004
Bank loans	55,935	1.8–4.6	54,283
Other long-term debt	151		186
Total	**56,086**		**54,469**

CHF 35 million (2004: CHF 45 million) of the bank loans are borrowing facilities at fixed interest rates. All other borrowings are at floating rates. The weighted average effective interest rate on all borrowings was 3.7% (2004: 3.6%)

	DUE FOR REPAYMENT			
IN CHF 1,000	1–2 YEARS	3–5 YEARS	OVER 5 YEARS	TOTAL
Bank loans	55,935	–	–	55,935
Other long-term debt	151	–	–	151
Total	**56,086**	**–**	**–**	**56,086**
2004	53,021	1,448	–	54,469

Provisions (14)

IN CHF 1,000	PROVISION FOR RESTRUCTERING	PENSION AND OTHER TERMINATION BENEFITS	WARRANTY PROVISIONS	TOTAL PROVISIONS	./. SHORT-TERM PROVISIONS	TOTAL LONG-TERM PROVISIONS
Balance at Jan. 1, 2005	198	1,482	1,052	2,732	–679	2,053
Additions	–	458	148	606	–10	596
Used	–	–117	–47	–164	47	–117
Reversed	–198	–	–990	–1,188	520	–668
Exchange differences	–	25	2	27	–1	26
Balance at Dec. 31, 2005	**–**	**1,848**	**165**	**2,013**	**–123**	**1,890**

The provision for restructuring mainly includes the sot for merging operations. Pension and other termination benefits include liabilities for pension and similar commitments.

Taxes (15)

The provisions for deferred taxes builds up as follows:

IN CHF 1,000	2005	2004
Deferred income taxes attributable to timing differences:		
Property, plant, equipment and intangible assets	883	818
Inventory	2,462	2,122
Other liabilities	1,674	1,729
Total deferred taxes	**5,019**	**4,669**

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

IN %	2005	2004
Average basic tax rate	21.3	22.1
Expense not deductible	1.1	0.9
Utilization of previously unrecognized tax losses	–4.2	–1.9
Not recognized current tax losses	4.2	2.8
Changes in deferred taxes	1.3	–2.8
Other	–2.7	–0.4
Effective tax rate on income before tax	**21.0**	**20.7**

IN CHF 1,000	2005	2004
Current taxes	5,184	5,690
Deferred taxes	350	–941
Total	**5,534**	**4,749**

Available unrecognized tax loss carry-forwards amounted to CHF 8.0 million at the end of 2005 (2004: CHF 8.0 million). The unrecognized tax loss expires as follows:

UNRECOGNIZED TAX LOSS CARRY-FORWARDS	1 YEAR	2 YEARS	3–5 YEARS	OVER 5 YEARS	TOTAL IN CHF 1,000
2005	**45**	**–**	**716**	**7,217**	**7,978**
2004	21	–	1,157	6,777	7,955

As it is not sufficiently certain that tax savings can definitely be made, the anticipated tax credits have been value adjusted as in the prior year.

Share Capital (16)

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

208,239 bearer shares of CHF 10 par value are held by Bossard Holding AG and have neither voting rights nor dividend entitlement.
185,000 of these shares have been held by the company since the capital increase.
In connection with the option scheme, the company has acquired own shares through purchases on the Swiss Exchange. These shares are being held as treasury shares to cover the underlying liability from the employee option scheme (see note 17).
The consolidated retained earnings and reserves include non-distributable legal reserves of CHF 24.0 million (2004: CHF 24.0 million).

Dividend

For the fiscal year 2005, the board of directors of Bossard Holding AG will propose a dividend of CHF 2.30 (2004: CHF 1.80) per bearer share and CHF 0.46 (2004: CHF 0.36) per registered share to the shareholders at the forthcoming annual general meeting. The dividend of CHF 2.30 is made up of an ordinary dividend of CHF 1.90 and a jubilee dividend of CHF 0.40.
The dividend paid in 2005 amounted to CHF 1.80 (2004: CHF 0.80) per bearer share.

Employee Options (17)

According to the employee option scheme, share options are granted to managers of the Group and the board of directors for parts of their bonus entitlement and board compensation. The options are granted at market prices on the date of issue and the related expenses are accounted for as personnel cost. The options can be exercised within four years at a predetermined strike price.
In 2005 no share options were issued. The 2004 share options were issued at CHF 13.28 and a strike price of CHF 52.00 per share. The Bossard shares traded at CHF 53.00 on the issue date of the options. The liability resulting from this option scheme is hedged through purchases of own shares from the Swiss Exchange.

OUTSTANDING SHARE OPTIONS	NUMBER	AMOUNT IN CHF 1,000	MARKET VALUE *) IN CHF 1,000
Balance at Jan. 1, 2005	28,501	336	698
Issue of share options	–	–	–
Repurchased/exercised	–25,795	–306	–491
Expired/converted	–	–	–
Change option obligation	–	–	–122
Balance at Dec. 31, 2005	**2,706**	**30**	**85**

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

TREASURY SHARES FOR OPTION SCHEME	NUMBER
Balance at Jan. 1, 2005	66,239
Purchased	–
Sold	–43,000
Balance at Dec. 31, 2005	**23,239**

For additional information see Corporate Governance, section: compensation, shareholdings and loans.

Leasing (18)

At December 31, 2005 future minimum lease payments amounted to:

OPERATING LEASE COMMITMENT	DUE WITHIN 1 YEAR	DUE WITHIN 2 YEARS	DUE WITHIN 3 YEARS	DUE WITHIN 4 YEARS	DUE AFTER 4 YEARS	TOTAL IN CHF 1,000
2005	**1,554**	**1,035**	**504**	**277**	**128**	**3,498**
2004	1,828	1,068	545	190	43	3,674

At December 31, 2005 future rental liabilitites for office and warehouse premises amounted to:

LONG-TERM RENTAL LIABILITIES	DUE WITHIN 1 YEAR	DUE WITHIN 2 YEARS	DUE WITHIN 3 YEARS	DUE WITHIN 4 YEARS	DUE AFTER 4 YEARS	TOTAL IN CHF 1,000
2005	**5,238**	**3,160**	**2,291**	**1,885**	**66**	**12,640**
2004	4,220	2,951	2,158	2,121	1,806	13,256

Contingent Liabilities (19)

Contingent liabilities in the amount of CHF 1.2 million (2004: CHF 2.3 million) result mainly from advance payment guarantees and discounted drafts given to third parties in the course of normal business operations.

Assets Pledged or Otherwise Restricted (20)

IN CHF 1,000	2005	2004
Accounts receivable, drafts	12,808	11,090
Inventories	6,515	6,984
Goodwill	3,411	3,411
Land and buildings	4,967	10,203
Total	**27,701**	**31,688**

The pledged or restricted assets are used as collateral for the outstanding bank loans and advance payment guarantees. The total credit lines account for CHF 32.3 million (2004: CHF 30.8 million). The current borrowings amount to CHF 26.4 million (2004: CHF 27.6 million).

Personnel Expenses (21)

IN CHF 1,000	2005	2004
Salaries	80,766	81,136
Social cost	12,674	11,731
Pension cost	3,526	3,289
Other personnel expenses	3,472	4,214
Total	**100,438**	**100,370**

In 2005 no share options were granted to the management as part of the profit sharing program. In 2004 salaries included CHF 0.4 million in the form of share options.

Pension Obligations (22)

The Group has established a number of pension schemes around the world covering most employees. The assets of the funded plans are held independent of the Group's assets in separate trustee-administered funds or state-managed pension schemes. Those pension schemes which qualify as defined benefit plans under revised IAS 19 are subject to actuarial valuations every two to three years. The latest actuarial valuations were carried out as on January 1, 2005.
Status of the defined benefit plans (all amounts according to an actuarial valuation):

IN CHF 1,000	31.12.2005	31.12.2004
Present value of funded obligation	88,296	86,663
Fair value of plan assets	86,687	83,444
Actuarial credit balance	**–1,609**	**–3,219**
Less accum. unrecognized net loss	3,226	4,774
Asset	**1,617**	**1,555**

The amounts recognized in the income statement are as follows:

IN CHF 1,000	2005	2004
Current service cost	1,467	1,455
Interest cost	3,390	3,329
Expected return on plan assets	–3,727	–3,592
Actuarial losses recognized in year	253	–
Net periodic pension cost	**1,383**	**1,192**
Adjustment prepaid	62	82
Total included in personnel expenses	**1,445**	**1,274**

The movement of the asset was as follows:

IN CHF 1,000	2005	2004
Asset at Jan. 1	1,555	1,473
Contributions	1,445	1,274
Net periodic pension cost	–1,383	–1,192
Asset at Dec. 31	**1,617**	**1,555**

The asset has been fully provided for because of the legal restrictions associated with any use for future reductions of contributions.

The principal actuarial assumptions used for accounting purposes were:

IN %	31.12.2005	31.12.2004
Discount rate	4.00	4.00
Expected return on plan assets	4.50	4.50
Future salary increases	1.75	1.75
Future pension increases	0.25	0.25

In addition, CHF 2.1 million (2004: CHF 1.8 million) in contributions to defined contribution pension plans were recognized in the income statement.

Other Operating Expenses (23)

IN CHF 1,000	2005	2004
Expenses for office and warehouse space	9,304	8,656
Insurance and charges	2,829	2,326
Other operating expenses	5,754	8,600
Total	**17,887**	**19,582**

Depreciation and Amortization (24)

IN CHF 1,000	2005	2004
Buildings	2,114	2,147
Machinery and equipment	6,173	5,170
Computer software	2,370	2,801
Goodwill	–	3,230
Other	–	8
Total	**10,657**	**13,356**

Financial Expenses Net (25)

IN CHF 1,000	2005	2004
Interest expense	5,482	5,125
Interest income	–295	–615
Income from non consolidated investment	–268	–249
Exchange gain	–173	–62
Total	**4,746**	**4,199**

Earnings per Share (26)

	2005	2004
Net income in CHF 1,000	19,642	17,588
Average number of shares entitled to dividend *)	2,990,530	2,934,003
Basic earnings per bearer share in CHF	6.57	5.99
Basic earnings per registered share in CHF	1.31	1.20

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

Basic earnings per share are calculated by dividing the net income attributable to “Shareholders’ Bossard Holding AG” by the weighted average number of shares entitled to dividend during the year.

Financial Instruments (27)

Cash flow and net investments in foreign subsidiaries are hedged with forward contracts. The following table summarizes the trading volume by major currency:

IN CHF MILLION	2005	2004
USD	2,362	176
EUR	295	286
Other	62	77
Total	**2,719**	**539**

Open forward contracts at December 31, 2005 were as follows:

IN CHF MILLION	CONTRACT VALUE	MARKET VALUE
USD	–113.8	–113.9
EUR	0.8	0.8
DKK	4.5	4.5
SEK	0.9	0.9
Total	**–107.6**	**–107.7**
2004	–10.8	–10.6

The contract value shows the volume of open forward exchange contracts at the contracted exchange rate. The market value of the open contracts is based on the exchange rate at December 31, 2005.

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

IN CHF MILLION	CONTRACT VALUE	MARKET VALUE
2005	**–109.3**	**–109.4**
2004	–	–

Cash Flows from Operating Activities (28)

IN CHF 1,000	NOTES	2005	2004
Net income		20,851	18,222
Taxes	15	5,534	4,749
Financial expenses net	25	4,746	4,199
Depreciation and amortization	24	10,657	13,356
Other non cash (income)/expenses		–3,148	1,890
Cash flow from operating activities before changes in working capital		**38,640**	**42,416**
Increase receivables		–10,839	–3,372
Increase inventories		–16,369	–12,357
Increase payables		12	6,509
Cash flow from changes in working capital		**–27,196**	**–9,220**
Cash flow from operations	28	**11,444**	**33,196**

Segment Information (29)

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

	EUROPE		AMERICA		ASIA		ELIMINATIONS		CONSOLIDATED	
IN CHF MILLION	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	258.1	267.9	200.4	187.3	56.4	42.1			514.9	497.3
Inter-segment sales	4.0	3.9	0.1	0.1	0.5	0.8	–4.6	–4.8	–	–
Total revenue	**262.1**	**271.8**	**200.5**	**187.4**	**56.9**	**42.9**	**–4.6**	**–4.8**	**514.9**	**497.3**
Segment EBITDA	33.0	37.0	4.8	1.9	4.0	1.6			41.8	40.5
Segment EBIT	25.8	28.0	2.8	–1.3	2.5	0.5			31.1	27.2
Finance costs									–4.7	–4.2
Taxes									–5.5	–4.8
Net income for the period									**20.9**	**18.2**
Other information										
Segment assets	189.4	190.9	154.0	120.8	40.1	29.7			383.5	341.4
Unallocated corporate assets									3.5	3.4
Consolidated total assets									**387.0**	**344.8**
Segment liabilities	137.0	130.5	44.6	41.5	31.1	20.8			212.7	192.8
Unallocated corporate liabilities									5.0	4.7
Consolidated total liabilities									**217.7**	**197.5**
Capital expenditures										
– Property, plant, equipment, software, goodwill	8.7	7.3	11.5	7.1	2.4	2.4			22.6	16.8
Depreciation and amortization										
– Property, plant, equipment, software, goodwill	7.2	9.1	2.0	3.2	1.5	1.1			10.7	13.4
Employees										
Headcount at Dec. 31	710	699	397	416	517	375			1,624	1,490
Annual average number of employees	664	676	471	442	472	323			1,607	1,441

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

Europe: Austria, Czech Republic, Denmark, France, Italy, Poland, Slovakia, Spain, Sweden, Switzerland
America: Mexico, USA
Asia: China, India, Malaysia, Singapore, South Korea, Taiwan

Research and Development (30)

The total amount incurred for research and development not qualifying for capitalization amounted to CHF 0.2 million (2004: CHF 0.5 million).

Acquisition and Disposal of Subsidiaries (31)

During financial year 2005, the Group undertook the following acquisitions and disposals:

NAME	PLACE	DATE		STRUCTURE	PURPOSE
Sigma AG	Stans, Switzerland	Jan. 1, 2005	Disposal	Share deal	Assembly technology
Bossard Germany GmbH	Duisburg, Germany	May 1, 2005	Disposal	Share deal	Trading fasteners
Sal-Pol Sp.Z o.o.	Radom, Poland	Sept. 1, 2005	Acquisition	Share deal	Trading fasteners
Trimec Italia srl.	Milano, Italia	Dec. 1, 2005		Foundation	Trading mechanical components

During financial year 2004, the Group undertook the following acquisition:

NAME	PLACE	DATE		STRUCTURE	PURPOSE
Hi-Tec Fasteners ApS	Haslev, Denmark	Jan. 1, 2004	Acquisition	Share deal	Trading fasteners

In all cases, the acquired business is within the core competency of Bossard, the trading of fasteners and fastening elements. All acquisitions have been recognized using the purchase method of accounting.
In the period of affiliation to the Group, the newly acquired companies contributed sales and net income of CHF 0.9 million and CHF 0.1 million respecitvely. For the full financial year 2005, sales and net income of the acquired companies amounted to CHF 2.7 million and CHF 0.2 million respecitvely.
In 2005 the divested companies contributed sales and net income of CHF 1.9 million and CHF 0.1 million, respecitvely to the Group.

The assets and liabilities arising from the above mentioned disposals/acquisitions are individually immaterial and in aggregate as follows:

	PURCHASE OF INVESTMENTS		SALES OF INVESTMENTS	
IN CHF 1,000	2005	2004	2005	2004
Current assets	910	1,433	7,302	–
Long-term assets	73	607	3,092	–
Current liabilities	–408	–462	–4,516	–
Minority interest	–115	–789	–	–
Exchange differences	5	–	14	–
Net assets	465	789	5,892	–
Goodwill	2,183	490	–	–
Gain on sales	–	–	2,102	–
Purchase/Sales price	**2,648**	**1,279**	**7,994**	**–**
(Purchase)/Sales price	**–2,648**	**–1,279**	**7,994**	**–**
Purchase/(Sale) of cash equivalents	241	–	–333	–
Net cash (out)/in flow from purchase/sale	**–2,407**	**–1,279**	**7,661**	**–**

Events Occuring after Balance Sheet Date (32)

There were no events between December 31, 2005 and the date of approval of the consolidated financial statements by the board of directors which affect these statements negatively.

Future Capital Expenditure (33)

Capital expenditure for 2006 is estimated at approximately CHF 14 million (2005: CHF 20.4 million).

Related Party Transactions (34)

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a group of shareholders as defined in art. 20 of SESTA (Swiss Federal Act on Stock Exchanges and Securities Trading). They hold 54.48 % (2004: 54.75 %) of total voting rights or 25.40 % (2004: 26.28 %) of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.

The following related party transactions were engaged in:

COMPENSATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE MEMBERS

IN CHF MILLION	2005	2004
Salaries and other benefits	4.3	4.3

IN CHF MILLION	2005	IN %	2004	IN %
Loan to Kolin Holding AG	0.9	2.0	1.5	1.6
Loan to one member of the executive committee	0.3	–	0.3	–
Deposits in the personnel savings accounts	3.0	3.3	3.8	3.3

All expenses within the scope of the employee option plan, in which members of the executive committe and the board of directors also participate, are included in personnel expenses.

Exchange Rates (35)

	2005 YEAR-END EXCHANGE RATE	2005 AVERAGE EXCHANGE RATE	2004 YEAR-END EXCHANGE RATE	2004 AVERAGE EXCHANGE RATE
1 EUR	1.55	1.55	1.54	1.54
1 USD	1.32	1.25	1.13	1.24
100 DKK	20.83	20.77	20.76	20.73
100 SEK	16.55	16.67	17.09	16.90
100 CZK	5.36	5.21	5.13	4.85
100 SKK	4.10	4.02	4.04	3.85
100 PLN	40.30	38.55	37.93	34.19
100 SGD	79.23	74.86	69.42	73.47
100 TWD	4.02	3.87	3.59	3.72
100 RMB	16.33	15.26	14.66	15.02
100 MYR	34.88	32.99	29.75	32.70
100 THB	3.21	3.10	2.92	3.25
100 INR	2.93	2.83	2.60	2.74
100 KRW	0.13	0.12	0.11	0.11

List of Significant Consolidated Companies (36)

	Companies and branches	Headquarters	Local currency	Capital in thousands	Share-holding	Fastening Technology	Finance/other
Holding and finance companies							
Switzerland	Bossard Holding AG	Zug	CHF	32,000	100		■
	Bossard International AG	Zug	CHF	10,000	100		■
Jersey	Bossard Finance Ltd	St. Helier	CHF	97	100		■
Area Europe (south and east)							
Switzerland	Bossard AG	Zug	CHF	12,000	100	■	
	Trimec AG	Zug	CHF	50	100	■	
	Bossard + Staerkle AG	Zug	CHF	3,600	10		□
Italy	Bossard Italia srl.	Milano	EUR	400	100	■	
	Trimec Italia srl. [3]	Milano	EUR	100	100	■	
Austria	Bossard Austria Ges.m.b.H.	Wien	EUR	1,017	100	■	
Czech Republic	Bossard CZ s.r.o.	Brno	CZK	1,000	100	■	
Slovakia	Bossard SK, spol. s r.o.	Bratislava	SKK	200	100	■	
Area Europe (north and west)							
Denmark	Bossard Denmark A/S	Skovlunde	DKK	5,000	100	■	
	Hi-Tec Fasteners ApS [1]	Haslev	DKK	1,000	50	■	
Sweden	Bossard Sweden AB	Malmö	SEK	400	100	■	
France	Bossard France SAS	Souffelweyersheim	EUR	3,050	100	■	
Poland	Sal-Pol Sp.Z o.o. [2]	Radom	PLN	1,300	80	■	
Spain	Bossard Spain SA	Barcelona	EUR	745	100	■	
Area America							
USA	Bossard U.S. Holdings, Inc.	Hampton, NH	USD	40,000	100		■
	Bossard Metrics, Inc.	Portsmouth, NH	USD	250	100	■	
	Material Management Group, Inc.	Appleton, WI	USD	2,000	100	■	
	Bossard Michigan & Merrick, Inc.	Maspeth, NY	USD	5	100	■	
	Bossard IIP, Inc.	Cedar Falls, IA	USD	4	100	■	
	Bossard Milwaukee, Inc.	Milwaukee, WI	USD	83	100	■	
Mexico	Bossard IIP de Monterrey, S.A. de C.V.	Monterrey	USD	755	100	■	
Area Asia							
Singapore	Bossard Pte. Ltd	Singapore	SGD	23,700	100	■	
India	LPS Bossard Pvt. Ltd	Haryana	INR	48,000	51	■	
China	Bossard Industrial Fasteners International Trading (Shanghai) Co. Ltd	Shanghai	RMB	26,487	100	■	
Malaysia	Bossard (M) Sdn. Bhd.	Penang	MYR	300	100	■	
Taiwan	Bossard Ltd. Taiwan Branch	Taichung	TWD	–	100	■	
Japan	Bossard K.K.	Tokyo	JPY	60,000	1.7		□
South Korea	Bossard (Korea) Ltd	Anseong-City	KRW	1,000,000	55	■	

■ Fully consolidated □ Minority investment

Status: December 31, 2005

1) Fully consolidated as the Group is exercising control over the company's activities.

2) New acquisition

2) Foundation

Report of the Group Auditors

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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes / pages 2 to 25) of Bossard Holding AG for the year ended December 31, 2005.

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

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

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

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

PricewaterhouseCoopers AG

Bruno Häfliger Stefan Bosshard

Zurich, March 3, 2006

Balance Sheet

IN CHF	NOTES	31.12.2005	13.12.2004
Assets			
Current assets			
Marketable securities – Treasury shares	3	1,042,746	2,972,177
Accounts receivable from Group companies		972,465	2,965,455
Accounts receivable others		71,575	64,834
Total current assets		**2,086,786**	**6,002,466**
Long-term assets			
Investments in Group and associated companies	2	118,379,215	118,379,215
Own shares	3	1,850,000	1,850,000
Total long-term assets		**120,229,215**	**120,229,215**
Total assets		**122,316,001**	**126,231,681**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable others		21,500	9,843
Bank loans		25,000,000	5,000,000
Accrued expenses		342,622	339,505
Total current liabilities		**25,364,122**	**5,349,348**
Long-term liabilities			
Bank loans		–	25,000,000
Total long-term liabilities		**–**	**25,000,000**
Shareholders' equity			
Share capital		32,000,000	32,000,000
Legal reserve			
General reserve		16,000,000	16,000,000
Reserve for own shares	3	2,892,746	4,822,177
Other reserves		31,215,743	29,286,311
Retained earnings		14,843,390	13,773,845
Total shareholders' equity		**96,951,879**	**95,882,333**
Total liabilities and shareholders' equity		**122,316,001**	**126,231,681**

Income Statement

Income Statement

IN CHF	NOTES	2005	2004
Income			
Dividend income, income from marketable securities		8,329,440	11,046,614
Interest income		99,008	12,166
Service fees from Group companies		336,000	336,000
Total income		**8,764,448**	**11,394,780**
Expenses			
General and administrative expenses		968,881	593,895
Financial expenses		1,330,052	1,596,363
Total expenses		**2,298,933**	**2,190,258**
Income before taxes		**6,465,515**	**9,204,522**
Taxes		10,800	10,000
Net income		**6,454,715**	**9,194,522**

Changes in Retained Earnings

IN CHF	2005	2004
Retained earnings at beginning of year	13,773,845	6,924,731
Net income	6,454,715	9,194,522
Appropriation of available profit determined by the annual general meeting		
Dividends for 2004 and 2003 respectively	–5,385,170	–2,345,408
Retained earnings at end of year	**14,843,390**	**13,773,845**

The Board of Directors Proposes to the Annual General Meeting the Following Appropriation of Retained Earnings as at December 31, 2005

IN CHF	2005
Available retained earnings before distribution	14,843,390
Dividend of 19% on the share capital of max. CHF 30,150,000 eligible for dividends	–5,728,500
Jubilee dividend of 4% on the share capital of max. CHF 30,150,000 eligible for dividends	–1,206,000
To be carried forward	**7,908,890**

Notes to the Financial Statements

IN CHF	2005	2004
1. Guarantees, contingent liabilities, assets pledged in favour of third parties	71,544,000	75,445,000
thereof used	38,247,619	25,372,412
The Bossard Group concentrates its main credit facilities in Bossard Holding AG. Bossard subsidiaries can draw on the credit lines, for which right Bossard Holding AG has undertaken guarantee obligations.		
2. Investments unaltered		
Bossard AG, Zug, wholly owned		
Bossard International AG, Zug, wholly owned		
Bossard Finance Ltd, St. Helier, wholly owned		
Bossard & Staerkle AG, Zug, 10 % holding		
3. Balance of own shares		
a) Treasury shares		
Balance at Jan. 1 – 66,239 shares (2004: 83,242 shares)	2,972,177	3,735,093
Sales: 43,000 bearer shares of CHF 10 par value (2004: 17,003 shares)	–1,929,431	–762,916
Balance at Dec. 31 – 23,239 shares, rate 80.00 (2004: 66,239 shares, rate 70.00)	1,042,746	2,972,177
The treasury shares are held to hedge the liability resulting from the Employee Share Option Scheme. (no voting rights and dividend entitlement)		
b) Own shares		
Balance of own shares (no voting rights and dividend entitlement – never issued)	1,850,000	1,850,000
c) Reserve for own shares		
Cost of treasury shares	1,042,746	2,972,177
Own shares – never issued	1,850,000	1,850,000
Reserve for own shares	2,892,746	4,822,177
4. Other information required by law		
Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a shareholder group in accordance with article 20 BEHG. They hold 54.48 % (2004: 54.75 %) of the voting rights. Kolin Holding AG, Zug, is wholly-owned by the Bossard families.		

Report of the Statutory Auditors

PRICEWATERHOUSECOOPERS

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 27 to 29) of Bossard Holding AG for the year ended December 31, 2005.

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

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

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

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

PricewaterhouseCoopers SA

Bruno Häfliger　　Stefan Bosshard

Zurich, March 3, 2006

Corporate Governance

Organization and Management of the Group

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

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

Organizational Principles, Election to Board of Directors and Terms of Office

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

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

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

Organization and Composition of Board of Directors

On December 31, 2005 the board of directors had six members (see overview on page 32). Since December 2004 no member of the board of directors serves in an executive function. Over the past three years, none of the non-executive members of the board of directors held any line management functions in the company nor did they have any appreciable business connections with the Group. Moreover, there was no cross-involvement of the board with the board of directors of other listed companies.

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

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

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

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

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

The following were members of the board of directors at December 31, 2005:

NAME	FUNCTION	FIRST APPOINTED	CURRENT TERM OF OFFICE ENDS
Dr. Kurt Reichlin	Chairman Member of the Audit Committee Chairman of the NRC	2001	2008
Rolf E. Thurnherr	Deputy Chairman (Bearer shares Representative) Member of the NRC	2003	2008
Edwin Huber	Member (Employee Representative)	1979	2008
Dr. Beat E. Lüthi	Member	2002	2008
Dr. Thomas Schmuckli	Member Chairman of the Audit Committee Member of the NRC	2000	2008
Helen Wetter-Bossard	Member	2002	2008

Dr. Kurt Reichlin was appointed chairman of the board in 2001. He had been a member of the board of directors since 1978. Dr. Kurt Reichlin was a senior partner in the law firm Reichlin & Hess in Zug, Switzerland. Prior to that, from 1958, he served in the Swiss Society of Chemical Industries in the external economic relations sector and, from 1965 to 1975, was employed in a management capacity by Ciba-Geigy. Background: Studied law (LLB and LLD) at the university of Fribourg; practicing lawyer. He serves on the boards of SMEs and Swiss holdings of foreign enterprises (including BASF). He was born on August 14, 1932, and is a Swiss citizen.

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

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

Dr. Beat E. Lüthi was elected to the board at the general meeting of shareholders in 2002. Since March 1, 2003, he has been a Group Management Committee Member of the Mettler Toledo Group and heads its largest division, Laboratory Scales and Analytical Instruments. From 1998 to 2002 he was CEO and delegate of the board of the Feintool Group. From 1990 to 1998 he held a management position at Mettler Toledo. Background: Studied electrical engineering at the Swiss Federal Institute of

Technology (ETH) in Zurich; subsequently PhD at the ETH Center for Enterprise Sciences (then BWI); Senior Management Program at INSEAD, Paris, France. He is a member of the board of directors of Soudronic AG, Bergdietikon, Switzerland. Dr. Beat E. Lüthi was born on January 12, 1962, and is a Swiss citizen.

Dr. Thomas Schmuckli was elected to the board at the general meeting of shareholders in 2000. He served as secretary to the board between 1997 and 2000. As a member of the executive board he has been responsible since September 2005 for Legal Services Corporate Clients of Credit Suisse, Zurich. Between 2000 and 2005 he was head of process, product and project management at the cantonal bank in Zug, Switzerland. Prior to this, he was employed in various group companies of the Credit Suisse Group; first as a lawyer in Bank Leu and subsequently in the commercial sector of Credit Suisse. Background: Studied law (LLB and LLD) at the University of Fribourg; accredited lawyer; management studies at the university of Zurich. He was born on February 4, 1963, and is a Swiss citizen.

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

Powers and Responsibilities

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

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

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

The board of directors ensures that the executive committee establishes an internal control system commensurate with the size, complexity and risk profile of the company. Within the scope of the annual audit, the external auditors examine the effectiveness and adequacy of the internal control system and report annually to the board of directors. There are no plans at present to set up an internal audit function.
The board of directors receives a report on the financial development of the company once a month. This information is based on the internal management information system and, apart from the current and budget data, contains regular forecasts on the basis of current developments and expectations.

Compliance

The board of directors is continually informed on all major matters that touch on the principles of compliance. Additionally, the auditors inform the board of directors on reports received on matters of a legal nature that require attention. An evaluation of such reports received in 2005 brought nothing new to light but, instead, confirmed what was already known.
The ultimate supervision and control of compliance is vested in the board of directors. The board has delegated the necessary activities to the chairman of the board, who also serves as Bossard’s compliance officer.

Other Activities and Functions

Dr. Kurt Reichlin was a senior partner in the law firm Reichlin & Hess in Zug, Switzerland. The company advises Bossard on various legal matters. In 2005, the fees for such services rendered by the company was amounted to CHF 82,000 (2004: CHF 108,000).

Cross-Involvement

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

Executive Committee

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

As at December 31, 2005, the following were members of the executive committee:

NAME	FUNCTION	IN COMPANY SINCE	IN FUNCTION SINCE
David Dean	CEO Group	1992	2005
Stephan Zehnder	CFO	1996	2005
Julius Brun	Chief of Staff	1990	1998
Peter Erlangsen	CEO North and West Europe	1994	1999
Peter Furrer	CEO South and East Europe	1963	1999
Scott W. Mac Meekin	CEO Asia	1995	1996
Peter Vogel	CEO America	1973	1998

David Dean, Group CEO, has held this function since January 15, 2005. Previously he served as chief financial officer, a function he took over in 1998. From 1992 to 1997 he was corporate controller of the Bossard Group. Between 1990 and 1992 he was corporate controller and member of the executive committee of an international logistics group. From 1980 to 1990 he worked for PricewaterhouseCoopers in various auditing and business consulting functions. He is a member of the regional economic advisory board of the Swiss National Bank. Background: Swiss certified accountant/controller, Swiss certified public accountant, PMD Harvard Business School and PeD IMD Lausanne. David Dean was born on April 5, 1959, and is a Swiss citizen.

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

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

Peter Erlangsen has been CEO for the Europe area comprising northern Europe (Scandinavia) and western Europe (France, Spain, Portugal, Poland and the U.K.) since 1999. From 1996 to 1999 he was Managing Director for Bossard France. He joined Bossard in 1994 as vice president for Market Development. Between 1990 and 1994 he worked for Arvid Nilsson Boskin A/S, a Danish fastener trading company, where he became Managing Director. Background: Masters Degree in Economics and Business Administration, Program for Executive Development (PED) and Senior Management Program at IMEDE. He was born on May 24, 1956, and is a Danish citizen.

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

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

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

Management Contracts

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

Compensation, Shareholdings and Loans

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

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

Thus the level of compensation depends noticeably on performance assessment and can vary from year to year according to the targets met. The compensation agreed is intended to reflect the sustainable success of the company and consequently depends on the individual contribution made. Employment contracts with top management must also be market oriented with regard to termination of contract while also protecting the interests of the company. Compensation at top management level is made up of a basic salary and a performance-linked component determined at the employer's discretion. One part of the variable compensation can be paid out in the form of options on shares at market value at the time of payment. These options must not have a share dilution effect on existing shareholders; if necessary, any commitments arising must be covered by the company through the repurchase of shares on the stock market. Compensation in the form of share options is reported in the financial statements under personnel expenses.

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

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

IN CHF	2005	NUMBER OF BENEFICIARIES	2004	NUMBER OF BENEFICIARIES
Members of the board of directors	780,200	6	406,400	6
Members of the executive committee	3,487,114	7	3,905,705	8
Total	4,267,314	**13**	**4,312,105**	**14**

No severance payments were made to members who resigned from the board or the executive committee. The highest total compensation amounted to 2005: CHF 676,600 (2004: CHF 950,774).

Compensation to Former Members of the Board or Executive Committee

None

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

Share Allotment and Share Ownership of the Board and the Executive Committee
No shares were allotted to members of the board or the executive committee as part of their compensation or for other reasons. The registered shares are wholly owned by Kolin Holding AG which, in turn, is wholly owned by the Bossard families.
The members of the board of directors and the executive committee held 32,516 bearer shares at December 31, 2005:

Options
An overview of the options on shares in Bossard Holding AG held by members of the board and executive committee at December 31, 2005:

ALLOTMENT YEAR	2004	2002
Total options	**1,508**	**1,198**
Subscription ratio	1:1	1:1
Exercise price	52.00	48.75
Expiration	2008	2006

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

Loans to Members of the Board of Directors or the Executive Committee
One member of the executive committee has been granted an interest-free loan in the amount of CHF 300,000 to cover relocation costs arising from the business-related change of domicile.

Auditors
PricewaterhouseCoopers AG, Zurich, has been the statutory auditor for Bossard Holding AG since 1986 and also serves as Group auditor. The company has been elected up to the general meeting of shareholders in 2005, where it will be proposed that its mandate be renewed for a further year. The lead audit partner is Bruno Häfliger, Swiss certified public accountant. He has been responsible for this auditing mandate since 2003.
Apart from its audit and support in tax issues, PricewaterhouseCoopers did not provide any major consulting or other services in the past year.
The total audit fees for 2005 amounted to CHF 510,000 (2004: CHF 590,000). Apart from these fees, additional services performed (primarily tax advice) were charged in the amount of CHF 46,500 (2004: CHF 42,000).
The audit committee of the board of directors annually evaluates the activities of the audit company. Its evaluation is based on experience of working together with the auditors and the auditing company’s own quality assurance measures with regard to this mandate. It also ascertains that the lead audit partner meets the legal requirements concerning professional qualification and independence.

Principles of Disclosure and Information Policy

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

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

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

Information Policy

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

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

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

All publications can be ordered at any time via e-mail at investor@bossard.com or from Bossard Holding AG, Investor Relations, Steinhauserstrasse 70, CH-6300 Zug.

Shareholders' Participation Rights

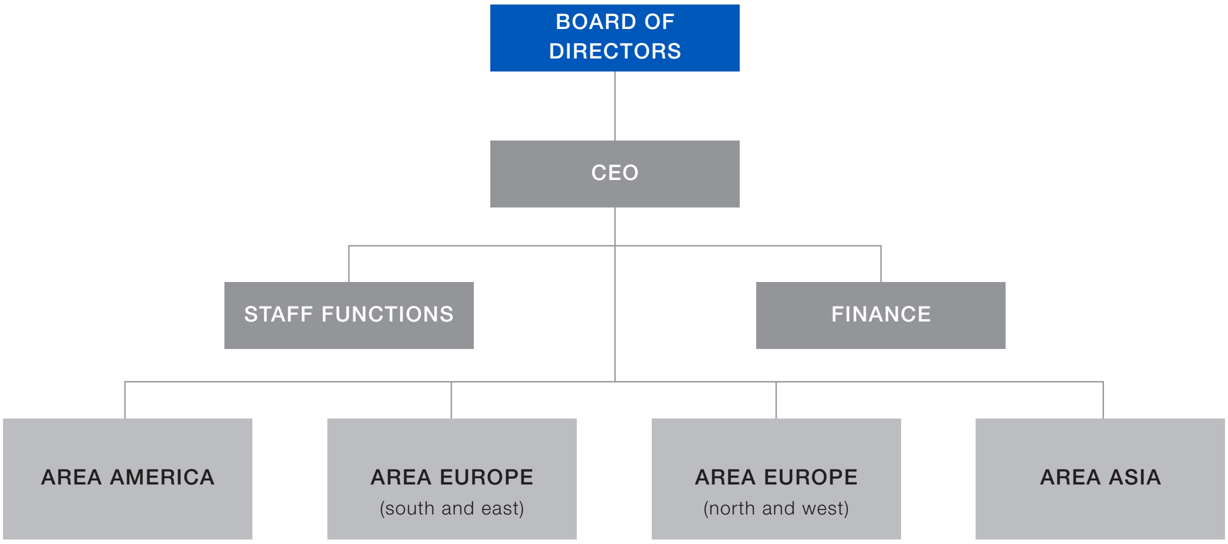
Bossard's aim is to make it easy for its shareholders to exercise their legal and statutory rights. Detailed information is available on the Internet under www.bossard.com.

Group Structure and Shareholders

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

Bossard's generates its entire sales revenues in the industrial fastening sector. Business operations are spread over some 75 locations in major industrial centers worldwide. Thus the group's management structure is oriented geographically.

Operational Group Structure



Major Shareholders

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a group of shareholders as defined in art. 20 of SESTA (Swiss Federal Act on Stock Exchanges and Securities Trading). They hold 54.48 % (2004: 54.75 %) of total voting rights or 25.40 % (2004: 26.28 %) of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.
No further shareholders are subject to the obligation to notify as none hold more than 5 % of the voting rights.

Cross-shareholdings

There are no cross-shareholdings in other companies.

Capital Structure

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

IN CHF MILLION	2005	2004
Bearer shares at CHF 10 par capital stock	26.6	26.6
Registered shares at CHF 2 par capital stock	5.4	5.4
Total share capital	**32.0**	**32.0**

NUMBER IN 1,000	2005	2004
Bearer shares issued	2,660	2,660
Registered shares issued	2,700	2,700
Total shares issued	**5,360**	**5,360**
Bearer shares entitled to dividend	2,452	2,409
Registered shares entitled to dividend	2,700	2,700
Bearer shares equivalents, entitled to dividend at Dec. 31	**2,992**	**2,949**

Only bearer shares are listed on the SWX Swiss Exchange. The registered shares are wholly owned by Kolin Holding AG. Of the ordinary share capital, 208,239 bearer shares at CHF 10 par are held by Bossard Holding AG. 185,000 of these have been held since the increase in the share capital in 1989 but were never listed and in effect can be viewed as authorized but not issued capital. The remaining own shares were repurchased from the stock exchange and serve to hedge commitments from the employee share option program.

Authorized and Unissued Share Capital

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

Changes in Company Equity

IN CHF	SHARE CAPITAL	GENERAL RESERVES	RESERVES FOR OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	TOTAL
Balance at Jan. 1, 2003	32,000,000	16,000,000	7,237,577	26,870,911	4,761,981	86,870,469
Net income					4,477,274	4,477,274
Dividends					–2,314,524	–2,314,524
Changes in reserves			–1,652,484	1,652,484		–
Balance at Dec. 31, 2003	**32,000,000**	**16,000,000**	**5,585,093**	**28,523,395**	**6,924,731**	**89,033,219**
Net income					9,194,522	9,194,522
Dividends					–2,345,408	–2,345,408
Changes in reserves			–762,916	762,916		–
Balance at Dec. 31, 2004	**32,000,000**	**16,000,000**	**4,822,177**	**29,286,311**	**13,773,845**	**95,882,333**
Net income					6,454,715	6,454,715
Dividends					–5,385,170	–5,385,170
Changes in reserves			–1,929,431	1,929,431		–
Balance at Dec. 31, 2005	**32,000,000**	**16,000,000**	**2,892,746**	**31,215,742**	**14,843,390**	**96,951,878**

Bonus Certificates

The company has issued no bonus certificates.

Conditions Governing the Transferability of Shares

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

Convertible Bonds and Options

Currently, the Group has no convertible bonds outstanding. The following options on shares were issued by Bossard Holding AG within the scope of its employee share option program (see 18 in the notes to the consolidated financial statements). Status at December 31, 2005:

ALLOTMENT YEAR	EXPIRATION	NUMBER	EXERCISE PRICE	SUBSCRIPTION RATIO
2002	2006	1,198	48.75	1:1
2004	2008	1,508	52.00	1:1
Total		**2,706**		

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

Investor Information

	2005	2004	2003	2002	2001 [1]
Share capital					
Baerer shares at CHF 10 par					
Capital stock in CHF 1,000	26,600	26,600	26,600	26,600	26,600
Number of shares issued	2,660,000	2,660,000	2,660,000	2,660,000	2,660,000
Number of shares entitled to dividend	2,451,761	2,408,761	2,391,758	2,349,608	2,404,906
Registered shares at CHF 2 par					
Capital stock in CHF 1,000	5,400	5,400	5,400	5,400	5,400
Number of shares issued	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Number of shares entitled to dividend	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Baerer shares equivalents, entitled do dividend at Dec. 31	2,991,761	2,948,761	2,931,758	2,889,608	2,944,906
Market price					
Ticker-Symbole (BOSZ/BOS)					
Volume traded (Daily average)	2,275	3,853	3,700	2,532	2,070
Closing price at Dec. 31	80.0	70.0	55.0	31.0	30.0
Baerer share high in CHF	86.3	75.0	55.5	43.8	75.0
Baerer share low in CHF	66.9	51.5	26.3	28.0	24.0
Dividend per share					
Baerer share in CHF	2.3 [2]	1.8	0.8	0.8	–
Registered share in CHF	0.46 [2]	0.36	0.16	0.16	–
In % of share capital	23.0 [5]	18.0	8.0	8.0	–
Dividend yield (Basis: Price at Dec. 31)	2.9%	2.6%	1.5%	2.6%	–
Earnings per share [3]					
Baerer share in CHF	6.57	5.99	3.16	3.14	–3.89
Registered share in CHF	1.31	1.20	0.63	0.63	–0.78
Cash flow per share [3]					
Baerer share in CHF	10.54	9.66	6.95	7.26	0.71
Registered share in CHF	2.11	1.93	1.39	1.45	0.14
Price/earnings ratio (Basis: Price at Dec. 31)	12.2	11.7	17.4	9.9	–7.7
Net worth per share [4]					
Baerer share in CHF	56.6	49.9	47.4	46.8	45.8
Registered share in CHF	11.3	10.0	9.5	9.4	9.2
Market capitalization (Basis: Price at Dec. 31)					
In CHF million [4]	239	206	161	90	88
In % of shareholders' equity	141.4	140.1	116.0	66.2	65.5

1) Share split 1:10 in 2001; prior years have been adjusted accordingly
2) Proposal to annual general meeting
3) Basis: average number of outstanding shares entitled to dividend
4) Basis: number of outstanding shares entitled to dividend at year-end
5) 19% dividend plus 4% jubilee dividend has been declared

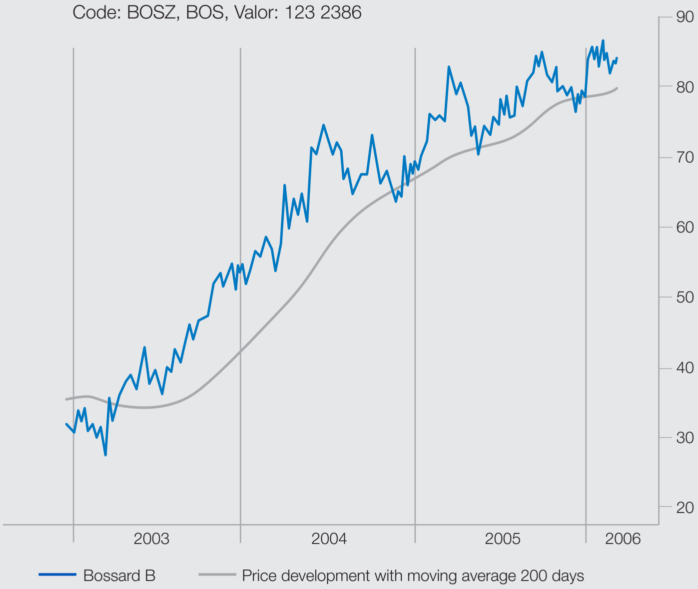
The articles for incorporation do not include any provisions for opting out or opting up.

IN CHF MILLION		2005	2004	2003	2002	2001
Economic Value Added Analyse						
Gross Sales		514.9	497.3	433.4	449.7	507.6
Earnings before interest and taxes (EBIT)		31.1	27.2	15.9	18.4	5.9
Effective tax rate in %		21.0	20.7	23.5	14.1	–5.1
Net operating profit after tax (NOPAT)		**24.6**	**21.5**	**12.1**	**15.8**	**6.2**
Equity		169.3	147.3	139.0	135.2	134.9
Gross financial debt		133.2	110.9	109.6	127.8	165.2
Less cash at banks and marketable securities		10.0	6.8	5.9	7.1	4.3
Capital employed (Year end)		292.5	251.4	242.7	255.9	295.8
Average annual capital employed	**(1)**	**272.0**	**247.1**	**249.3**	**275.9**	**304.5**
Return on average capital employed (ROCE) in %		**9.0**	**8.7**	**4.9**	**5.7**	**2.0**
Cost of financial debt in %						
Average cost of financial debt		3.7	3.6	3.9	4.3	4.9
Less effective tax		21.0	20.7	23.5	14.1	–5.1
Cost of financial debt after tax		2.9	2.9	3.0	3.7	5.1
Cost of equity in %						
Risk free rate						
(Basis: Yearly average of yield Swiss government bond)		2.0	2.7	2.6	3.2	3.7
Risk premium		5.5	5.5	5.5	5.5	5.5
Cost of equity		7.5	8.2	8.1	8.7	9.2
Equity of total assets		43.7	42.7	42.4	40.0	35.4
Weighted average cost of capital (WACC) in %		**4.6**	**4.7**	**5.1**	**5.7**	**6.4**
Economic profit in % (ROCE – WACC)	(2)	4.4	4.0	–0.2	0.0	–4.4
Economic profit in CHF Million	**(1) (2)**	**12.0**	**9.8**	**–0.5**	**0.0**	**–13.4**

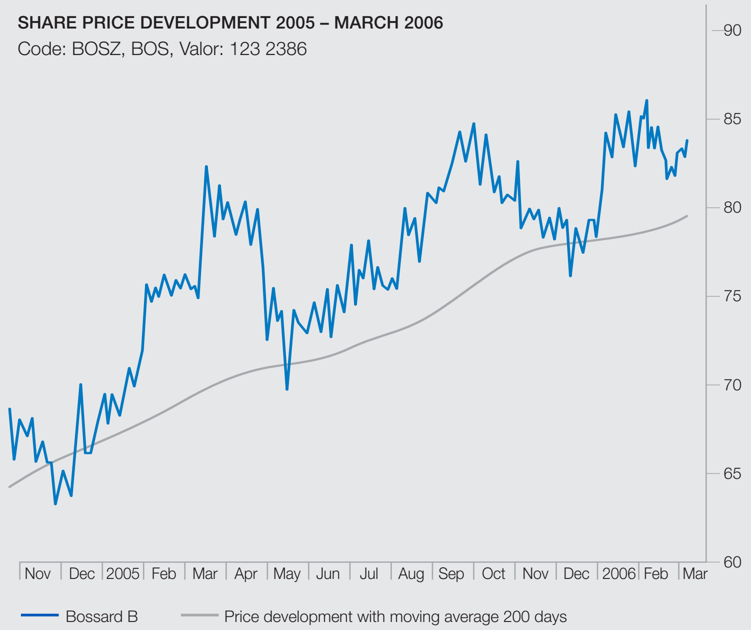
IN CHF MILLION	2005	2004	2003	2002	2001
Economic Book Value (EBV)					
Market value added (Economic profit/WACC)	260.9	208.5	–9.8	0.0	NA
Capital employed	292.5	251.4	240.8	254.6	NA
Implied enterprise value	553.4	459.9	231.0	254.6	NA
Less gross financial debt	133.2	110.9	109.6	127.8	NA
Add cash at banks and marketable securities	10.0	6.8	5.9	7.1	NA
Economic book value at Dec. 31	**430.2**	**355.8**	**127.3**	**133.9**	**NA**
Market valuation and key ratios					
Share price at Dec. 31 in CHF	80.0	70.0	55.0	31.0	30.0
Market capitalization	239.3	206.4	161.2	89.6	88.3
Net financial debt	123.2	104.1	103.7	120.7	160.9
Enterprise value (EV)	**362.5**	**310.5**	**264.9**	**210.3**	**249.2**
EV in % of gross sales	70.4	62.4	61.1	46.8	49.1
EV / EBITDA	8.7	7.7	8.9	6.3	11.0
EV / EBIT	11.6	11.4	16.7	11.4	42.2
EV / NOPAT	14.7	14.4	21.9	13.3	40.2
Price/book value per share	1.4	1.4	1.2	0.7	0.7
Return on equity in %	13.2	12.7	6.9	7.1	–7.7

NOPAT Net operating profit after taxes
ROCE Return on capital employed
WACC Weighted average cost of capital
EV Enterprise value

SHARE PRICE DEVELOPMENT 2003 – MARCH 2006
Code: BOSZ, BOS, Valor: 123 2386



SHARE PRICE DEVELOPMENT 2005 – MARCH 2006
Code: BOSZ, BOS, Valor: 123 2386



Important Dates

April 19, 2006	Annual General Meeting
June 6, 2006	Interim Report 1st four months 2006
October 3, 2006	Interim Report 2nd four months 2006
January 30, 2007	First Results 2006

Board of Directors and Management

Board of Directors of Bossard Holding AG

Dr. Kurt Reichlin, Zug; Chairman
Rolf E. Thurnherr, Lieli; Deputy Chairman
Edwin Huber, Zug; Employee Representative
Dr. Beat E. Lüthi, Zurich
Dr. Thomas Schmuckli, Cham
Helen Wetter-Bossard, Zug

Executive Committee

David Dean, Volketswil; CEO
Stephan Zehnder, Baar; CFO
Julius Brun, Lucerne; Chief of Staff
Peter Erlangsen, Walchwil; CEO North and West Europe
Peter Furrer, Cham; CEO South and East Europe
Scott W. Mac Meekin, SG-Singapore; CEO Asia
Peter Vogel, US-Rye NH; CEO America

Auditors

PricewaterhouseCoopers AG, Zurich

Status: March 2006

Annual Report 2005

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

Dieser Geschäftsbericht ist auch in deutscher Sprache erhältlich und im Internet
unter www.bossard.com zu beziehen.

Globalization of Coffee Consumption
In the past few years coffee consumption worldwide has increased rapidly. To meet this demand modern high-performance coffee machines provide up to 400 cups of this stimulating beverage per hour. Design, efficiency and quality are just as important as capacity. Multifunctional fastening elements, jointly developed by the customer and Bossard, create new, reliable and rational solutions.

More Room in the Galley
Today shipbuilders face a real challenge: The market is calling for boats which allow a comfortable life at sea but still ensure high sailing performance together with optimal safety. Fastening elements by Bossard with high stability and resistance against corrosion can withstand wind, water and weather, and thus meet the very highest quality standards for seaworthiness.

No Progress without Measuring Instruments
Highly sophisticated precision instruments are required for really accurate weighing, measuring and recording. Their electronic and mechanical components work on the basis of continuous, interactive contact. Special articles with features well beyond recognized standards are used daily in the service of research and development. Additionally, Bossard supplies a logistics concept to manage C parts efficiently.

Farmers are Stepping on the Gas
The volume of horsepower on fields throughout the world is growing visibly. More and more farmers are using bigger machines with better performance. Durable and firm fastenings are essential to guarantee such performance. Bossard's sophisticated logistics not only supplies manufacturers with C parts, but also makes a decisive contribution to maintaining Bossard's worldwide service.

More Speed, more Performance, and Punctual
Distances of up to ten times the circumference of the earth per year, extreme weather conditions, high acceleration and stopping power, and a haulage weight of up to 2,200 gross registered tons: These are the stresses and strains to which trains are exposed. Consequently, the highest demands are made on the countless fastening elements by Bossard used in a train – for the safety and comfort of the passengers.

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