

# FINANCIAL REPORT

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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
<b>Assets</b>			
<b>Current assets</b>			
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
		<b>438,864</b>	<b>385,578</b>
<b>Non-current assets</b>			
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
		<b>165,230</b>	<b>154,180</b>
<b>Total assets</b>		<b>604,094</b>	<b>539,758</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
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
		<b>188,494</b>	<b>164,672</b>
<b>Non-current liabilities</b>			
Long-term debts	14	89,821	98,299
Provisions	12	7,721	7,671
Deferred tax liabilities	10	8,408	5,154
		<b>105,950</b>	<b>111,124</b>
<b>Total liabilities</b>		<b>294,444</b>	<b>275,796</b>
<b>Shareholders' equity</b>			
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
		<b>307,668</b>	<b>262,487</b>
Non-controlling interest		1,982	1,475
<b>Total shareholders' equity</b>		<b>309,650</b>	<b>263,962</b>
<b>Total liabilities and shareholders' equity</b>		<b>604,094</b>	<b>539,758</b>

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
<b>Gross profit</b>		<b>275,768</b>	<b>253,151</b>
Selling expenses		114,202	102,290
Administrative expenses		52,745	53,813
<b>EBIT</b>		<b>108,821</b>	<b>97,048</b>
Financial result	21	4,593	4,030
<b>Ordinary result</b>		<b>104,228</b>	<b>93,018</b>
Non-operating result	7	0	6,249
<b>Income before taxes</b>		<b>104,228</b>	<b>99,267</b>
Income taxes	10	18,818	19,074
<b>Net income</b>		<b>85,410</b>	<b>80,193</b>
<b>Attributable to:</b>			
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 <sup>1)</sup>	22	10.95	10.33
Earnings per registered B share <sup>1)</sup>	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
<b>Balance at December 31, 2017</b>	<b>40,000</b>	<b>-3,697</b>	<b>63,084</b>	<b>238,433</b>	<b>-75,333</b>	<b>262,487</b>	<b>1,475</b>	<b>263,962</b>
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
<b>Balance at December 31, 2018</b>	<b>40,000</b>	<b>-2,882</b>	<b>62,219</b>	<b>288,483</b>	<b>-80,152</b>	<b>307,668</b>	<b>1,982</b>	<b>309,650</b>

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
<b>Cash flow from operating activities before changes in net working capital</b>		<b>102,254</b>	<b>92,791</b>
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
<b>Cash flow from operating activities</b>		<b>58,880</b>	<b>77,243</b>
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
<b>Cash flow from investing activities</b>		<b>-29,646</b>	<b>-15,451</b>
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
<b>Cash flow from financing activities</b>		<b>-16,738</b>	<b>-64,310</b>
Translation differences		-464	575
<b>Change in cash and cash equivalents</b>		<b>12,032</b>	<b>-1,943</b>
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:

<b>Buildings</b>	30–40 years
<b>Machinery and equipment</b>	5–20 years
<b>Office machines and furniture</b>	3–10 years
<b>Vehicles</b>	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
<b>Total</b>	<b>32,600</b>		<b>20,568</b>	

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
<b>Accounts receivable, trade gross</b>	<b>142,304</b>	<b>139,376</b>
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
<b>Notes receivable</b>	<b>3,058</b>	<b>2,594</b>
<b>Allowance for bad debts</b>		
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
<b>Total</b>	<b>141,190</b>	<b>138,161</b>

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
<b>Total</b>	<b>251,413</b>	<b>215,200</b>
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
<b>Cost</b>					
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
<b>Balance at Dec. 31, 2018</b>	<b>83</b>	<b>127,089</b>	<b>117,234</b>	<b>9,391</b>	<b>253,797</b>
<b>Accumulated depreciation</b>					
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
<b>Balance at Dec. 31, 2018</b>	<b>0</b>	<b>52,911</b>	<b>78,500</b>	<b>4,526</b>	<b>135,937</b>
<b>Net book value</b>	<b>83</b>	<b>74,178</b>	<b>38,734</b>	<b>4,865</b>	<b>117,860</b>

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
<b>Cost</b>					
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
<b>Balance at Dec. 31, 2017</b>	<b>69</b>	<b>123,795</b>	<b>111,601</b>	<b>8,835</b>	<b>244,300</b>
<b>Accumulated depreciation</b>					
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
<b>Balance at Dec. 31, 2017</b>	<b>0</b>	<b>50,005</b>	<b>75,135</b>	<b>4,206</b>	<b>129,346</b>
<b>Net book value</b>	<b>69</b>	<b>73,790</b>	<b>36,466</b>	<b>4,629</b>	<b>114,954</b>

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
<b>Cost</b>				
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
<b>Balance at Dec. 31, 2018</b>	<b>20,546</b>	<b>31,281</b>	<b>427</b>	<b>52,254</b>
<b>Accumulated amortization</b>				
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
<b>Balance at Dec. 31, 2018</b>	<b>0</b>	<b>25,140</b>	<b>356</b>	<b>25,496</b>
<b>Net book value</b>	<b>20,546</b>	<b>6,141</b>	<b>71</b>	<b>26,758</b>

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
<b>Cost</b>				
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
<b>Balance at Dec. 31, 2017</b>	<b>14,641</b>	<b>30,552</b>	<b>427</b>	<b>45,620</b>
<b>Accumulated amortization</b>				
Balance at Jan. 1, 2017	-	22,819	272	23,091
Amortization	-	1,658	41	1,699
Disposals	-	-192	-	-192
Translation differences	-	460	-	460
<b>Balance at Dec. 31, 2017</b>	<b>0</b>	<b>24,745</b>	<b>313</b>	<b>25,058</b>
<b>Net book value</b>	<b>14,641</b>	<b>5,807</b>	<b>114</b>	<b>20,562</b>

## 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	
<b>Total</b>	<b>3,939</b>		<b>4,039</b>	

## 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
<b>Total</b>	<b>18,818</b>	<b>19,074</b>

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

in %	2018	2017
<b>Group's average tax rate</b>	<b>21.6</b>	<b>26.5</b>
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
<b>Effective tax rate</b>	<b>18.1</b>	<b>19.2</b>

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

The deferred taxes consist of the following:

in CHF 1,000	Assets 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
<b>Total deferred taxes</b>	<b>16,673</b>	<b>8,408</b>	<b>14,625</b>	<b>5,154</b>
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	<b>17,835</b>
2017	0	21,337	<b>21,337</b>

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
<b>Total</b>	<b>59,593</b>	<b>59,351</b>

## 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
<b>Balance at Dec. 31, 2018</b>	<b>4,432</b>	<b>439</b>	<b>3,903</b>	<b>8,774</b>
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
<b>Balance at Dec. 31, 2017</b>	<b>3,582</b>	<b>958</b>	<b>3,882</b>	<b>8,422</b>
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
<b>Total</b>	<b>72,941</b>		<b>46,292</b>	

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	-	-
<b>Total</b>	<b>89,821</b>		<b>98,299</b>	

### 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
<b>Total</b>			<b>40,000</b>

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
<b>Balance at Dec. 31: 377,433 shares (2017: 385,291 shares)</b>	<b>2,881,522</b>	<b>3,697,091</b>

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
<b>Net sales</b>	<b>493.0</b>	<b>444.9</b>	<b>240.9</b>	<b>220.3</b>	<b>137.2</b>	<b>121.0</b>	<b>871.1</b>	<b>786.2</b>

## 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
<b>Total</b>	<b>176,483</b>	<b>164,102</b>

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
<b>Balance at Dec. 31: Number of RSUs outstanding</b>	<b>42,812</b>	<b>53,023</b>

## 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
<b>Total</b>	<b>28,102</b>	<b>24,682</b>

## Financial result (21)

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

## Earnings per share (22)

	2018	2017
Net income in CHF 1,000	83,441	78,499
Average number of shares entitled to dividend <sup>1)</sup>	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
<b>Net assets</b>	<b>1,929</b>
Non-controlling interest	-32
<b>Net assets acquired</b>	<b>1,897</b>
Goodwill	1,384
Total	3,281
Less acquired cash and cash equivalents	-66
Less purchase price not yet paid	-191
<b>Cash flow from acquisition</b>	<b>3,024</b>

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
<b>Net assets</b>	<b>-4,910</b>
Non-controlling interest	-3,977
<b>Net assets acquired</b>	<b>-933</b>

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
<b>Net assets acquired</b>	<b>114</b>
Goodwill	1,446
Total	1,560
Less purchase price not yet paid	-234
<b>Cash flow from acquisition</b>	<b>1,326</b>

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
<b>Equity incl. non-controlling interest</b>	<b>309,650</b>	<b>263,962</b>
Equity ratio	51.3%	48.9%
<b>Cost</b>		
Balance at Jan. 1	246,971	246,264
Additions	1,384	707
<b>Balance at Dec. 31</b>	<b>248,355</b>	<b>246,971</b>
<b>Amortization over 5 years</b>		
Balance at Jan. 1	214,810	169,912
Amortization	13,133	44,898
<b>Balance at Dec. 31</b>	<b>227,943</b>	<b>214,810</b>
<b>Theoretical net book value goodwill as per Dec. 31</b>	<b>20,412</b>	<b>32,161</b>
<b>Theoretical equity incl. non-controlling interest and net book value goodwill</b>	<b>330,062</b>	<b>296,123</b>
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
<b>EBIT incl. theoretical amortization goodwill</b>	<b>95,688</b>	<b>52,150</b>

## 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
<b>Total</b>	<b>2,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,291</b>	<b>9,291</b>	<b>10,061</b>

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)	-	-
<b>Total contributions</b>	<b>9,291</b>	<b>10,061</b>
Changes in ECR from asset development, value adjustments, discounting, interest, etc.	-	-
<b>Contributions and changes in employer contribution reserve</b>	<b>9,291</b>	<b>10,061</b>
Changes in economic benefit of the company from surplus	-	-
Changes in economic obligations of the company from deficit	-	-
<b>Total changes of economic impact through surplus/deficit</b>	<b>-</b>	<b>-</b>
<b>Pension plan expenses in personnel expenses</b>	<b>9,291</b>	<b>10,061</b>

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

## Participations by the board of directors and the executive committee (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
<b>Board of directors</b>			
Dr. Thomas Schmuckli	Chairman, chairman NC <sup>1)</sup> , ARCC <sup>2)</sup>	13,981	13,825
Anton Lauber	Deputy chairman, NC, CC <sup>3)</sup>	6,783	7,083
Dr. René Cotting	Chairman ARCC	1,500	1,300
Martin Kühn <sup>4)</sup>	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 <sup>5)</sup>		-	23,103
<b>Total</b>		<b>28,848</b>	<b>53,167</b>

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
<b>Total</b>		<b>70,169</b>	<b>66,794</b>

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
<b>Total</b>		<b>11,589</b>	<b>14,242</b>

## 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
<b>Total</b>	<b>17,177</b>	<b>7,237</b>

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
<b>Holding and finance companies</b>					
Switzerland	Bossard Holding AG	Zug	CHF	40,000	100
	Bossard Finance AG	Zug	CHF	100	100
Germany	Bossard-KVT Beteiligungs GmbH	Illerrieden	EUR	25	100
	KVT-Fastening Beteiligungs GmbH	Illerrieden	EUR	25	100
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
<b>Europe</b>					
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
<b>America</b>					
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
<b>Asia/Oceania</b>					
Singapore	Bossard Pte. Ltd	Singapore	SGD	42,600	100
India	LPS Bossard Pvt. Ltd	Rohtak	INR	48,000	51
China	Bossard Industrial Fasteners 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.

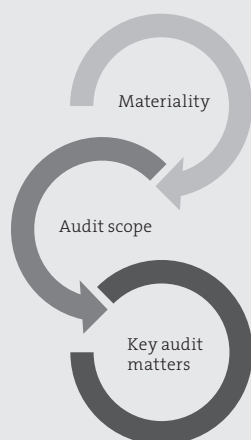
### Basis for opinion

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.

<b>Overall Group materiality</b>	CHF 5,200,000
<b>How we determined it</b>	5% of profit before tax
<b>Rationale for the materiality benchmark applied</b>	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"><li>– 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.</li><li>– We noted that the method for determining write-downs of inventories was applied consistently.</li><li>– 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.</li><li>– We tested on a sample basis the computational accuracy and completeness of the calculation of the write-downs.</li><li>– We discussed with Management and the Audit, Risk &amp; Compliance Committee the results of our work and any movements in the write-downs.</li></ul> <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
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,031,398	652,249
Other receivables	1	1,648,976	1,522,233
Prepaid expenses		74,745	91,679
		<b>3,755,119</b>	<b>2,266,161</b>
<b>Non-current assets</b>			
Financial assets	2	12,482,064	10,498,379
Investments	3	118,023,215	118,023,215
		<b>130,505,279</b>	<b>128,521,594</b>
<b>Total assets</b>		<b>134,260,398</b>	<b>130,787,755</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Other current liabilities	5	9,879	31,623
Accrued expenses		1,058,342	1,099,177
		<b>1,068,221</b>	<b>1,130,800</b>
<b>Total liabilities</b>		<b>1,068,221</b>	<b>1,130,800</b>
<b>Shareholders' equity</b>			
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
<b>Total shareholders' equity</b>		<b>133,192,177</b>	<b>129,656,955</b>
<b>Total liabilities and shareholders' equity</b>		<b>134,260,398</b>	<b>130,787,755</b>

# BOSSARD HOLDING AG

## Income statement

in CHF	2018	2017
<b>Income</b>		
Dividend income	35,000,000	25,000,000
Other operating income	300,000	300,000
<b>Expenses</b>		
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
<b>Income before taxes</b>	<b>34,818,760</b>	<b>25,705,138</b>
Taxes	91,970	148,200
<b>Net income</b>	<b>34,726,790</b>	<b>25,556,938</b>

# 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
<b>1. Other receivables</b>		
To third parties	-	62
To subsidiaries	1,648,976	1,522,171
<b>Total</b>	<b>1,648,976</b>	<b>1,522,233</b>
<b>2. Financial assets</b>		
To subsidiaries	12,482,064	10,498,379
<b>Total</b>	<b>12,482,064</b>	<b>10,498,379</b>

### 3. Investments

Name, legal form, registered office	2018		2017	
	Capital	Votes	Capital	Votes
<b>Direct investments</b>				
Bossard Finance AG, Zug	100 %	100 %	100 %	100 %
<b>Indirect investments</b>				
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
<b>Balance at December 31</b>	<b>377,433</b>	<b>2,881,522</b>	<b>385,291</b>	<b>3,697,091</b>

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
<b>Total</b>	<b>9,879</b>	<b>31,623</b>

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
<b>Retained earnings at the end of the year</b>	<b>39,818,401</b>	<b>37,098,748</b>

## Statement of changes in capital contribution reserve

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

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 <sup>2)</sup>	-34,301,552
<b>To be carried forward</b>	<b>5,516,849</b>

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.

<b>Overall materiality</b>	CHF 1,300,000
<b>How we determined it</b>	1 % of shareholder's equity
<b>Rationale for the materiality benchmark applied</b>	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
<b>Share capital</b>					
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
<b>Market price</b>					
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
<b>Dividend per share</b>					
Registered A share in CHF	4.50 <sup>1)</sup>	4.20	3.30	3.00	3.00
Registered B share in CHF	0.90 <sup>1)</sup>	0.84	0.66	0.60	0.60
in % of share capital	90.0	84.0	66.0	60.0	60.0
<b>Dividend yield in % (Basis: price at Dec. 31)</b>	3.2	1.8	2.3	2.7	2.7
<b>Earnings per share <sup>2) 5)</sup></b>					
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
<b>Cash flow per share <sup>2) 4)</sup></b>					
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
<b>Price/Earnings ratio (Basis: price at Dec. 31)</b>	12.8	22.3	17.8	15.6	14.6
<b>Net worth per share <sup>3)</sup></b>					
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
<b>Market capitalization (Basis: price at Dec. 31)</b>					
in CHF million <sup>3)</sup>	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
<b>Economic value added analysis</b>					
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
<b>Net operating profit after tax (NOPAT)</b>	<b>89.2</b>	<b>78.4</b>	<b>64.7</b>	<b>56.5</b>	<b>59.7</b>
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
<b>Average annual capital employed (A)</b>	<b>414.0</b>	<b>377.2</b>	<b>350.2</b>	<b>321.3</b>	<b>288.5</b>
<b>Return on average capital employed in % (ROCE)</b>	<b>21.5</b>	<b>20.8</b>	<b>18.5</b>	<b>17.6</b>	<b>20.7</b>
<b>Cost of financial debt in %</b>					
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
<b>Cost of equity in %</b>					
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
<b>Weighted average cost of capital in % (WACC)</b>	<b>3.3</b>	<b>3.2</b>	<b>2.9</b>	<b>3.0</b>	<b>3.8</b>
Economic profit in % (ROCE – WACC) (B)	18.2	17.6	15.6	14.6	16.9
<b>Economic profit in CHF million (A) * (B)</b>	<b>75.3</b>	<b>66.3</b>	<b>54.7</b>	<b>47.1</b>	<b>48.9</b>

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

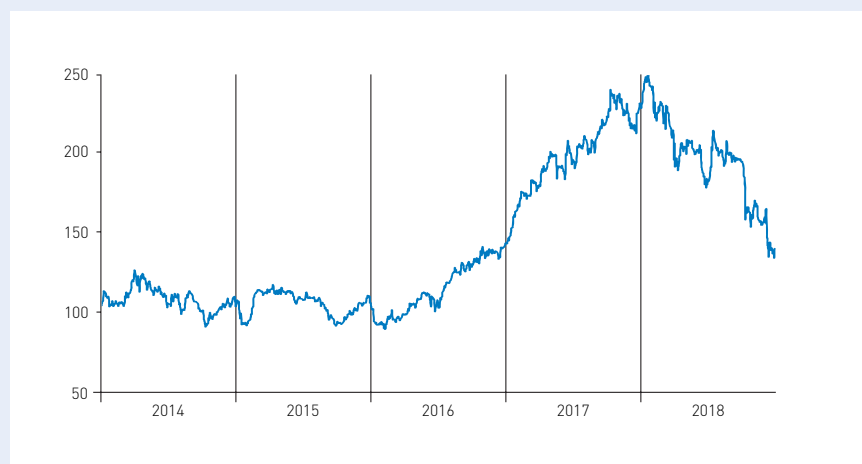
The articles of association do not include any provisions for opting-out or opting-up.

in CHF million	2018	2017	2016	2015	2014
<b>Economic book value (EBV)</b>					
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
<b>Economic book value at Dec. 31</b>	<b>2,581.6</b>	<b>2,313.6</b>	<b>2,113.2</b>	<b>1,779.9</b>	<b>1,507.9</b>
<b>Market valuation and key ratios</b>					
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
<b>Enterprise value (EV)</b>	<b>1,195.8</b>	<b>1,875.4</b>	<b>1,247.2</b>	<b>974.3</b>	<b>923.9</b>
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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