

REPORT TO THE SHAREHOLDERS

Consistency leads to new record results

Dear Shareholders,

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

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

Broad-based growth

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

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

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

Opening up future markets

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

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

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

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



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

Change in the top management of the Group

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

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

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

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

On a promising course

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

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

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



Dr. Thomas Schmuckli
Chairman of the
board of directors

David Dean
CEO

Zug, February 22, 2019