FINANCIAL REPORT

FINANCIAL REVIEW 2017

All-time highs – record-breaking profitability

The Bossard Group can look back on another very successful fiscal year: Sales, EBIT and net income rose significantly, setting new record highs. Sales grew by 13.1 percent over the previous year to CHF 786.2 million. All market regions contributed to this remarkable performance with double-digit growth rates. EBIT rose by 23.6 percent to CHF 97.0 million while the EBIT margin climbed from 11.3 percent to a record-high of 12.3 percent, pushing it well above the industry average. Net income also improved markedly, growing no less than 28.4 percent to CHF 80.2 million. Overall, not only did we post a high level of growth in 2017, we were also able to further consolidate our above-average profitability.

In Europe, sales increased by 10.8 percent to CHF 444.9 million. Growth was increasingly dynamic in the second half of the year, particularly in the markets of Eastern and Southern Europe where growth climbed into the double digits. We see this as confirmation of our investment policy of the previous years, through which we have been able to consolidate our market shares. Another factor in our strong performance was our constantly expanding range of services that help our customers improve efficiency and productivity. Last but not least, we also benefited from an increasingly dynamic economic cycle.

Positive development in America

Sales in America rose by 18.4 percent to CHF 220.3 million. This increase is due to both organic and acquisition-driven growth. Our two major US customers played a key role in organic growth. Our cooperation with the largest US electric vehicle manufacturer showed gratifying development. It should be noted that this customer launched production of a new model in the third quarter of 2017. Sales to our second major customer in the USA, a company active in the agricultural technology sector, also increased significantly. Furthermore, our America business enjoyed a growth spurt from Arnold Industries, which we acquired as per September 2016.

Dynamic development in Asia

Demand for our products and services grew in Asia as well. Sales in this region of the world rose by 12.8 percent to CHF 121.0 million. In China, our most important market in Asia, as well as in Taiwan, Malaysia, Thailand and Australia, we achieved double-digit growth rates.

Gross profit growing substantially

The striking growth in sales helped boost gross profit by 15.3 percent to CHF 253.2 million. The increased profitability is also reflected in the rise in the gross profit margin from 31.6 percent to 32.2 percent. Selling and administrative expenses rose by 10.6 percent to CHF 156.1 million. Some of those costs came from the acquisition of Arnold Industries, which was consolidated for the first time over the entire 2017 fiscal year. We also continued to invest in expanding the organization and our logistics and engineering services, which led to an increase in the number of employees from 2,180 to 2,290.

Marked increase in EBIT

The Bossard Group's profitable growth is clearly reflected in the development of EBIT, which rose by 23.6 percent to a record high of CHF 97.0 million. The fact that all three market regions contributed to this above-average performance is particularly gratifying. The EBIT margin rose from 11.3 percent in the previous year to 12.3 percent, breaking yet another record.

Financial expenses increased by CHF 1.2 million to CHF 4.0 million. These additional costs can be attributed to lower interest and securities revenue as well as foreign currency valuations. The jump in profit of the Bossard Group also resulted in a higher tax burden, which grew from CHF 13.3 million to CHF 19.1 million. The tax quote rose from 17.5 percent to 19.2 percent, partly due to the lower use of loss carryforwards compared to last year.

Substantial dividend growth

Net income rose a remarkable 28.4 percent to CHF 80.2 million. This figure includes a non-operating result of CHF 4.5 million net from the real-estate sale of our former location in Austria. The return on sales climbed from 9.0 percent to 10.2 percent. Adjusted for the non-operating result the return was still at a record-high of 9.6 percent. Our dividend policy, which stipulates a payout ratio of 40 percent of net income, results in a considerable boost in dividends. At the annual general meeting of shareholders, the board of directors will propose a dividend of CHF 4.20 per registered A share – a healthy increase of 27.3 percent over the previous year.

Solid balance sheet structure

Bossard's marked growth boosted total assets by 8.9 percent over 2016 to CHF 539.8 million. This increase is driven not only by Bossard's investment activity but also by its higher net working capital – which is a direct result of growth. Measured against sales, operating net working capital dropped to 37.4 percent from 38.1 percent in the previous year. The equity ratio rose from 41.9 percent to 48.9 percent and now lies well above the long-term target of 40 percent. In contrast, the gearing (ratio of net debt to equity) dropped from 0.8 to 0.5. These figures prove that the Bossard Group rests on a solid foundation. Our ambitious investment policy of the previous years and the successful integration of acquisitions had a significant impact on the positive development of our balance sheet.

Free cash flow grows significantly

The successful course of business is also reflected in cash flow development and ultimately in net debt, which decreased from CHF 158.8 million to CHF 124.0 million. Cash flow from operating activities (before the change in net working capital) grew from CHF 75.2 million to CHF 92.8 million while cash flow from operating activities fell from CHF 85.1 million to CHF 77.2 million. Inventory was one of the drivers for the increase in net working capital, which is essentially due to the higher sales volumes. In light of increasing lead times, Bossard also intentionally accepted a higher tied-up capital to be able to guarantee security of supply for its customers.

However, this commitment was offset by the cash flow from investment activities, which dropped to CHF 15.5 million from CHF 71.8 million in the prior year. It should be noted that last year's high cash requirement stemmed in equal measure from investments in additional office and warehouse capacities as well as acquisitions. Free cash flow in 2017 was CHF 61.8 million compared to last year's CHF 13.2 million. Also, the previously mentioned sale of the real-estate in Austria had a positive effect on cash flow.

Optimistic outlook

We view our performance in 2017 as confirmation of our profitability-oriented growth strategy. This is a basis on which we can continue to build. The Bossard Group is in sound condition and the outlook for fiscal year 2018 is promising. The groundwork laid in past years yielded double-digit growth in all three market regions. In light of our overall performance, we have kicked off the new fiscal year with a sense of optimism. There is good reason for this, considering our commitment to Industry 4.0 and e-mobility harbors additional growth potential for the entire Group. Other promising signs are the fundamentally positive attitude of our customers as well as the economic prospects signaled by the purchasing managers' indices (PMIs) in our major markets.

S. Zehnder

Stephan Zehnder
CFO

Zug, February 23, 2018

BOSSARD GROUP

Consolidated balance sheet

in CHF 1,000	Notes	31.12.2017	31.12.2016
Assets			
Current assets			
Cash and cash equivalents	4	20,568	22,511
Accounts receivable, trade	5	138,161	124,235
Other receivables		3,978	2,920
Prepaid expenses		7,671	9,305
Inventories	6	215,200	188,445
		385,578	**347,416**
Long-term assets			
Property, plant and equipment	7	114,954	110,181
Intangible assets	8	20,562	14,774
Financial assets	9	4,039	12,569
Deferred tax assets	10	14,625	10,829
		154,180	**148,353**
Total assets		**539,758**	**495,769**

in CHF 1,000	Notes	31.12.2017	31.12.2016
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable, trade	11	59,351	48,123
Other liabilities		15,452	16,854
Accrued expenses		30,904	22,266
Tax liabilities		11,922	4,782
Provisions	12	751	3,577
Short-term debts	13	46,292	83,861
		164,672	**179,463**
Long-term liabilities			
Long-term debts	14	98,299	97,417
Provisions	12	7,671	6,725
Deferred tax liabilities	10	5,154	4,520
		111,124	**108,662**
Total liabilities		**275,796**	**288,125**
Shareholders' equity			
Share capital	15	40,000	40,000
Treasury shares	15	–3,697	–5,987
Capital reserves		63,084	63,427
Retained earnings		163,100	104,858
		262,487	**202,298**
Non-controlling interest		1,475	5,346
Total shareholders' equity		**263,962**	**207,644**
Total liabilities and shareholders' equity		**539,758**	**495,769**

The notes on pages 80 to 103 are an integral part of the consolidated financial statements.

BOSSARD GROUP

Consolidated income statement

in CHF 1,000	Notes	2017	2016
Net sales	16/17	786,175	695,015
Cost of goods sold		533,024	475,366
Gross profit		**253,151**	**219,649**
Selling expenses		102,290	94,652
Administrative expenses		53,813	46,488
EBIT		**97,048**	**78,509**
Financial result	21	4,030	2,797
Ordinary result		**93,018**	**75,712**
Non-operating result	7	6,249	0
Income before taxes		**99,267**	**75,712**
Income taxes	10	19,074	13,278
Net income		**80,193**	**62,434**
Attributable to:			
Shareholders of Bossard Holding AG		78,499	60,992
Non-controlling interest		1,694	1,442

in CHF	Notes	2017	2016
Earnings per registered A share [1]	22	10.33	8.04
Earnings per registered B share [1]	22	2.07	1.61

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 103 are an integral part of the consolidated financial statements.

BOSSARD GROUP

Consolidated statement of changes in equity

in CHF 1,000	Issued share capital	Treasury shares	Capital reserves	Retained earnings: Retained earnings	Retained earnings: Translation differences	Share-holders Bossard	Non-controlling interest	Share-holders' equity
Balance at January 1, 2016	40,000	–6,672	85,311	142,252	–79,714	181,177	5,009	186,186
Dividend			–22,730			–22,730	–1,360	–24,090
Net income for the period				60,992		60,992	1,442	62,434
Management participation plan			1,174			1,174		1,174
Change in treasury shares		685	–328			357		357
Offset goodwill from acquisitions				–17,517		–17,517		–17,517
Non-controlling interest from acquisitions						0	279	279
Translation differences					–1,155	–1,155	–24	–1,179
Balance at December 31, 2016	**40,000**	**–5,987**	**63,427**	**185,727**	**–80,869**	**202,298**	**5,346**	**207,644**
Balance at January 1, 2017	40,000	–5,987	63,427	185,727	–80,869	202,298	5,346	207,644
Dividend				–25,086		–25,086	–1,524	–26,610
Net income for the period				78,499		78,499	1,694	80,193
Management participation plan			1,231			1,231		1,231
Change in treasury shares		2,290	–1,574			716		716
Offset goodwill from acquisitions				–707		–707		–707
Non-controlling interest from acquisitions						0	–3,977	–3,977
Translation differences					5,536	5,536	–64	5,472
Balance at December 31, 2017	**40,000**	**–3,697**	**63,084**	**238,433**	**–75,333**	**262,487**	**1,475**	**263,962**

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 103 are an integral part of the consolidated financial statements.

BOSSARD GROUP

Consolidated cash flow statement

in CHF 1,000	Notes	2017	2016
Net income		80,193	62,434
Income taxes	10	19,074	13,278
Financial income	21	–2,648	–2,975
Financial expenses	21	6,678	5,772
Depreciation and amortization	7/8	14,982	12,605
(Decrease)/Increase provisions	12	–1,967	2,535
Gain from disposals of property, plant and equipment	7	–6,449	–252
Loss from disposals of intangible assets	8	2	1
Interest received		608	229
Interest paid		–3,609	–3,767
Taxes paid		–14,474	–14,642
Increase management participation plan (part of equity)		1,231	1,174
Other non-cash income		–830	–1,166
Cash flow from operating activities before changes in net working capital		92,791	75,226
Increase accounts receivable, trade		–9,601	–16,467
Decrease/(Increase) other receivables		881	–1,761
(Increase)/Decrease inventories		–20,792	23,172
Increase accounts payable, trade		9,891	874
Increase other liabilities		4,073	4,020
Cash flow from operating activities		**77,243**	**85,064**
Investments in property, plant and equipment	7	–15,271	–30,480
Proceeds from sales of property, plant and equipment	7	7,623	771
Investments in intangible assets	8	–7,424	–9,541
Cash flow from purchases of companies	23	–673	–31,431
Investments in financial assets	9	–372	–2,462
Divestments of financial assets	9	666	1,326
Cash flow from investing activities		**–15,451**	**–71,817**
Proceeds/Repayment of short-term debts	13	–38,175	10,029
Proceeds/Repayment of long-term debts	14	45	–6,233
Purchase/Sale of treasury shares		293	–171
Dividends paid to shareholders		–25,086	–22,730
Dividends paid to non-controlling interest		–1,387	–1,360
Cash flow from financing activities		**–64,310**	**–20,465**
Translation differences		575	–189
Change in cash and cash equivalents		**–1,943**	**–7,407**
Cash and cash equivalents at January 1		22,511	29,918
Cash and cash equivalents at December 31	4	20,568	22,511

The notes on pages 80 to 103 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, 2017 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 23, 2018 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.

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

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

Foreign currency translation (2.2)
The consolidated financial statements are presented in Swiss francs (CHF). The financial statements of the Group companies are drawn up in the applicable local currency.
Transactions in foreign currencies are translated at the time of the transaction at the daily rate applicable on that date. Exchange differences from adjustments of foreign exchange portfolios at the balance sheet date are recognized in the income statements of the Group companies as exchange gains or losses.
For the consolidated financial statements, the annual accounts of Bossard subsidiaries reporting in foreign currencies are translated into Swiss francs as follows: balance sheet items at year-end rates, equity at historical rates, and items in the income statement at the average exchange rate for the year. The translation differences are netted directly with the Group's consolidated translation differences in shareholders' equity.
Exchange differences arising from intercompany loans of an equity nature are booked to equity.

Accounting and valuation principles (2.3)

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

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

Inventories
Goods for trading are recognized at average acquisition cost. Should the net realizable value be lower, the necessary value adjustments are made. Acquisition cost comprises product price and delivery cost (freight, customs duties, etc.). Cash discounts are treated as reductions of the acquisition value. Inventories that lack marketability or have low turnover are written down to the estimated market value less sales costs.

Property, plant and equipment

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

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

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

Leasing

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

Intangible assets

Software

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

Others

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

Financial assets

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

Impairment

The recoverability of long-term 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 a 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 (RSU) 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 (RSU) 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 fiscal 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 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 refinancing. 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 in hand. Optimal liquidity control is conducted by means of cash pooling.

Capital risk

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

Changes in the scope of consolidation (3)
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.

In 2016, the Bossard Group invested in the following companies:
– Interfast AG, Zug
  100 percent investment, January 2016
– Arnold Industries, LLC, USA
  100 percent investment, September 2016
– Arnold Management Delaware, LLC, USA
  100 percent investment, September 2016
– Arnold Industries Shanghai, Ltd, China
  100 percent investment, September 2016
– Arnold Industries Cork DAC, Ireland
  95 percent investment, September 2016

The scope of consolidation changed in 2016 as follows:
– Bossard South Africa (Pty) Ltd (founding)
– KVT-Fastening AG, Dietikon (merger with Bossard AG)

Cash and cash equivalents (4)

in CHF 1,000	2017	Interest rates in %	2016	Interest rates in %
Cash at banks and on hand	20,033	0.0–1.5	21,948	0.0–1.8
Short-term bank deposits	535	1.3–7.8	563	1.2–9.1
Total	**20,568**		**22,511**	

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		2017	2016
Accounts receivable,	**trade gross**	139,376	123,710
According to due date	not due	131,078	115,921
	30 days overdue	4,028	3,658
	60 days overdue	1,495	1,166
	90 days overdue	2,775	2,965
Notes receivable		2,594	4,649
Allowance for bad debts			
Balance at Jan. 1		–4,124	–3,006
Changes		400	–1,078
Changes scope of consolidation		0	–47
Translation differences		–85	7
Balance at Dec. 31		–3,809	–4,124
Total		**138,161**	**124,235**

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

Inventories (6)

Inventories that lack marketability or have low turnover are written down to the estimated market value less sales costs. Value adjustments amounted to CHF 30.6 million as per December 31, 2017 (2016: CHF 32.1 million), this is equivalent to 12.4 percent of gross inventory (2016: 14.6 percent).

Property, plant & equipment (7)

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

The insurance value of property, plant and equipment is CHF 220.5 million (2016: CHF 207.5 million).

The disposal in the category land and buildings relates 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) is disclosed as non-operating result.

in CHF 1,000	Facilities under construction	Land and buildings	Machinery and equipment	Others	Total
Cost					
Balance at Jan. 1, 2016	6,769	100,347	100,745	7,309	215,170
Additions	16,849	1,819	9,503	2,309	30,480
Changes scope of consolidation	-	26	222	20	268
Disposals	-	–347	–4,753	–1,670	–6,770
Reclass	–478	247	231	-	-
Translation differences	–547	–175	–389	–42	–1,153
Balance at Dec. 31, 2016	**22,593**	**101,917**	**105,559**	**7,926**	**237,995**
Accumulated depreciation					
Balance at Jan. 1, 2016	-	46,463	72,724	4,063	123,250
Depreciation	-	2,647	7,157	1,396	11,200
Disposals	-	–347	–4,439	–1,466	–6,252
Translation differences	-	–116	–248	–20	–384
Balance at Dec. 31, 2016	**0**	**48,647**	**75,194**	**3,973**	**127,814**
Net book value	**22,593**	**53,270**	**30,365**	**3,953**	**110,181**

Intangible assets (8)

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

In 2017, CHF 1,472,817 self-created intangible assets were capitalized (2016: CHF 1,149,156).

in CHF 1,000	Software in development	Software	Others	Total
Cost				
Balance at Jan. 1, 2016	2,528	25,489	427	28,444
Additions	6,981	2,560	-	9,541
Changes scope of consolidation	-	245	-	245
Disposals	-	–306	-	–306
Translation differences	-	–59	-	–59
Balance at Dec. 31, 2016	**9,509**	**27,929**	**427**	**37,865**
Accumulated amortization				
Balance at Jan. 1, 2016	-	21,823	229	22,052
Amortization	-	1,362	43	1,405
Disposals	-	–305	-	–305
Translation differences	-	–61	-	–61
Balance at Dec. 31, 2016	**0**	**22,819**	**272**	**23,091**
Net book value	**9,509**	**5,110**	**155**	**14,774**

Financial assets (9)

in CHF 1,000	2017	Interest rates in %	2016	Interest rates in %
Loans and deposits to third parties	4,004	0.0–5.0	11,829	0.0–10.0
Other financial assets	35		740	
Total	**4,039**		**12,569**	

Income taxes (10)

The tax expenses are made up as follows:

in CHF 1,000	2017	2016
Current taxes	22,359	13,404
Deferred taxes	–3,285	–126
Total	**19,074**	**13,278**

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 %	2017	2016
Group's average tax rate	**26.5**	**27.4**
Non tax deductible expenses	0.5	0.5
Non-taxable income	–5.9	–5.2
Expenses taxed at special rate	0.1	0.1
Unrecognized current year tax losses	0.6	0.6
Utilization unrecognized prior year tax losses	–3.1	–6.7
Others	0.5	0.8
Effective tax rate	**19.2**	**17.5**

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 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Accounts receivable	1,066	96	501	20
Inventories	4,825	2,337	4,511	1,752
Property, plant and equipment	303	682	111	422
Intangible assets	5,568	128	3,922	2
Liabilities	2,863	1,911	1,784	2,324
Total deferred taxes	**14,625**	**5,154**	**10,829**	**4,520**
Net		–9,471		–6,309

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

Expiry of unused tax loss carryforwards in CHF 1,000	Within 5 years	Over 5 years	Total
2017	0	21,337	**21,337**
2016	0	26,612	**26,612**

This results in not capitalized deferred tax assets for unused tax loss carryforwards of CHF 4.6 million (2016: CHF 7.6 million).

Accounts payable, trade (11)

in CHF 1,000	2017	2016
Accounts payable, trade	59,023	47,879
Notes payable	328	244
Total	**59,351**	**48,123**

Provisions (12)

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	–3,518	–4,050
Reversals	–6	–4	–107	–117
Translation differences	295	17	–16	296
Balance at Dec. 31, 2017	**3,582**	**958**	**3,882**	**8,422**
Thereof short-term	1	-	750	751

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 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. The additional compensation is locked up for three years.

Other provisions include CHF 1.8 million (2016: CHF 2.0 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, 2016	3,326	588	3,833	7,747
Additions	522	308	3,463	4,293
Change in consolidation scope	-	-	-	-
Usage	–537	–160	–985	–1,682
Reversals	–43	-	–43	–86
Translation differences	–42	–4	76	30
Balance at Dec. 31, 2016	**3,226**	**732**	**6,344**	**10,302**
Thereof short-term	39	-	3,538	3,577

Short-term debts (13)

in CHF 1,000	2017	Interest rates in %	2016	Interest rates in %
Bank overdrafts	8,051	0.6–5.5	5,218	0.6–3.5
Bank loans	12,879	0.7–6.1	55,907	0.7–6.3
Personnel savings accounts	25,356	1.0–1.3	22,724	1.3
Other	6	0.0	12	0.0
Total	**46,292**		**83,861**	

The personnel savings accounts correspond to savings of employees. The effective weighted average interest rate on all borrowings was 1.4 percent (2016: 1.5 percent).

Long-term debts (14)

in CHF 1,000	2017	Interest rates in %	2016	Interest rates in %
Bank loans	98,299	0.7–1.3	97,417	0.8–1.3
Total	**98,299**		**97,417**	

Share capital (15)

Details of share capital 2017/2016	Par value in CHF	Number of shares	Total in CHF 1,000
Registered A shares	5	6,650,000	33,250
Registered B shares	1	6,750,000	6,750
Total			**40,000**

385,291 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 (2016: CHF 16 million).

Treasury shares

in CHF	2017	2016
Balance at Jan. 1: 39,793 shares (2016: 61,503 shares)	4,137,478	4,822,355
Additions: 2,600 registered A shares of CHF 5 par value (2016: 6,427 shares)	514,460	708,762
Disposals: 27,102 registered A shares of CHF 5 par value (2016: 28,137 shares)	–2,804,847	–1,393,639
Balance at Dec. 31: 15,291 shares, rate 230.00 (2016: 39,793 shares, rate 143.40)	**1,847,091**	**4,137,478**

Bossard Holding AG holds 370,000 registered A shares with a nominal value of CHF 5 in reserve since the increase in share capital in 1989.

15,291 registered A shares (2016: 39,793) are reserved for the management participation plan (RSU).

Dividend

At the upcoming annual general meeting of shareholders on April 9, 2018 the board of directors of Bossard Holding AG will propose a dividend for the 2017 fiscal year of CHF 4.20 (2016: CHF 3.30) per registered A share or CHF 0.84 (2016: CHF 0.66) per registered B share.

Segment information (16)

The Bossard Group, with all of its Group companies, operates globally in the industrial fastening technology segment. All the Group companies are managed according to a consistent business strategy with a centralized decision-making structure. Key elements of Bossard's strategy include a consistent business model with uniform customer and product focus in the world's most important industrial regions. Bossard provides industrial companies with fastening technology products at their different production sites around the world and offers associated services with consistently high standards of quality, as well as standardized systems and processes. The board of directors and the CEO manage the Bossard Group on the basis of the financial statements of the individual Group companies as well as the Group's consolidated financial statements. Due to their economic similarity, uniform strategy and similar product and service solutions for all Bossard customers, as well as the central management of the Group by the CEO, Bossard reports its business together in one segment in compliance with Swiss GAAP FER 31.

Sales by regions (17)

	Europe		America		Asia		Group	
in CHF million	2017	2016	2017	2016	2017	2016	2017	2016
Sales	445.7	404.5	220.5	186.8	121.7	108.0	787.9	699.3
Sales deductions	0.8	2.9	0.2	0.7	0.7	0.7	1.7	4.3
Net sales	**444.9**	**401.6**	**220.3**	**186.1**	**121.0**	**107.3**	**786.2**	**695.0**

Personnel expenses (18)

in CHF 1,000	2017	2016
Salaries and variable compensation	130,615	115,948
Social security expenses	18,020	16,055
Pension expenses	10,351	8,954
Other personnel expenses	5,116	4,711
Total	**164,102**	**145,668**

The expense recognized for share-based compensation in the results for the period is CHF 1,682,155 (2016: CHF 1,477,766).

Awarded restricted stock units (19)

No. RSU	2017	2016
Balance at Jan. 1: Number of RSU outstanding	68,588	77,401
Deliveries	–23,173	–19,738
Allocations	7,742	11,985
Other changes	–134	–1,060
Balance at Dec. 31: Number of RSU outstanding	**53,023**	**68,588**

Other operating expenses (20)

in CHF 1,000	2017	2016
Occupancy costs	13,497	12,173
Capital taxes, insurance and charges	3,838	3,230
Other operating expenses	7,347	6,644
Total	**24,682**	**22,047**

Financial result (21)

in CHF 1,000	2017	2016
Financial income		
Income from interests and securities	395	930
Income from non-consolidated investments	212	59
Exchange gains	2,041	1,986
Total	**2,648**	**2,975**
Financial expenses		
Interest expenses	3,858	4,026
Exchange losses	2,820	1,746
Total	**6,678**	**5,772**
Total Financial result	**4,030**	**2,797**

Earnings per share (22)

	2017	2016
Net income in CHF 1,000	78,499	60,992
Average number of shares entitled to dividend [1]	7,601,986	7,582,379
Earnings per registered A share in CHF	10.33	8.04
Earnings per registered B share in CHF	2.07	1.61

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 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	Provisional market value as per acquisition
Cash and cash equivalents	1,200
Accounts receivable, trade	483
Inventories	311
Other current assets	51
Long-term assets	819
Accounts payable, trade	–341
Other current liabilities	–807
Long-term liabilities	–6,626
Net assets	**–4,910**
Non-controlling interest	–3,977
Net assets acquired	**–933**

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

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

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

Acquisitions 2016

In January 2016, Interfast AG, Switzerland, was acquired. In February 2016, assets from LWB VerbindungsTechnik AG, Switzerland, were acquired as part of an asset deal. In September 2016, Arnold Industries was acquired. The companies are well-known specialists in high-quality fastening applications in their respective markets.

in CHF 1,000	Market value as per acquisition
Cash and cash equivalents	2,086
Accounts receivable, trade	6,209
Inventories	12,369
Other current assets	365
Long-term assets	1,540
Accounts payable, trade	–1,824
Other current liabilities	–2,475
Long-term liabilities	–7
Net assets	**18,263**
Non-controlling interest	–279
Net assets acquired	**17,984**
Goodwill	17,517
Total	35,501
Less acquired cash and cash equivalents	–2,086
Less purchase price not yet paid	–2,609
Cash flow from acquisitions	**30,806**

Disposals

In 2017 and 2016, no subsidiaries were disposed.

Derivative financial instruments (24)

Open forward contracts at December 31 were as follows:

in CHF million	2017	2016
Contract value	18.3	3.1
Fair value	–0.1	0.0
Balance sheet value	–0.1	0.0

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	2017	2016
Equity incl. non-controlling interest	**263,962**	**207,644**
Equity ratio	48.9 %	41.9 %
Cost		
Balance at Jan. 1	246,264	228,747
Additions	707	17,517
Balance at Dec. 31	**246,971**	**246,264**
Amortization over 5 years		
Balance at Jan. 1	169,912	121,445
Amortization	44,898	48,467
Balance at Dec. 31	**214,810**	**169,912**
Theoretical net book value goodwill as per 31.12.	**32,161**	**76,352**
Theoretical equity incl. non-controlling interest and net book value goodwill	**296,123**	**283,996**
Theoretical equity ratio	51.8 %	49.6 %

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	2017	2016
EBIT without theoretical amortization goodwill	97,048	78,509
Theoretical amortization goodwill	–44,898	–48,467
EBIT incl. theoretical amortization goodwill	**52,150**	**30,042**

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:

	Surplus/ Deficit according to pension plans	Economic share of the company		Change or capitalized in fiscal year	Contributions accrued	Pension plan expenses in personnel expenses	
in CHF 1,000	31.12.2017	31.12.2017	31.12.2016	2017	2017	2017	2016
Patronage funds/pension institutions	2,479				275	275	615
Pension institutions without surplus/deficit					5,370	5,370	5,187
Pension institutions with surplus							
Pension institutions with deficit							
Pension institutions abroad					4,416	4,416	3,152
Total	**2,479**	**-**	**-**	**-**	**10,061**	**10,061**	**8,954**

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	2017	2016
Contributions to pension institutions charged to the company	10,061	8,954
Contributions to pension plans paid out of the employer contribution reserve (ECR)	-	-
Total contributions	**10,061**	**8,954**
Changes in ECR from asset development, value adjustments, discounting, interest, etc.	-	-
Contributions and changes in employer contribution reserve	**10,061**	**8,954**
Changes in economic benefit of the company from surplus	-	-
Changes in economic obligations of the company from deficit	-	-
Total changes of economic impact through surplus/deficit	-	-
Pension plan expenses in personnel expenses	**10,061**	**8,954**

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:

		2017	2016
Board of directors			
Dr. Thomas Schmuckli	Chairman, chairman NC [1], ARCC [2]	13,825	14,150
Anton Lauber	Deputy chairman, ARCC	7,083	8,041
Dr. René Cotting	Chairman ARCC	1,300	918
Daniel Lippuner	ARCC	1,278	868
Prof. Dr. Stefan Michel	Representative of registered A shares, chairman CC [3], NC	3,680	4,270
Maria Teresa Vacalli	NC, CC	2,898	2,488
Helen Wetter-Bossard	NC, CC	23,103	22,853
Total		**53,167**	**53,588**

1) Nomination committee
2) Audit, risk & compliance committee
3) Compensation committee

		2017	2016
Executive committee			
David Dean	CEO	5,735	11,166
Stephan Zehnder	CFO	10,651	13,444
Beat Grob	CEO Central Europe	34,053	32,174
Dr. Daniel Bossard	CEO Northern & Eastern Europe	3,015	4,147
Steen Hansen	CEO America	1,447	1,168
Robert Ang	CEO Asia	10,372	8,663
Dr. Frank Hilgers	CCO	1,521	900
Total		**66,794**	**71,662**

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

		2017	2016
David Dean	CEO	3,039	3,350
Stephan Zehnder	CFO	1,867	2,623
Beat Grob	CEO Central Europe	1,867	2,623
Dr. Daniel Bossard	CEO Northern & Eastern Europe	1,867	2,623
Steen Hansen	CEO America	1,867	2,623
Robert Ang	CEO Asia	1,867	2,623
Dr. Frank Hilgers	CCO	1,868	2,266
Total		**14,242**	**18,731**

Related party transactions (28)

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, 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 (2016: 56.1 percent) of total voting rights or 27.8 percent (2016: 27.9 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	2017	Interest rates in %	2016	Interest rates in %
Deposits in the personnel savings accounts	9.1	1.0	6.7	1.3

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
2017	986	603	201	73	23	**1,886**
2016	997	626	360	59	23	**2,065**

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
2017	7,430	5,181	4,052	3,305	15,488	**35,456**
2016	6,793	5,692	4,100	3,374	16,935	**36,894**

Assets pledged or otherwise restricted (30)

in CHF 1,000	2017	2016
Inventories	4,686	6,108
Property, plant and equipment	2,551	1,485
Total	**7,237**	**7,593**

The pledged or restricted assets are used as collateral for outstanding bank loans which are not encumbered with any special conditions. The assets are after the repayment of the credits freely available again. The total credit lines amount to CHF 2.3 million (2016: CHF 4.9 million). The current borrowings amount to CHF 1.2 million (2016: CHF 0.9 million).

Contingent Liabilities (31)

As per December 31, 2017 as well as 2016 no contingent liabilities existed.

Events occurring after balance sheet date (32)

Between December 31, 2017 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 2017.

Exchange rates (33)

	31.12.2017 Year-end exchange rate	01.01.2017–31.12.2017 Average exchange rate	31.12.2016 Year-end exchange rate	01.01.2016–31.12.2016 Average exchange rate
1 EUR	1.17	1.11	1.07	1.09
1 USD	0.97	0.98	1.02	0.99
1 GBP	1.32	1.27	1.26	1.34
1 AUD	0.76	0.75	0.74	0.73
1 RON	0.25	0.24	0.24	0.24
1 CAD	0.78	0.76	0.76	0.74
1 NOK	0.12	0.12	0.12	0.12
1 ZAR	0.08	0.07	0.07	0.07
100 DKK	15.72	14.94	14.42	14.64
100 SEK	11.91	11.53	11.19	11.52
100 CZK	4.58	4.22	3.97	4.03
100 HUF	0.38	0.36	0.35	0.35
100 PLN	28.04	26.11	24.32	24.99
100 SGD	72.93	71.30	70.23	71.34
100 TWD	3.28	3.24	3.14	3.05
100 RMB	14.95	14.57	14.61	14.83
100 MYR	23.99	22.90	22.67	23.79
100 THB	2.99	2.90	2.84	2.79
100 INR	1.53	1.51	1.50	1.47
100 KRW	0.09	0.09	0.08	0.08
100 MXN	4.98	5.22	4.93	5.28

List of group companies (34)

Companies and branches		Headquarters	Currency	Capital in 1,000	Share-holding
Holding and finance companies					
Switzerland	Bossard Holding AG	Zug	CHF	40,000	100
	Bossard Finance AG	Zug	CHF	100	100
Germany	Bossard-KVT Beteiligungs GmbH	Illerrieden	EUR	25	100
	KVT-Fastening Beteiligungs GmbH	Illerrieden	EUR	25	100
England	bigHead Fasteners Ltd	Verwood	GBP	1,847	19
USA	Bossard U.S. Holdings, Inc.	Phoenix, AZ	USD	40,000	100
	Arnold Management Delaware, LLC	Canton, MA	USD	-	100
Europe					
Switzerland	Bossard AG	Zug	CHF	12,000	100
	KVT-Fastening, Branch of Bossard AG	Dietikon	CHF	-	100
	Interfast AG	Zug	CHF	50	100
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
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
America					
USA	Bossard North America, Inc.	Cedar Falls, IA	USD	2,255	100
	Aero-Space Southwest, Inc.	Phoenix, AZ	USD	4.9	100
	Arnold Industries, LLC	Canton, MA	USD	-	100
Canada	Bossard Canada, Inc.	Montreal	CAD	-	100
Mexico	Bossard de México, S.A. de C.V.	Monterrey	USD	755	100
	Aero-Space Southwest, Inc.	Guadalajara	MXN	10	100
Asia/Oceania					
Singapore	Bossard Pte. Ltd	Singapore	SGD	42,600	100
India	LPS Bossard Pvt. Ltd	Rohtak	INR	48,000	51
China	Bossard Industrial Fasteners Int. Trading (Shanghai) Co. Ltd	Shanghai	RMB	25,676	100
	Bossard Fastening Solutions (Shanghai) Co. Ltd	Shanghai	RMB	76,829	100
	Arnold Industries Shanghai, Ltd	Shanghai	RMB	4,649	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, 2017

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, 2017 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.

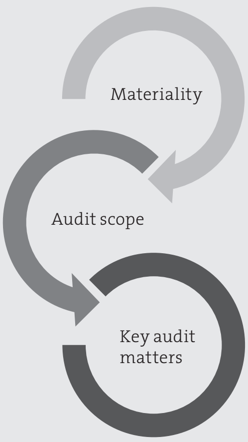
In our opinion, the consolidated financial statements (pages 76 to 103) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP 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 4,900,000

We concluded full scope audit work at nine Group companies in six countries. Our audit scope addressed 74 % of the sales and 67 % 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 16 % of the assets of the Group.

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

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.

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 materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	CHF 4,900,000
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit, Risk & Compliance Committee that we would report to them misstatements above CHF 490,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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
Inventories amount to CHF 215.2 million (after deduction of a value adjustment of CHF 30.6 million) as of December 31, 2017 and are thus the largest asset category, representing around 40 % of total assets. Inventories are stated at the lower of the acquisition cost and net realisable value (lower of cost or market principle). 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. Please refer to page 81 (2.3 Accounting and valuation principles) and page 88 (6 Inventories) in the annual report.	We performed the following audit procedures to assess the appropriateness of the valuation of the inventories: – 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 the compliance with the lower of cost or market principle. – We noted that the method for determining write-downs of inventories was applied consistently. – For obsolescent or slow-moving inventories, we discussed with Management the assumptions applied in calculating the required write-downs and assessed these assumptions. In doing so, we paid particular attention to the changes in the write-downs for each category of product or of write-downs compared with the prior year. We also took into account the experience of significant unforeseen product write-downs or write-offs in previous years. – We tested on a sample basis the computational accuracy and completeness of the calculation of the write-downs. – We discussed with Management and the Audit, Risk & Compliance Committee the results of our work and movements in the write-downs. 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.

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	Roger Leu Audit expert

Zurich, February 23, 2018

BOSSARD HOLDING AG

Balance sheet

in CHF	Notes	31.12.2017	31.12.2016
Assets			
Current assets			
Cash and cash equivalents		652,249	71,113
Other receivables	1	1,522,233	551,440
Prepaid expenses		91,679	8,370
		2,266,161	**630,923**
Non-current assets			
Financial assets	2	10,498,379	9,246,817
Investments	3	118,023,215	118,023,215
		128,521,594	**127,270,032**
Total assets		**130,787,755**	**127,900,955**

in CHF	Notes	31.12.2017	31.12.2016
Liabilities and shareholders' equity			
Current liabilities			
Other current liabilities	5	31,623	33,004
Accrued expenses		1,099,177	972,005
		1,130,800	**1,005,009**
Total liabilities		**1,130,800**	**1,005,009**
Shareholders' equity			
Share capital		40,000,000	40,000,000
Legal reserve			
Reserves from capital contributions		4,093,912	4,093,912
Other legal reserves		2,049,686	2,049,686
Statutory retained earnings			
General statutory retained earnings		16,000,000	16,000,000
Other reserves		34,111,700	34,111,700
Retained earnings			
Profit brought forward		11,541,810	31,620,562
Profit for the current year		25,556,938	5,007,564
Treasury shares	4	–3,697,091	–5,987,478
Total shareholders' equity		**129,656,955**	**126,895,946**
Total liabilities and shareholders' equity		**130,787,755**	**127,900,955**

BOSSARD HOLDING AG

Income statement

in CHF	2017	2016
Income		
Dividend income	25,000,000	5,000,000
Other operating income	300,000	300,000
Expenses		
Personnel expenses	1,342,943	1,425,710
Other operating expenses	250,237	328,893
Other financial income	2,014,868	1,507,641
Financial expenses	16,550	21,974
Income before taxes	**25,705,138**	**5,031,064**
Taxes	148,200	23,500
Net income	**25,556,938**	**5,007,564**

BOSSARD HOLDING AG

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 new 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

	31.12.2017 Year-end exchange rate	31.12.2016 Year-end exchange rate
Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:		
EUR	1.17	1.07

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

in CHF	2017	2016
1. Other receivables		
To third parties	62	-
To subsidiaries	1,522,171	551,440
Total	**1,522,233**	**551,440**
2. Financial assets		
To subsidiaries	10,498,379	9,246,817
Total	**10,498,379**	**9,246,817**

3. Investments

NAME, LEGAL FORM, REGISTERED OFFICE	2017 Capital	2017 Votes	2016 Capital	2016 Votes
Direct investments				
Bossard Finance AG, Zug	100 %	100 %	100 %	100 %
Indirect investments				
Bossard-KVT Beteiligungs GmbH, Illerrieden	100 %	100 %	100 %	100 %
KVT-Fastening Beteiligungs GmbH, Illerieden	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 %
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' Pecci	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 %
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 %	-	-
bigHead Bonding Fasteners Ltd, Verwood	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, Inc., 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 Ind. Fasteners Int. Trading (Shanghai) Co. Ltd, Shanghai	100 %	100 %	100 %	100 %
Bossard Fastening Solutions (Shanghai) Co. Ltd, Shanghai	100 %	100 %	100 %	100 %
Arnold Industries Shanghai, 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

	2017		2016	
	Number	Value	Number	Value
Balance at January 1	409,793	5,987,478	431,503	6,672,355
Additions	2,600	514,460	6,427	708,762
Disposals	–27,102	–2,804,847	–28,137	–1,393,639
Balance at December 31	**385,291**	**3,697,091**	**409,793**	**5,987,478**

Group companies do not hold any registered A shares. In 2017, 27,102 registered A shares (2016: 28,137 registered A shares) were used for the share option programs.

5. Other current liabilities

	2017	2016
To third parties	31,623	33,004
Total	**31,623**	**33,004**

6. Collateral to third parties

	2017	2016
Guarantees	208,540,226	223,725,516
thereof used	126,263,946	161,575,460

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 (2016: 56.1 percent) of the voting rights. Kolin Holding AG, Zug, 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.

BOSSARD HOLDING AG

Appropriation of available earnings

Statement of changes in retained earnings

in CHF	2017	2016
Retained earnings at the beginning of the year	36,628,126	31,620,562
Net income	25,556,938	5,007,564
Appropriation of available profit determined by the annual general meeting of shareholders		
Dividends for 2016 and 2015 respectively	–25,086,316	-
Retained earnings at the end of the year	**37,098,748**	**36,628,126**

Statement of changes in capital contribution reserve

in CHF	2017	2016
Capital contribution reserve at the beginning of the year [1]	4,093,912	26,824,006
Distribution	-	–22,730,094
Capital contribution reserve at the end of the year	**4,093,912**	**4,093,912**

1) Subject to adjustments by the Swiss tax authorities

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

in CHF	2017
Available retained earnings before distribution	37,098,748
Dividend of 84 percent on the share capital of max. CHF 38,073,545 eligible for dividends	–31,981,778 [2]
To be carried forward	**5,116,970**

2) The figure is based on the issued share capital as of December 31, 2017 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

pwc

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, 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 108 to 112) as at December 31, 2017 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

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.

Materiality

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

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

Overall materiality	CHF 1,300,000
How we determined it	1 % of shareholder's equity
Rationale for the materiality benchmark applied	We chose shareholder's 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.

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 EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

pwc

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

Roger Leu
Audit expert

Zurich, February 23, 2018

INVESTOR INFORMATION

	2017	2016	2015	2014	2013
Share capital					
Registered A shares at CHF 5 par					
Capital stock in CHF 1,000	33,250	33,250	33,250	33,250	33,250
Number of shares issued	6,650,000	6,650,000	6,650,000	6,650,000	6,650,000
Number of shares entitled to dividend	6,264,709	6,240,207	6,218,497	6,207,458	6,212,792
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	7,614,709	7,590,207	7,568,497	7,557,458	7,562,792
Market price					
Ticker symbol (BOSN)					
Volume traded (daily average)	14,887	8,991	8,011	13,014	11,964
Closing price at Dec. 31	230.0	143.4	109.2	109.3	103.3
Registered A share high in CHF	242.3	144.0	118.4	130.8	104.3
Registered A share low in CHF	142.0	90.4	88.8	88.0	59.1
Dividend per share					
Registered A share in CHF	4.20 [1]	3.30	3.00	3.00	3.00
Registered B share in CHF	0.84 [1]	0.66	0.60	0.60	0.60
In % of share capital	84.0	66.0	60.0	60.0	60.0
Dividend yield in % (Basis: price at Dec. 31)	1.8	2.3	2.7	2.7	2.9
Earnings per share [2) 5)]					
Registered A share in CHF	10.33	8.04	7.01	7.49	7.40
Registered B share in CHF	2.07	1.61	1.40	1.50	1.48
Cash flow per share [2) 4)]					
Registered A share in CHF	12.52	9.90	8.74	9.20	9.03
Registered B share in CHF	2.5	1.98	1.75	1.84	1.81
Price/Earnings ratio (Basis: price at Dec. 31)	22.3	17.8	15.6	14.6	14.0
Net worth per share [3)]					
Registered A share in CHF	34.7	27.4	24.6	27.9	22.1
Registered B share in CHF	6.9	5.5	4.9	5.6	4.4
Market capitalization (Basis: price at Dec. 31)					
In CHF million [3)]	1,751.4	1,088.4	826.5	826.0	780.9
In % of shareholders' equity	663.5	524.2	443.9	392.2	466.7

in CHF million	2017	2016	2015	2014	2013
Economic value added analysis					
Net sales	786.2	695.0	656.3	617.8	605.7
Earnings before interest and taxes (EBIT)	97.0	78.5	70.3	72.8	69.8
Effective tax rate in %	19.2	17.5	19.7	18.0	14.8
Net operating profit after tax (NOPAT)	**78.4**	**64.7**	**56.5**	**59.7**	**59.5**
Equity	264.0	207.6	186.2	210.6	167.3
Gross financial debt	144.6	181.3	177.7	123.3	126.6
Less cash and cash equivalents	20.6	22.5	29.9	25.4	25.4
Capital employed (year-end)	388.0	366.4	334.0	308.5	268.5
Average annual capital employed (A)	**377.2**	**350.2**	**321.3**	**288.5**	**261.3**
Return on average capital employed in % (ROCE)	**20.8**	**18.5**	**17.6**	**20.7**	**22.8**
Cost of financial debt in %					
Average cost of financial debt	1.4	1.5	1.6	1.8	2.0
Less effective tax	19.2	17.5	19.7	18.0	14.8
Cost of financial debt after tax	1.1	1.2	1.3	1.5	1.7
Cost of equity in %					
Risk free rate (Basis: yearly average of yield Swiss government bond)	–0.1	–0.4	–0.1	0.7	0.9
Risk premium	5.5	5.5	5.5	5.5	5.5
Cost of equity	5.4	5.1	5.4	6.2	6.4
Equity ratio	48.9	41.9	40.2	48.5	43.2
Weighted average cost of capital in % (WACC)	**3.2**	**2.9**	**3.0**	**3.8**	**3.7**
Economic profit in % (ROCE – WACC) (B)	17.6	15.6	14.6	16.9	19.1
Economic profit in CHF million (A) * (B)	**66.3**	**54.7**	**47.1**	**48.9**	**49.8**

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

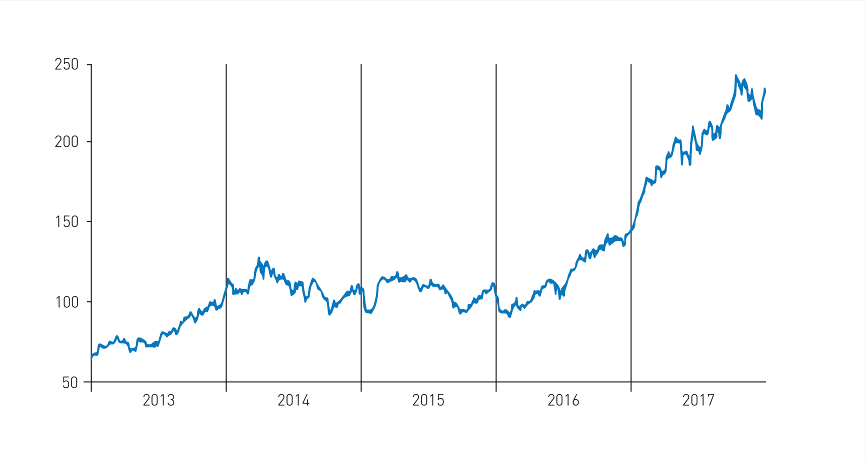
The articles of association do not include any provisions for opting-out or opting-up.

in CHF million	2017	2016	2015	2014	2013
Economic book value (EBV)					
Market value added (economic profit/WACC)	2,049.6	1,905.6	1,593.7	1,297.3	1,333.8
Capital employed	388.0	366.4	334.0	308.5	268.5
Implied enterprise value	2,437.6	2,272.0	1,927.7	1,605.8	1,602.3
Less gross financial debt	144.6	181.3	177.7	123.3	126.6
Plus cash and cash equivalents	20.6	22.5	29.9	25.4	25.4
Economic book value at Dec. 31	**2,313.6**	**2,113.2**	**1,779.9**	**1,507.9**	**1,501.1**
Market valuation and key ratios					
Share price at Dec. 31 in CHF	230.0	143.4	109.2	109.3	103.3
Market capitalization	1,751.4	1,088.4	826.5	826.0	780.9
Net financial debt	124.0	158.8	147.8	97.9	101.2
Enterprise value (EV)	**1,875.4**	**1,247.2**	**974.3**	**923.9**	**882.1**
EV in % of net sales	238.5	179.4	148.5	140.8	134.4
EV/EBITDA	16.7	13.7	11.9	10.8	10.7
EV/EBIT	19.3	15.9	13.9	12.7	12.6
EV/NOPAT	23.9	19.3	17.2	15.5	14.8
Price/book value per share	6.6	5.2	4.4	3.9	4.7
Return on equity in %	34.0	31.7	27.5	30.2	51.1

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 2013–2017

Valor: 238,627,14, ISIN CH0238627142/BOSN



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