



ANNUAL REPORT

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BOSSARD

A Profile of the Bossard Group

The Bossard Group is a global group of companies. It is still molded by members of the founding family, now represented by the seventh generation. Our focus is on fasteners and fastening technology. Thus, in addition to our broad range of quality products, we provide full engineering support for fastener applications and offer logistics services for fasteners and other C parts. Among our customers there are many industrial companies with international operations. Our holding company, Bossard Holding AG, is headquartered in Zug, Switzerland, and is listed on the Swiss Exchange. With some 1,800 employees, the group reports sales of more than a half a billion Swiss francs.

The most important key figures are set out on the reverse of this cover.

IN CHF 1,000	2006	2005	2004	2003	2002
Gross Sales	559,541	514,943	497,314	433,404	449,737
Net Sales	536,830	497,084	480,534	416,749	432,029
Ordinary EBIT	33,081	29,029	27,170	15,879	18,421
in % of net sales	6.2	5.8	5.7	3.8	4.3
EBIT after exceptional items ¹⁾	22,687	31,131	27,170	15,879	18,421
in % of net sales	4.2	6.3	5.7	3.8	4.3
Ordinary Net income	22,599	18,749	18,222	9,502	9,575
in % of net sales	4.2	3.8	3.8	2.3	2.2
Net income after exceptional items ¹⁾	12,205	20,851	18,222	9,502	9,575
in % of net sales	2.3	4.2	3.8	2.3	2.2
Cash Flow ²⁾	24,334	31,508	28,348	20,119	21,074
Capital expenditures	12,799	20,385	16,847	4,506	3,856
Net debt	113,478	123,226	104,154	103,719	120,721
Shareholders' equity	172,744	169,309	147,284	138,978	135,242
in % of total assets	43.7	43.7	42.7	42.4	40.0
Total assets	395,083	387,007	344,803	327,405	337,768
Headcount at Dec. 31	1,818	1,709	1,602	1,334	1,314
Annual weighted average number of employees ³⁾	1,695	1,607	1,441	1,277	1,254
Sales per employee ⁴⁾	316.7	309.3	333.5	326.4	344.5
Closing price at Dec. 31	81.5	80.0	70.0	55.0	31.0
Bearer share high in CHF	93.0	86.3	75.0	55.5	43.8
Bearer share low in CHF	73.5	66.9	51.5	26.3	28.0

1) Ordinary EBIT less exceptional items – 2006: Restructuring expenses America; 2005: Capital gain from sale of investment

2) Net income after exceptional items + depreciation without amortization of goodwill

3) Full time equivalent

4) Basis: Annual weighted average number of employees

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Bossard China – with Fire and Commitment into China

Bossard moved into the land of the dragon in 1999. Today some 300 employees in Shanghai, Beijing, Suzhou, Shenzhen, Nanjing, Tianjin and Xiamen look after Bossard's multinational European, American and Asian customers. For Bossard, China is a decisive, strategic growth market and, with fire and commitment, we will continue to provide our customers with their accustomed Bossard services in the quality they have learnt to expect.





The dragon reigns in the East; whilst the tiger resides in the West, the tortoise in the North and the phoenix in the South. The dragon stands for strength and wisdom. With his energy he can easily overcome the greatest obstacles, which has made him the eternal symbol for happiness and prosperity.

2007 BOSSARD

Report to the Shareholders

Europe and Asia booming – restructuring measures in place in America

- Sales up 8.7 percent to a new record high of CHF 560 million
- Ordinary consolidated net income rose more than 20 percent
- Restructuring costs in America of CHF 10.4 million burden result
- Dividend cut from 19 percent to 17 percent because of restructuring expenses

The board of directors and the executive committee can look back on a business year featuring numerous and very positive developments. There was very satisfactory growth of sales for the entire Group: With CHF 560 million as against CHF 515 million in the prior year, Bossard reached the highest sales revenues ever in its 175-year history. The former record level of CHF 536 million was achieved in the year 2000.

The European markets served as engines for growth, and the Asian markets were particularly strong – with growth rates well above overall economic development. Thus the Bossard Group achieved further growth in those established markets where it already had a good market share.

Conversely, business development in America was less satisfactory. Over and beyond the slowdown forecasted in last year's report to the shareholders, the decline in demand from several major customers was unexpectedly stronger. Consequently, we had to enhance the measures to increase profitability first implemented in 2005, and to launch a comprehensive restructuring program which would take effect rapidly. Details of this program are set out later in this report.

This disparate development in our various sales regions is also reflected in earnings. Consolidated net income from ongoing business operations is more than 20 percent up on the prior year's ordinary net income, reaching a new record total of CHF 22.6 million. However, the restructuring measures in our American operations with a total budget of CHF 15 million have cut earnings by CHF 10.4 million. As a result, the reported consolidated net income for 2006 amounts to CHF 12.2 million.

Despite this additional financial burden, the Group is very robust indeed. As in the prior year, the equity is 43.7 percent of total assets. Additionally, the board of directors and the executive committee believe that the restructuring measures launched in America will already show a measurable increase in profitability in 2007. This, in turn, should lead to an early recovery of the Group's operating result. Hence the board decided to propose to the general meeting of shareholders that a higher dividend payment be approved than would have resulted from applying the established payout policy of 30 percent of the reported consolidated result. The board proposed a dividend payment of 17 percent. To arrive at this payout rate, only 50 percent of the onetime major restructuring expense was taken into consideration. In the prior year the ordinary dividend payment amounted to 19 percent.

America – Back on Course as Rapidly as Possible

In 2005 Bossard had managed to improve profitability in America noticeably. The expectations for 2006 were somewhat lower, and this for two reasons: First of all because of record sales in the prior year and secondly because most major customers had advised early on that, given their assessment of economic development, their procurement requirements would be lower. In fact, they were even substantially lower than anticipated. Especially Bossard's important customers manufacturing consumer durables and capital goods suffered a veritable collapse in demand and some were even forced to cease production, sometimes for a period of weeks. Moreover, in the

second half of the year it became increasingly apparent that the economy was slowing down – particularly in those markets in which Bossard's major customers are active.

This led the executive committee to step up and enhance the measures to improve profitability in America first launched in 2005. Within the scope of these measures capacities were adjusted to meet the new market requirements and the prospects of lower demand.

The dramatic collapse of demand in the reporting year clearly showed the weak points in the organizational structure and customer portfolio of Bossard American operations. Hence it became imperative to comprehensively restructure our American activities even more rapidly. The structure of several companies in a number of locations, which had developed through various acquisitions, was changed into one potent business unit – Bossard North America. At the same time, further efforts were made to develop a more broadly-based customer portfolio and to establish Bossard in markets with more growth potential. Here Bossard was able to draw on its considerable experience and know-how acquired in its more mature European markets.

Up to the time of going to press, this ambitious restructuring program was developing according to plan. It can be assumed that the necessary work will be completed by the end of 2007. By then Bossard should be operating effectively and in line with market conditions in America and thus be able to reach the profitability planned.

Europe and Asia – Exceptional Efforts Pay off

Without exception, the European markets reported positive sales and earnings development. Sales growth of 15.5 percent to CHF 298.1 million and an appreciable increase in profit demonstrate that full advantage was taken of the favorable economic climate. Moreover, all the regions increased their market share.

Bossard's success in the European countries is to quite a considerable extent the result of years of targeted marketing efforts which, among other things, led to sales of the SmartBin logistics system increasing one hundred percent. This supply system plays a decisive role in enhancing our customer productivity. On the one hand customers can cut inventories as well as reorder cycles and, on the other, they benefit from outsourcing the procurement process, which is then handled by Bossard. The sale of customer-specific special parts was successfully promoted – another of Bossard's core competencies. Additionally, with the exception of our Asia-Pacific locations, the implementation of Bossard's ERP-system has now been completed group-wide. Perfecting our existing systems and services worldwide and the customer interest this has generated, has spurred us on to examine future trends and innovation potential even more systematically.

Very satisfying results were also reported in the markets in Eastern Europe and Asia, markets which are of major importance to Bossard. In both regions our target markets were successfully developed further. In Hungary, for example, a local subsidiary was established in 2006 in order to better serve this growth market with a local presence.

Significant sales increases were achieved in the Asia-Pacific area. The highest growth rates were reported by Bossard China, where sales doubled. This means that China has now become Bossard's fifth most important market. Compared to the prior year, the profit margin in Asia has not yet improved. The main reason for this is that we decided to primarily invest and expand in China and Korea, despite the impact of this policy on the result. However, the growth rates show that this strategy is correct. Our global cooperation with the Böllhoff Group, commenced in 2004 under the 2-B-global label, continued most satisfactorily. In the past year both companies acquired new customers who wanted to draw on the global services of the two alliance partners.

Good Prospects for 2007

The board of directors and the executive committee will strive for a successful continuation of market development in 2007. We expect sales growth in excess of the general economic development. Our focus will be on qualitative growth with a corresponding improvement of profitability, particularly in those market areas where the result is not yet satisfactory.

Our European companies anticipate a further increase in business volume, though not to the same extent as in the reporting year. The Asia-Pacific markets are expected to continue their steady growth, although their profit contribution should be higher in future – at the expense of all too expansive growth. In the American market the restructuring program will be pushed forward energetically in order to improve profitability as rapidly and clearly as possible.

We expect sales in 2007 for the Group to rise and our investments in infrastructure to contribute to further

improving profitability. This should impact positively on our consolidated result – even if profitability is burdened by a further CHF 5 million through our restructuring measures in America.

A New Chairman of the Board and a New Board Member

The board of directors of the Bossard Holding AG was exposed to two distressing shocks in the past few years: In fall 2001 Peter Bossard, then chairman of the board and a counselor in the cantonal parliament of Zug, was one of the council members killed in an attack during a meeting of the council. At the end of 2004 Heinrich Bossard, then delegate of the board, died in a plane crash. Thus the careful plans made by Bossard families shareholders together with the board for passing on management responsibility from the sixth to the seventh generation had, in terms of timing, become illusory. Today we can state with some satisfaction that, after both tragic events, organizational and entrepreneurial normality were rapidly reestablished and management continuity guaranteed. As set out in detail in our report to you a year ago, the sixth and seventh generation of the Bossard families decided – in a paper entitled "Bossard is still Bossard" – to continue the family's business strategy. In this connection, to ensure continuity for the Bossard Group, it was decided to postpone the appointment of a new chairman of the board as planned to a later date.

In the meantime, the necessary arrangements for a change have all been made, and the chairman of the board has decided to resign from office at the coming general meeting of shareholders. In accordance with Art. 20 of the articles of incorporation, the board has



The Board of Director from left to right:
Rolf E. Thurnherr Dr. Beat E. Lüthi
Erica Jakober Helen Wetter-Bossard
Dr. Thomas Schmuckli Anton Lauber
Dr. Kurt Reichlin

agreed to propose Dr. Thomas Schmuckli-Grob as chairman. Dr. Thomas Schmuckli, who had served as secretary to the board of directors between 1997 and 2000, was elected to the board in 2000 on the retirement of Dr. Jost Grob-Bossard.

At the same time, the board will propose to the general meeting of shareholders that they elect Urs Fankhauser to the board so that there will again be seven board members after Dr. Kurt Reichlin's retirement. Urs Fankhauser has a degree in mechanical engineering and, additionally, an MBA. Since 2002 he has been a member of senior management of the Sulzer Group and heads Sulzer's Chemtech division, which has 1,600 employees. Before that he worked for several years in Asia and America, two markets that are of prime importance for the Bossard Group. The election of Urs Fankhauser would strengthen the board's know-how in the fields of marketing and business economics.

Our thanks

The board of directors and the executive committee would like to thank all 1,818 employees for their efforts and commitment in the past very demanding year. Our thanks also go to all our customers and business partners for their loyalty to the Bossard Group. We are looking forward to welcoming you to our annual general meeting on Tuesday, April 17, 2007. Apart from the election mentioned above, there is the usual number of ordinary items on the agenda.



Dr. Kurt Reichlin
Chairman



David Dean
CEO

On the retirement of Dr. Kurt Reichlin

With the retirement of Dr. Kurt Reichlin, the highest management body of Bossard Holding AG is losing a personality that has molded the company for decades through his advice and expertise. On January 9, 1977, Walter Bossard-Ritter died. He was the last representative of the fifth generation of the Bossard families still active in the company and, at that time, was serving as chairman of Bossard Holding AG, established in 1973. Peter and Heinrich Bossard, up to that time jointly responsible for the operational management of the company, redefined their areas of responsibility: Peter took over as chairman and Heinrich as CEO. Five months later, on June 2, 1977, the shareholders who were then all members of the Bossard families elected Dr. Kurt Reichlin as an external member of the board of directors. As a lawyer with exceptional knowledge of the special problems inherent in family-owned companies and with considerable talent for dealing with people, he soon won the confidence of all concerned. In the 1980s, apart from careful guidance during the process of internationalization, his main focus was on preparing the company's going public, which brought the Bossard families new responsibilities. The globalization process continued in the 1990s with the company's main focus then on its core business of fas-

tening technology. Wherever necessary, he provided valuable support through skilled negotiation in the interests of the company. He disliked nothing more than empty words and promises that could not be kept. His many years of committed and competent service made him the natural successor of Peter Bossard as chairman of the board of directors when the latter was killed in an attack on a parliamentary meeting in Zug. In 2002, at the first general meeting of shareholders he chaired, he described himself as a stopgap chairman. The fact that the Bossard Group survived the two tragedies without major operational upheavals is largely due to Dr. Kurt Reichlin's efforts. In that respect, through his commitment and his efficiency, he certainly did manage to stop the gaps that had opened up.

The Bossard families, the board of directors, the executive committee and all Bossard's employees would like to thank him for his unstinted services and wish him all the best for the future.



Dr. Thomas Schmuckli

Bossard America – In the Land of Pioneers and of Freedom

With independence – one of our guiding principles – in mind, we set out for America in the early 1980s under the motto “go metric, we’re behind you”. Our objective was to open up the North American market for metric products. Today we have relations with a varied group of customers in America, including large multinational corporations as well as smaller American companies, through which we can further strengthen our global presence.





The Statue of Liberty was a gift from the French nation to celebrate the 100th anniversary of the founding of the United States of America. Firmly anchored on tiny Liberty Island in New York harbor, it has welcomed visitors from all over the world since it was inaugurated on October 28, 1886.

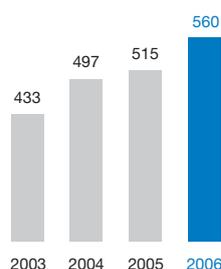
Financial Review of 2006

Overall a successful year

Record Sales in Jubilee Year

The Bossard Group reported sales of CHF 560 million for 2006, which is a record in the company's history. Compared to the prior year, sales in Swiss francs were up 8.7 percent and in local currencies 7.6 percent. 0.8 percent of the increase in sales revenues is attributable to the acquisition and divestment of participations.

SALES IN CHF MILLION

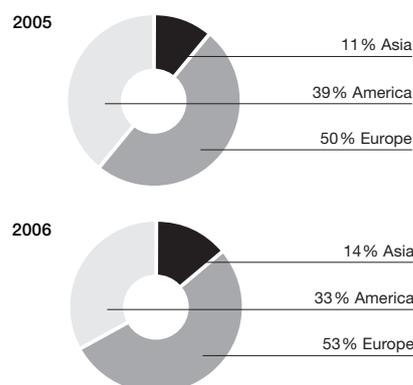


Bossard's highest growth rate was again in Asia, where it reached 42 percent. Moreover, sales were doubled in China, and above-average growth rates were also reached in the Philippines with 56.6 percent, in Thailand with 31.7 percent and in India with 29.8 percent. In Europe, too, the good economic climate favored business development. Sales were up from CHF 258.1 million in 2005 to almost CHF 300 million. This is an increase of 15.5 percent compared to 2.1 percent in the prior year. Without exception, there was double digit growth in both the old and the new European markets. Sales in Switzer-

IN CHF MILLION	2006	2005	CHANGE	
			IN CHF	IN LC
Europe	298.1	258.1	15.5 %	14.4 %
America	181.3	200.4	-9.5 %	-10.0 %
Asia	80.1	56.4	42.0 %	38.1 %
Group	559.5	514.9	8.7 %	7.6 %

land rose by 13.8 percent, in France by 13.1 percent and in Scandinavia by 12 percent. In Eastern Europe sales were even up by 38 percent. In both Asia and Europe growth was broad-based whereas in America sales were down 9.5 percent on the prior year. This is primarily attributable to a drop in demand of Bossard's main customers, which account for approximately 50 percent of American sales.

GEOGRAPHIC SALES DISTRIBUTION



Sales development by region shows a clear shift in favor of Asia and Europe. The share of total sales in Asia rose from 11 percent to 14 percent and in Europe from 50 percent to 53 percent. Conversely, the American share fell from 39 percent to 33 percent.

Gross Profit Margin Maintained Despite Higher Prices for Raw Materials

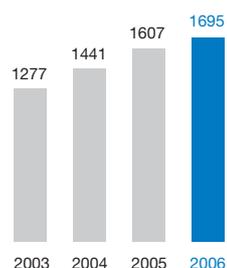
Gross profit rose from CHF 182.6 million in 2005 to CHF 197.4 million, an increase of 8.1 percent. The gross profit margin was 35.3 percent, so that the prior year's level was almost maintained. And this despite the steep increase in prices of raw materials, particularly of stainless.

- Strong growth surge in Europe and Asia
- Ordinary operating result at a new record high
- Equity ratio maintained at a high 43.7 percent
- Free cash flow increased noticeably despite strong growth

More Employees in Europe and Asia

Before changes through the acquisition and divestment of participations, operating expenses excluding depreciation and amortization were up CHF 7.8 million or 5.5 percent on the prior year. Given the good business development, CHF 2.3 million (2005: CHF 0.8 million) was paid out to the employees in the form of profit sharing, which accounts for 1.1 percent of the increase in costs. Such payments are laid down in a profitsharing program which Bossard has applied for many years now. A further 3.4 percent are attributable to building up and expanding markets in Eastern Europe and Asia. The measures to improve profitability implemented in America in 2005 and the corrective action taken in 2006, in the course of restructuring, are already showing results: Cost savings in America led to a decrease of 2.1 percent in the Group's operating costs. The very satisfying business development in Europe and market expansion in our strategically important markets led to an increase in the number of employees to a new highest level. In Asia alone the number of employees rose by 136 as a result of the strong market development. The favorable economic climate in Europe and market expansion in Eastern Europe added 32 people to the payroll. Conversely, the restructuring measures in America cut

DEVELOPMENT OF THE NUMBER OF EMPLOYEES WEIGHTED



the number of employees by 80 or 17 percent. As at end 2006 the Bossard Group employed 1,818 people.

Ordinary Operating Income Reached a New Record Level

The ordinary operating income – before restructuring costs – reached a new record high of CHF 33.1 million. This is 6.3 percent up on the prior year. However, in the prior year this included a non operating income from the divestment of a participation in the amount of CHF 2.1 million, so that the actual increase in the operating income was 14 percent. Consequently, the operating profit margin rose from 5.8 percent to 6.2 percent. In Europe the operating income rose by 18.6 percent from CHF 25.8 million to CHF 30.6 million. With higher depreciation and amortization as well as targeted investments in market development in China and Korea, the operating income of CHF 2.2 million in Asia was slightly lower than in the prior year. A glance at the profit margin development in the other Asian companies shows that in this region operating income is gradually approaching the European level.

As a result of the restructuring measures, there was an operating loss of CHF 10.1 million in America compared to a income of CHF 2.8 million in 2005. Before restructuring costs the operating income of CHF 0.3 million was just within the profit wedge.

Lower Financial Expenses Despite Rising Interest Rates

Net financial expenses amounted to CHF 3.9 million, a drop of CHF 0.8 million compared to the prior year. One of the reasons for this decrease was currency gains from our currency management. Additionally, it was possible to maintain the average interest charges on loans at 3.7 percent. This rate is the same as in the

previous year, despite the fact that, compared to 2005, the average interest level on the market has risen over 100 basis points.

Taxes amounted to CHF 6.6 million. Given the positive business development in Europe, this is CHF 1.1 million more than in the previous year. The tax rate – before restructuring costs – amounted to 22.5 percent, an increase of 1.5 percentage points compared to 2005.

America Mars Consolidated Result

Before restructuring expenses the consolidated net income amounted to CHF 22.6 million. This is more than 20 percent up on the prior year's ordinary net income. After taking into consideration the exceptionals items, the net income amounts to CHF 12.2 million as against CHF 20.9 million in 2005.

Healthy Financial Situation

At the end of December 2006 total assets amounted to CHF 395.1 million. Despite the strong increase in sales they only rose by 2.1 percent or CHF 8.1 million. Equity rose from CHF 169.3 million to CHF 172.7 million. The Group's equity ratio of 43.7 percent as well as its gearing (net debt/equity) of 0.7 remained at the prior year's level. Both these figures reflect the Group's very robust financial situation.

Capital Employed Reduced Despite Growth

Compared to the prior year, capital employed in percent of sales fell from 56.8 percent to 51.2 percent. This is attributable to an improved turnover of net working capital as well as to lower investments made.

With regard to the net working capital, it was possible to optimize the capital employed despite strong growth and the requirement to safeguard the supply service level.

As, despite higher sales, net working capital did not rise proportionally, the cash flow from operating activities rose strongly compared to the prior year by CHF 23.9 million to CHF 35.4 million.

Investments in fixed asset totaled CHF 12.8 million and were thus substantially lower than the CHF 20.4 million in the previous year. After investments in the construction of a new administrative building and warehouse in America were completed in 2005, the investment volume fell to a normal level in 2006. The investments made in the reporting year were primarily ordinary replacements or they were in infrastructure, which had become necessary because of market expansion in Eastern Europe and Asia.

In the past business year the Group acquired a 100 percent holding in Böllhoff Usinec s.a., France, and increased its holding in Bossard (Korea) Ltd from 55 percent to 100 percent. Conversely, the 50 percent holding in Hi-Tec Fastener ApS, Denmark, was divested. As a countermove, the industrial business of Hi-Tec Fastener ApS was acquired and incorporated in Bossard Denmark A/S. Net investments amounted to CHF 12.4 million, CHF 1.2 million lower than in 2005.

Free Cash Flow Increased Strongly

Despite noticeable growth, the free cash flow in the past business year reached CHF 13.5 million, after there had been a minus of CHF 11.5 million in 2005. The improvement in the cash flow is attributable to a lower capital employed in relation to sales and also to the lower investments in fixed assets. This impacted positively on the net debt, which fell by CHF 9.7 million to CHF 113.5 million.

Thus the company's financial situation at the end of 2006 can be described as healthy and prosperous.



Executive Committee

Behind, from left:
Stephan Zehnder
David Dean
Beat Grob

In front, from left:
Julius Brun
Scott W. Mac Meekin
Peter Erlangsen



The first Swiss Army Knife was patented on June 12, 1897. Since then, in countless versions, it has provided valuable services for millions of owners day in day out, and has become a constant and indispensable companion for them.

Bossard Switzerland – Traditional and Multi-functional in the Heart of Europe

Since 1831 Bossard Switzerland has been a center of competence as well as the headquarters of the Bossard Group. Like the Swiss Army Knife – invented half a century after our company was founded – The Bossard Group stands for such Swiss values as quality and reliability, but it is also known for its multifunctional approach. This approach is clearly reflected in our global and varied services in terms of products, engineering and logistics. Top quality – from one single source.

Intelligent Solution for High Productivity

Reducing manufacturing costs, participating in developing technical innovations, improving service quality, higher productivity – Bossard’s approach to fostering the success of their industrial customers varies, but the result is always the same: Their competitive position is strengthened and their service quality enhanced – worldwide.

Our customers know that Bossard will provide the most suitable fasteners and fastening elements irrespective of time or place. Professional technical support in matters of construction and assembly (engineering) and sophisticated process automation (logistics) make this full-service offer unique in the world of fastening technology. This creates something like a fascinating world around the seemingly banal fastener. Bossard’s customers have another expression for it: “Bossard services create value added”.

Our three Level Concept:

Products, Engineering and Logistics

Because our relations with our customers go back many years, we understand their technical and commercial needs. This allows us to propose products, services and custom-tailored solutions which are economic, reliable and practical, have development potential and reduce competitive and cost pressure. Bossard’s three level concept approach is our customers’ gain.

Products: Simple and Reliable Procurement Worldwide with Consistent Quality

We have been in the business of fasteners and fastening elements for more than 175 years and, with particular focus on high quality and guaranteed supply, we have built up a global procurement network of highly qualified manufacturers. This means that there are always a number of alternative suppliers for every item. Our close-knit distribution network with several interlinked locations

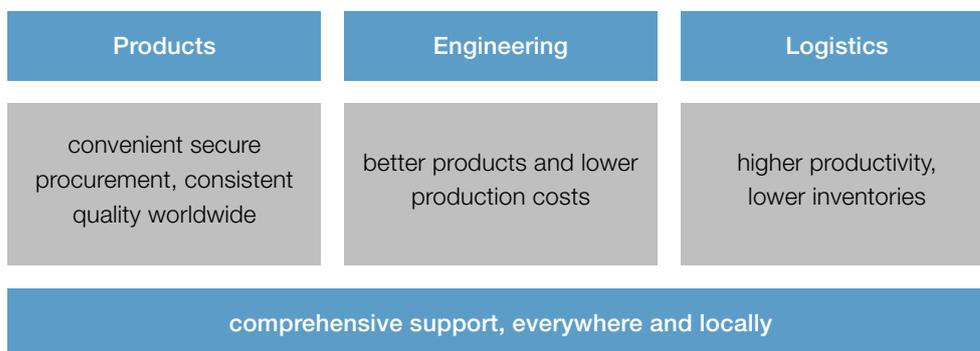
ensures that the price, availability and quality ratio worldwide is exceptional. Bossard’s product documentation is considered the benchmark in the industry. Not only is this documentation available in printed form in various languages, but also online at all times. We meet the ISO 9000 quality assurance criteria worldwide. This, and other country-specific certifications create confidence and thus allow our customers to dispense with costly checks and tests. For corporations with multinational operations it is particularly important to know that they can rely on receiving the same consistent high quality.

Engineering: Better Products, Lower Costs

If there is timely consultation with fastening technology specialists when a new product is being developed, substantial costs can be eliminated during production and assembly. Our engineers analyze where the number of parts can be eliminated through optimizing the range, and where multifunctional parts can simplify production and assembly. We make recommendations on suitable materials and anti-corrosion measures, provide guidance on protecting fastenings and give advice with regard to optimal assembly conditions. For our customers this leads to sustainable quality enhancement of their end products and, at the same time, optimizes costs.

Logistics: Higher Productivity, Lower Inventories

Studies have shown that the price of a fastening element only accounts for roughly 15 percent of the total cost of a fastening. The remaining 85 percent are invested



in technology and logistics. All our products and services are based on this “15/85 rule”. Bossard helps to reduce or eliminate costs along the entire supply and value-added chain. Our specially developed logistics systems simplify procurement, reduce inventories and the number of suppliers and provide an assured line of supply.

One of these development with considerable potential is our SmartBin system: Sensors continually monitor the level in the bins and, when required, automatically trigger a replenishment order. SmartBin is based on know-how acquired from proven systems used for more than ten years, such as our kanban two-bin system (Bossard-2-bin) or Bossard-Code.

All these developments are ongoing; the latest is Bossard Inventory Management (BIM). It is our answer to the worldwide trend towards full C part management.

Bossard Terminology

- 15/85 rule: Experience in industry has shown that from the customer’s perspective only 15 percent of the total cost is attributable to a fastening element. The remaining 85 percent is generated through procurement, control, warehousing, pre-assembly and assembly preparation work, and assembly.
- SmartBin: Fully automatic system that uses sensors to continually monitor the inventory level and automatically triggers a replenishment order when the reorder level is reached.
- BIM: Bossard Inventory Management, the comprehensive management system for C parts.



Reaching the dizzy height of 452 meters, the Petronas twin towers have dominated the capital of Malaysia since 1997. These two impressive pinnacles composed of steel, aluminum, concrete and glass rise up from a base of two interlocking squares forming an eight-pointed star. A skybridge links the two towers between the 41st and 42nd floors.

Bossard Malaysia – Reaching for the Sky in Southeast Asia

Just like our other subsidiaries in Southeast Asia, Bossard Malaysia contributes its share to the strong sales growth in the region. And there's also a demand in Singapore, Thailand and the Philippines for intelligent solutions to generate higher productivity. After China and India, Southeast Asia is now the most important earnings contributor in the entire region.



The Magic of a Sustainable Corporate Policy

Bossard nurtures its relationships. A corporate policy focusing on economic, social and ecological responsibility brings added value for all stakeholders.

Recognized as an Attractive Employer

Social responsibility goes back a long way in the Bossard Group. Its corporate culture is based on mutual respect and trust: The employees are aware of management's long-term targets and strategy – management at all levels understands the employees' targets and expectations. Such transparent relations serve to foster creativity and efficiency. A policy of equality among genders is a matter of course and compensation is based on performance. We consider that economic success is primarily generated by our employees at all levels – in other words, we want to empower them to generate success and to participate in it.

Interdisciplinary further Training for our Employees

We set great store by interdisciplinary further training because a sound grasp of internal processes fosters mutual understanding, tolerance and an intelligent work ethic.

A clear grasp of Bossard's full range of products and services is an absolute must for all our employees.

Our interactive online training program, Bossard-Train, keeps pace with individual requirements and provides the latest information on modern fastening technology on a step-by-step basis.

Care in Selecting Business Partners and Investing Financial Resources

We expect sustainable top performance from our suppliers and believe that this can be achieved through good business relations, the same high quality standards and a fair price policy. The result is a unique global procurement network providing access to the very best solutions. Our maxim is: Long-term sustainability takes precedence over quick profits. This means that we handle our resources professionally and with care, thus ensuring

that our investors receive a fair yield. It is not the short-term result that counts but sustainable increase in value.

Contribution to Society and the Environment

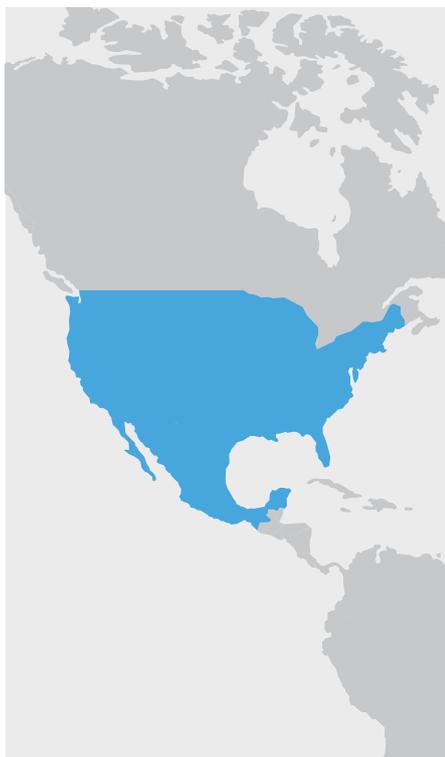
Like all companies we are dependent on favorable conditions in our business environment. We see ourselves as a company whose activities are designed to impact positively on our social and ecological environment.

Bossard's e-training

Bossard's Bossard-Train interactive training program gives our employees the opportunity to study the subject of fasteners and fastenings. The material is presented in three sections: Basic information, marketing, technology. There is a test after each section. All employees are required to complete the basic information section.

Bossard Supplies Customers Worldwide

Operationally independent business units use common principles and systems to provide services of consistent quality. Unlike our competitors, we have strong representation in Europe, in America and in Asia. In markets where we have no companies of our own we serve our customers via alliance partners selected because their skills complement ours.



AMERICA
MEXICO
USA



EUROPE
AUSTRIA
CZECH REPUBLIC
DENMARK
FRANCE
HUNGARY
ITALY
POLAND
SLOVAKIA
SPAIN
SWEDEN
SWITZERLAND



ASIA
CHINA
INDIA
JAPAN
MALAYSIA
SINGAPORE
SOUTH KOREA
TAIWAN
THAILAND

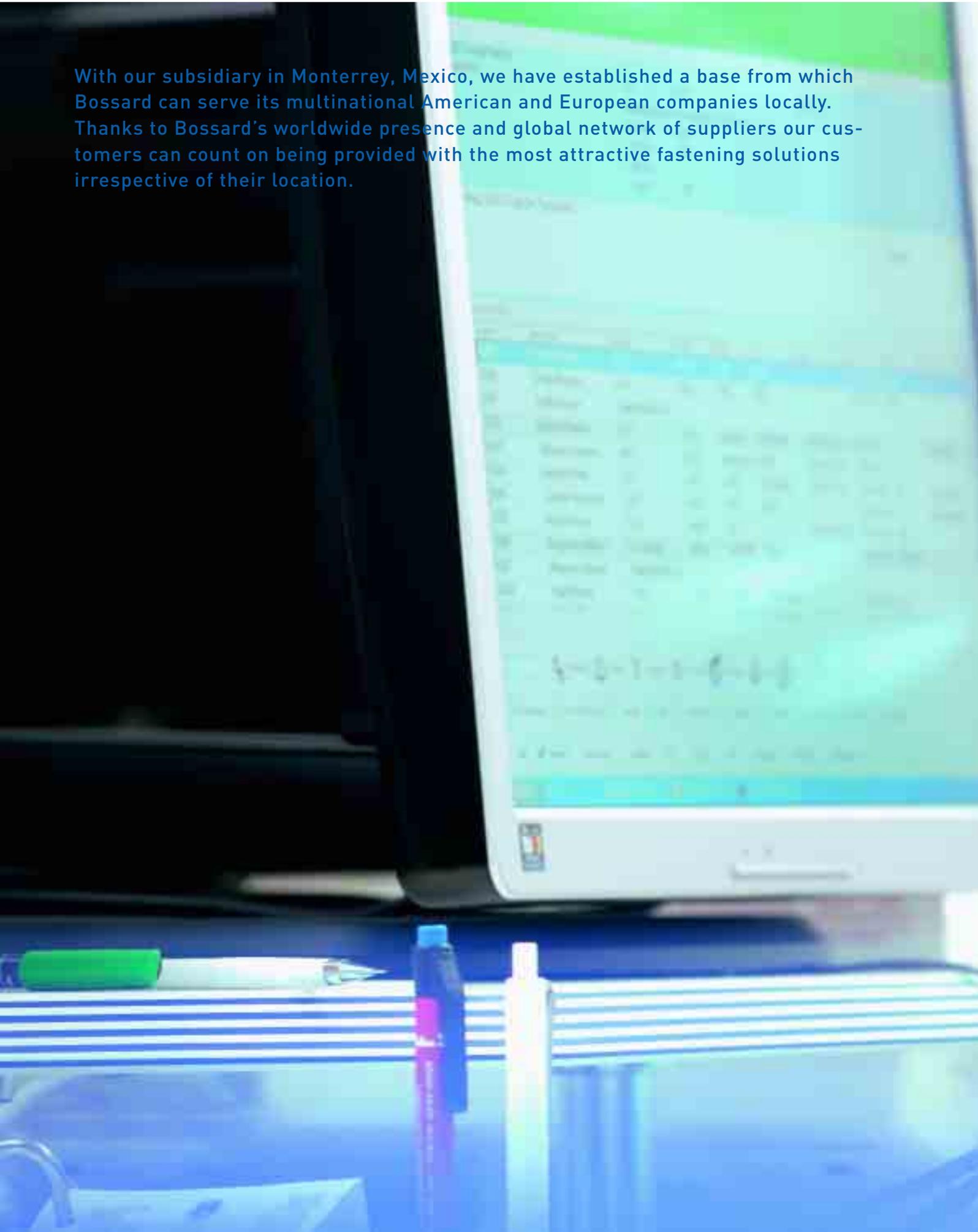
Current contact addresses from A like Appleton to Z like Zug are available under www.bossard.com



Magnificent cactuses thrive under the burning sun in Central and South America. This is nature's way of demonstrating that top performance is possible even under the most unfavorable conditions. And, to give them shade and protect them against the sun, the people of Mexico have their indispensable sombrero – from *sombra*, shade.

Bossard Mexico – a Shelter for its Global Customers in Central America

With our subsidiary in Monterrey, Mexico, we have established a base from which Bossard can serve its multinational American and European companies locally. Thanks to Bossard's worldwide presence and global network of suppliers our customers can count on being provided with the most attractive fastening solutions irrespective of their location.



Sharing Know-how and Experience

Fastener Catalogue

- Bossard's catalogue: the standard work for fastening technology, is available in hard copy and online

e-solutions

- Bossard-Shop: the online catalog, which includes the chance of placing orders online
- Smart Purchasing: paperless shopping; suppliers offer their products over the internet – our buyers evaluate the bids electronically (password protected)
- Bossard-Train: e-Learning software for Bossard employees, set up to widen the know-how about our products
- Bossard-CAD: the electronic CAD library on fastening technology
- Bossard-Calc: calculation software to optimize the design of screwed connections
- Partner Page: an extranet for our customers, to allow them to exchange documents and information (login required)
- SmartBin: fully-automatic system which uses sensors to continuously monitor inventory status and which can automatically place an order when the need arises
- BIM: Bossard Inventory Management, the comprehensive management system for C parts

Bossard Internet Portal

- Information on products and services
- Online ordering of documentation
- Contact addresses for specialists at headquarters and locally
- Information on Bossard Group

Technical Information

- Thema B: technical information on special aspects of fastening technology; practice related, open, professional:
 - Securely fastened joints
 - Corrosion resistant fastened joints
 - Multifunctional fastening technology
 - Cost saving potentials in logistics
- Product literature: technical documentation and product range overview of numerous products
- Technical seminars: platforms where experience and expertise in terms of assembly methods, material issues, cost saving potentials is exchanged with our partners

Technical Testing

- Testing and measuring laboratory: a laboratory with ISO/IEC 17025 accreditation to verify material, mechanical properties and product standard requirements
- Chemical analyses: to test the chemical composition of metallic materials using a spectrometer
- Torque evaluation: to assure assembly requirements; we apply torque measuring equipment specially developed for Bossard
- Mechanical property/material testing: to verify tensile strength, hardness, corrosion protection and plating thicknesses, etc.

For further information and to order printed matter:
www.bossard.com

Annual Report 2006

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This annual report is also available in German and on our website

www.bossard.com.

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



Bossard China – with Fire and Commitment into China

Bossard moved into the land of the dragon in 1999. Today some 300 employees in Shanghai, Beijing, Suzhou, Shenzhen, Nanjing, Tianjin and Xiamen look after Bossard's multinational European, American and Asian customers. For Bossard, China is a decisive, strategic growth market and, with fire and commitment, we will continue to provide our customers with their accustomed Bossard services in the quality they have learnt to expect.



Bossard America – In the Land of Pioneers and of Freedom

With independence – one of our guiding principles – in mind, we set out for America in the early 1980s under the motto "go metric, we're behind you". Our objective was to open up the North American market for metric products. Today we have relations with a varied group of customers in America, including large multinational corporations as well as smaller American companies, through which we can further strengthen our global presence.



Bossard Switzerland – Traditional and Multifunctional in the Heart of Europe

Since 1831 Bossard Switzerland has been a center of competence as well as the headquarters of the Bossard Group. Like the Swiss Army Knife – invented half a century after our company was founded – The Bossard Group stands for such Swiss values as quality and reliability, but it is also known for its multifunctional approach. This approach is clearly reflected in our global and varied services in terms of products, engineering and logistics. Top quality – from one single source.



Bossard Malaysia – Reaching for the Sky in Southeast Asia

Just like our other subsidiaries in Southeast Asia, Bossard Malaysia contributes its share to the strong sales growth in the region. And there's also a demand in Singapore, Thailand and the Philippines for intelligent solutions to generate higher productivity. After China and India, Southeast Asia is now the most important earnings contributor in the entire region.



Bossard Mexico – a Shelter for its Global Customers in Central America

With our subsidiary in Monterrey, Mexico, we have established a base from which Bossard can serve its multinational American and European companies locally. Thanks to Bossard's worldwide presence and global network of suppliers our customers can count on being provided with the most attractive fastening solutions irrespective of their location.



FINANCIAL REPORT

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06

BOSSARD

Key Figures

IN CHF 1,000	2006	2005	2004	2003	2002
Gross Sales	559,541	514,943	497,314	433,404	449,737
Change to prior year in %	8.7	3.5	14.7	-3.5	-11.5
Net Sales	536,830	497,084	480,534	416,749	432,029
Gross Profit	197,438	182,561	180,794	156,615	159,731
Personnel expenses	109,710	100,438	100,370	89,827	89,766
in % of gross profit	55.6	55.0	55.5	57.4	56.2
Ordinary EBIT	33,081	29,029	27,170	15,879	18,421
in % of net sales	6.2	5.8	5.7	3.8	4.3
EBIT after exceptional items ¹¹⁾	22,687	31,131	27,170	15,879	18,421
in % of net sales	4.2	6.3	5.7	3.8	4.3
Ordinary Net income	22,599	18,749	18,222	9,502	9,575
in % of net sales	4.2	3.8	3.8	2.3	2.2
Net income after exceptional items ¹¹⁾	12,205	20,851	18,222	9,502	9,575
in % of net sales	2.3	4.2	3.8	2.3	2.2
Cash Flow ¹⁾	24,334	31,508	28,348	20,119	21,074
in % of net sales	4.5	6.3	5.9	4.8	4.9
Capital expenditures	12,799	20,385	16,847	4,506	3,856
Operating net working capital ²⁾	198,796	190,950	167,219	154,115	151,269
in % of gross sales	35.5	37.1	33.6	35.6	33.6
Net debt	113,478	123,226	104,154	103,719	120,721
Shareholders' equity	172,744	169,309	147,284	138,978	135,242
in % of total assets	43.7	43.7	42.7	42.4	40.0
Total assets	395,083	387,007	344,803	327,405	337,768
Return on equity ³⁾	13.2	11.8	12.7	6.9	7.1
Return on average capital employed (ROCE) ⁴⁾	8.8	8.4	8.7	4.9	5.7
Dividend yield (Basis: Price at Dec. 31)	2.1	2.9	2.6	1.5	2.6
Earning per share ^{3) 6) 8)}					
Bearer share in CHF	7.44	5.87	5.99	3.16	3.14
Registered share in CHF	1.49	1.17	1.20	0.63	0.63
Price/earnings ratio (Basis: Price at Dec. 31) ³⁾	10.9	13.6	11.7	17.4	9.9
Enterprise value in % of gross sales ⁷⁾	64.0	70.4	62.4	61.1	46.8
Enterprise value/EBITDA ^{5) 7)}	7.9	9.1	7.7	8.9	6.3
Price/book value per share	1.4	1.4	1.4	1.2	0.7
Headcount at Dec. 31	1,818	1,709	1,602	1,334	1,314
Annual average number of employees ⁹⁾	1,695	1,607	1,441	1,277	1,254
Sales per employee ¹⁰⁾	316.7	309.3	333.5	326.4	344.5

1) Net income after exceptional items + depreciation without amortization of goodwill

2) Accounts receivable, inventories less accounts payable

3) Basis: Ordinary Net income

4) Basis: Ordinary EBIT

5) Basis: Ordinary EBITDA

6) Basis: Average capital entitled to dividend

7) Enterprise value = market capitalization + net financial debt

8) Basis: Share attributable to Shareholders' Bossard Holding AG

9) Average full time equivalent

10) Basis: Annual average number of employees

11) Ordinary profit less exceptional items – 2006: Restructuring expenses America; 2005: Capital gain from sale of investment

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Consolidated Balance Sheet

IN CHF 1,000	NOTES	31.12.2006	%	31.12.2005	%
Assets					
Current assets					
Cash and cash equivalents	4	8,947	2.3	10,019	2.6
Accounts receivable, trade	5	97,116	24.6	81,139	21.0
Other receivables and prepaid expenses	6	8,373	2.1	8,061	2.1
Inventories	7	153,398	38.8	154,488	39.9
		267,834	67.8	253,707	65.6
Long-term assets					
Property, plant and equipment	8	71,990	18.2	75,497	19.5
Intangible assets	9	52,313	13.2	54,342	14.0
Financial assets	10	2,946	0.8	3,461	0.9
		127,249	32.2	133,300	34.4
Total assets		395,083	100.0	387,007	100.0
Liabilities and shareholders' equity					
Current liabilities					
Accounts payable, trade		51,718	13.1	44,677	11.5
Other liabilities and accrued expenses	11	28,810	7.3	21,620	5.6
Current tax liabilities		7,699	1.9	7,176	1.9
Short-term debts	12	68,357	17.3	77,159	19.9
		156,584	39.6	150,632	38.9
Long-term liabilities					
Long-term debts	13	54,068	13.7	56,086	14.5
Other liabilities		3,771	1.0	4,071	1.1
Provisions	14	3,235	0.8	1,890	0.5
Deferred taxes	15	4,681	1.2	5,019	1.3
		65,755	16.7	67,066	17.4
Total liabilities		222,339	56.3	217,698	56.3
Shareholders' equity					
Share capital	16	32,000	8.1	32,000	8.3
Retained earnings and other reserves		137,042	34.7	132,776	34.3
		169,042	42.8	164,776	42.6
Minority interest		3,702	0.9	4,533	1.1
Total shareholders' equity		172,744	43.7	169,309	43.7
Total liabilities and shareholders' equity		395,083	100.0	387,007	100.0

The notes on Page 6 to 29 are an integral part of the financial statements.

Consolidated Income Statement

IN CHF 1,000	NOTES	2006	2005
Gross sales	29	559,541	514,943
Sales deductions		22,711	17,859
Net sales		536,830	497,084
Cost of goods sold		339,392	314,523
Gross profit		197,438	182,561
Personnel expenses	21/22	109,710	100,438
Sales, marketing and administration expenses		23,003	22,448
Other operating expenses	23	19,516	17,887
Restructuring expenses	31	10,394	–
EBITDA		34,815	41,788
Depreciation and amortization	24	12,128	10,657
EBIT		22,687	31,131
Financial expenses net	25	3,915	4,746
Income before taxes		18,772	26,385
Taxes	15	6,567	5,534
Net income		12,205	20,851
Attributable to:			
Shareholders' Bossard Holding AG		11,919	19,642
Minority interest		286	1,209
IN CHF		2006	2005
Earnings per bearer share – basic ¹⁾	26	3.98	6.57
Earnings per registered share – basic ¹⁾	26	0.80	1.31

1) Earnings per share is based on the net income of Shareholders' Bossard Holding AG and the annual average number of outstanding shares entitled to dividend. There is no dilution effect.

The notes on Page 6 to 29 are an integral part of the financial statements.

Consolidated Statement of Changes in Equity

IN CHF 1,000	ISSUED SHARE CAPITAL	OWN SHARES	RETAINED EARNINGS AND RESERVES	CUMUL. TRANSLAT. DIFFERENCE	SHARE- HOLDERS BOSSARD	MINORITY INTEREST	SHARE- HOLDERS' EQUITY
Balance at Jan. 1, 2005	32,000	-2,513	145,767	-30,840	144,414	2,870	147,284
Net income for the year			19,642		19,642	1,209	20,851
Dividend			-5,385		-5,385		-5,385
Treasury shares sold for option scheme		430	2,532		2,962		2,962
Change in scope of consolidation					-	115	115
Translation difference				3,143	3,143	339	3,482
Balance at Dec. 31, 2005	32,000	-2,083	162,556	-27,697	164,776	4,533	169,309
Balance at Jan. 1, 2006	32,000	-2,083	162,556	-27,697	164,776	4,533	169,309
Net income for the year			11,919		11,919	286	12,205
Dividend			-6,900		-6,900		-6,900
Treasury shares sold for option scheme		84	645		729		729
Change in scope of consolidation			-1,268		-1,268	-1,504	-2,772
Translation difference				-214	-214	387	173
Balance at Dec. 31, 2006	32,000	-1,999	166,952	-27,911	169,042	3,702	172,744

The notes on Page 6 to 29 are an integral part of the financial statements.

Consolidated Cash Flow Statement

IN CHF 1,000	NOTES	2006	2005
Cash flow from operations	28	35,359	11,444
Interest received		1,702	736
Interest paid		-5,144	-5,167
Income taxes paid		-5,998	-4,831
Net cash flow from operations		25,919	2,182
Cash flow from investing activities			
Purchase of property, plant, equipment and computer software	8/9	-12,799	-20,385
Proceeds from sales of investments	30	299	7,661
Payments for purchases of investments	30	-4,017	-2,407
Proceeds from sale property, plant and equipment		3,398	542
Decrease of loans and deposits		685	904
Net cash used for investing activities		-12,434	-13,685
Free cash flow		13,485	-11,503
Cash flow from financing activities			
Sale of treasury shares/employee options		729	2,264
(Decrease)/increase of debts	12/13	-10,820	22,325
Dividends paid		-6,900	-5,385
Cash flow from financing activities		-16,991	19,204
Translation difference		2,434	-4,448
Change in cash and cash equivalents		-1,072	3,253
Cash and cash equivalents at Jan. 1		10,019	6,766
Cash and cash equivalents at Dec. 31	4	8,947	10,019
IN CHF 1,000		2006	2005
Change in cash and cash equivalents		-1,072	3,253
Decrease/(increase) of debts		10,820	-22,325
Decrease/(increase) of net debt		9,748	-19,072
Net debt at Jan. 1		-123,226	-104,154
Net debt at Dec. 31		-113,478	-123,226
Reconciliation of net debt			
Cash and cash equivalents		8,947	10,019
Debts		-122,425	-133,245
Net debt at Dec. 31		-113,478	-123,226

The notes on Page 6 to 29 are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

Scope of Operations (1)

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

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

The consolidated financial statements of the Bossard Group are based on the financial statements of the individual Group companies at December 31, 2006 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 International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB). They are prepared in accordance with Swiss law and the listing rules of the Swiss Exchange SWX. The consolidated financial statements were approved by the Board of Directors of Bossard Holding AG on March 2, 2007.

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

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

In the financial year 2006, Bossard adopted the following new and revised standards and interpretations: IAS 19 revised, IAS 39 revised, IFRS 1 revised, IFRS 4 revised, IFRS 6, IFRIC 4, IFRIC 5 and IFRIC 6. The adoption of these new and revised standards and interpretations has no material impact on the financial statements of Bossard.

Currently group management is examining the influence on Bossard's financial reporting on the following new standards as well as amendments and interpretations of existing standards which are not yet applicable for Bossard and have therefore not yet been adopted: IAS 1 revised, IFRS 7, IFRS 8, IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10. Group management anticipates that adopting the issued but not yet effective standards and interpretations will have no material impact on the financial statements of Bossard.

In the financial year 2005, Bossard adopted the following new and revised standards and interpretations that were relevant to its operations and effective for accounting periods beginning on January 1, 2005: IAS 1 Presentation of Financial Statements, IFRS 2 Share-based Payment, IFRS 3 Business Combinations.

Adopting IFRS 5, non-current assets held for sale and discontinued operations, as well as the other revised standards (IAS 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 32, 33, 39 and 40) did not result in substantial changes to Bossard's accounting policies. The revised IAS 21 standard (the effects of changes in foreign exchange rates) was already applied earlier.

Principles of Consolidation (2.2)

The consolidated financial statements include the financial statements of Bossard Holding AG as well as the domestic and foreign subsidiaries over which Bossard Holding AG exercises control. Group companies acquired during the year are included in the consolidation from the date on which control over the company is transferred to Bossard, and 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. Profits on intercompany sales not yet realized through sales to third parties as at balance sheet date are eliminated in the consolidation.

Investment 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 owns directly or indirectly more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Under the full consolidation method, 100 percent of assets, liabilities, income and expenses are included. The interests of minority shareholders in equity and net income or loss are shown separately in the balance sheet and income statement. Intercompany balances (incl. unrealized profit on intercompany inventories) and transactions are eliminated in full.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. These are entities in which Bossard has significant influence and which are neither subsidiaries nor joint ventures of Bossard. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these decisions (usually 20–50 percent of voting rights). Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize Bossard's share of profit or loss of the investee after the acquisition date. Bossard did not own any investment in associates during the period under review.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting. These are contractual arrangements whereby two or more parties undertake an economic activity that is subject of joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Under the equity method, the investment in a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize Bossard's share of profit or loss of the jointly controlled entity after the acquisition date. No joint venture was held by Bossard during the period under review.

Foreign Currency Translation (2.3)

The consolidated financial statements are expressed in Swiss francs ("CHF"). The functional currency of each Bossard company is the applicable local currency.

Transactions in foreign currencies are accounted for at the rates prevailing at the dates of the transactions. Items which are hedged against exchange rate exposures are translated at the hedged rate of exchange. The resulting exchange differences are recounted in the local income statements of the Bossard companies and included in net income.

Bossard companies translate monetary assets and liabilities denominated in foreign currencies to the reporting currency using balance sheet date exchange rates.

For the purposes of consolidation, assets and liabilities of foreign Bossard companies reporting in currencies other than CHF are translated to CHF at balance sheet date exchange rates, income and expense items are translated at the average exchange rate for the period, and the resulting translation differences are adjusted directly against the translation differences in shareholders' equity.

Exchange differences arising on intercompany loans that are considered part of the net investment in a foreign entity are recorded in equity.

Accounting and Valuation Principles (2.4)**Cash and cash equivalents**

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

Accounts receivable

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

Inventories

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

Property, plant and equipment

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

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

Leasehold improvements are depreciated over the shorter of useful life or lease term. Repair and maintenance costs, which do not increase the value or useful life of an asset, are charged directly as an expense. 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 accrued depreciation. Any gains or losses arising are recognized in the income statement.

Research and development

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

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 recognised as an expense on a straight-line basis over the lease term.

Intangible assets

Software

Generally, costs associated with developing computer software programs are recognized as an expense as incurred. However, costs are recognized as an intangible asset if they are clearly associated with an identifiable and unique computer program, which will be controlled by Bossard and has a probable benefit exceeding the cost beyond one year. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure, which enhances and extends the benefits of computer software programs beyond their original specifications, is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of ten years. They are at least reviewed for impairment at every balance sheet date and a continuing impairment gets accounted for accordingly.

Goodwill

Goodwill is the acquisition cost in excess of the fair value of an acquired company at the time of acquisition. The goodwill arising from the acquisition of a company is recognized under immaterial assets. Goodwill is subject to an at least annual impairment test and carried at original acquisition cost less accumulated impairment charges.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Bossard provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than twelve months after the balance sheet date. These are classified as non-current assets.

Other investments

Other investments consist of non-derivative financial assets that are not a subsidiary nor an investment in associate or a joint venture. They are measured at their fair value and included in non-current assets unless management intends to dispose them of within twelve months of the balance sheet date. Gains or losses are included in net profit or loss for the period in which they arise.

Accounting for derivative financial instrument and hedging activities

All derivative financial instruments are recognized in the balance sheet at cost and are remeasured at their fair value. Changes in the fair value of derivatives that are designated to hedges of net investment in foreign entities are recognized in the translation differences in shareholders' equity. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Any changes that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

Financial debts

Borrowings are recognized initially at fair value, net of transaction costs incurred. They are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Bossard can defer the settlement of the liability for at least twelve months after the balance sheet date.

Employee benefits

Pension obligations

Bossard operates a number of pension plans for most employees in accordance with the legal requirements in the individual countries. Their assets are generally held in separate trustee-administered funds or state-managed retirement benefit schemes. The pension plans are generally funded by payments from employees and by the relevant Group companies.

In addition the Group operates pension plans, which have the characteristics of defined benefit plans. The assets are also held in separate trustee-administered funds. The pension obligation is determined using the Projected Unit Credit Method, with actuarial valuations being carried out annually by an independent insurance expert. Under this method, the projected benefit obligation is calculated on the basis of the completed and expected future service years of employees, the future salary development and changes in retirement benefits. All actuarial gains and losses are spread forward over the average remaining service lives of employees. Bossard's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

Other long-term benefits

Other long-term benefits comprise mainly length of service compensation benefits which certain Bossard companies are required to provide in accordance with legal requirements in the respective countries. These benefits are accrued and calculated using the Projected Unit Credit Method. The corresponding liabilities are included under provision for pension and other termination benefits.

Profit sharing and bonus plans

Various Bossard companies have profit sharing programs and bonus plans for their employees. Such payments when made are recognized under personnel expenses in the income statement and under other liabilities in the balance sheet.

Provisions

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

Taxes

All taxes are accrued irrespective of when such taxes are due.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Potential savings related to tax loss carry-forwards are generally recognized if the recovery is probable in medium term. Deferred taxes are calculated using the expected applicable local tax rates.

Taxes payable on distribution of the undistributed profits of subsidiaries and associates are accrued only if those profits are to be distributed the following year.

Share capital

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

Financial risk management

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

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

Foreign exchange risk

Due to its international activities Bossard is exposed to foreign exchange risk arising from various currency exposures. Subsidiaries are encouraged, but not required, to use forward contracts to hedge their exposure to foreign currency risk.

The net investment in foreign entities is exposed to currency exchange risk. The currency exposure is hedged through borrowings denominated in the relevant foreign currency and forward exchange contracts. These forward exchange contracts have terms up to twelve months.

Interest rate risk

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

Credit risk

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

Price risks

Products marketed by Bossard may be subject to certain price risks, depending on the raw material price fluctuation (steel, chrome, nickel) and on exchange rates.

Liquidity risks

Judicious risk management includes ensuring that an adequate sum is available in the form of credit limits and through the possibility of refinancing.

Critical accounting estimates and assumptions

Impairment test for intangible assets

Note 9 contains information on assumptions and their risk factors with regard to impairment tests for intangible assets. Important assumptions are, for example, discount rates and projection periods. The actual cash flows generated can deviate strongly from the planned discounted future values. Moreover, the effective life can be shortened or an impairment of value of the intangible assets can arise should the assets be used for a different purpose.

Actuarial assumptions

Bossard has various pension plans for which statistical assumptions are made in order to estimate future developments (such as discount rate, expected earnings, assumptions regarding compensation increases, graduated life tables and likelihood of withdrawal). Should these parameters change as a result of a change in the economic situation or new market conditions, later results could deviate decisively from expert opinion and calculations. In the medium term such deviations can impact strongly on expenses and earnings from pension plans.

Income taxes

The current tax provision is calculated on the basis of an interpretation of the tax laws in the various countries. Its accuracy is then determined within the scope of the final tax estimate or by government tax audits. This can lead to substantial adjustments of tax expenditure. Moreover, determining whether admissible tax loss carryovers can be capitalized requires a critical assessment of the likelihood of netting with future profits, which depends on diverse factors and developments.

Segment reporting

The segment reporting of the Group is carried out based on the three geographical areas: Europe, America and Asia. A geographical segment is engaged in providing products or services within a particular economic environment.

Related parties

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

Net debt

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis that reflects the effective yield on the asset.

Sales deductions

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

Changes in the Scope of Consolidation (3)

As of January 1, 2006, 100 percent of Böllhoff Usinec s.a., Gretz Armainvilliers, France, was acquired. As of this date the company was included in the consolidation and merged into Bossard France SAS as of December 31, 2006. As of January 1, 2006, the 50 percent share hold in Hi-Tec Fastener ApS, Haslev, Denmark, was sold. In return, Bossard Denmark A/S acquired the assets of the "Industry Business segment" of Hi-Tec Fastener ApS. As of September 29, 2006, Bossard Hungary Kft., Török-bálint, Hungary, was incorporated. It is a 100 percent share of Bossard. As of November 1, 2006, Bossard increased its share in Bossard (Korea) Ltd, Anseong-City, Korea from 55 percent to 100 percent.

As of January 1, 2005, the investment in Sigma AG, Stans, and as per May 1, 2005, the investment in Bossard Germany GmbH, Duisburg, was sold. As of these dates the companies were excluded from the consolidation. As of September 1, 2005, 80 percent of Sal-Pol Sp.Z o.o., Radom, Poland, was acquired. Per December 1, 2005, Trimec Italia srl., Milan, Italy was incorporated. As of these dates the companies were included in the consolidation.

Cash and Cash Equivalents (4)

IN CHF 1,000	2006	INTEREST RATES %	2005
Cash at banks and in hand	7,871	0.0–6.6	8,005
Short-term bank deposits	1,076	1.7–6.5	2,014
Total	8,947		10,019

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

Accounts Receivable, Trade (5)

IN CHF 1,000	2006	2005
Accounts receivable, trade	93,902	80,027
Notes receivable	6,987	4,486
Allowance for bad debts	-3,773	-3,374
Total	97,116	81,139

The book value of receivables is based on fair value.

Other Receivables and Prepaid Expenses (6)

IN CHF 1,000	2006	2005
Other receivables	2,423	2,303
Prepaid expenses	5,950	5,758
Total	8,373	8,061

Inventories (7)

IN CHF 1,000	2006	2005
Purchased goods	147,270	148,841
Compulsory inventories (pledged)	6,128	5,647
Total	153,398	154,488

Property, Plant & Equipment (8)

IN CHF 1,000	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	TOTAL
Cost			
Balance at Jan. 1, 2006	84,256	89,301	173,557
Translation difference	-942	-1,116	-2,058
Additions	1,991	9,938	11,929
Additions consolidation scope	-	222	222
Disposals	-5,386	-3,836	-9,222
Disposals consolidation scope	-614	-229	-843
Balance at Dec. 31, 2006	79,305	94,280	173,585
Accumulated depreciation			
Balance at Jan. 1, 2006	31,729	66,331	98,060
Translation difference	-55	-686	-741
Depreciation	2,245	7,225	9,470
Depreciation due to restructuring	261	502	763
Additions consolidation scope	-	178	178
Disposals	-2,376	-3,460	-5,836
Disposals consolidation scope	-109	-190	-299
Balance at Dec. 31, 2006	31,695	69,900	101,595
Net book amount	47,610	24,380	71,990

The insurance value of property, plant and equipment is CHF 160.3 million (2005: CHF 159.3 million).

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

Intangible Assets (9)

IN CHF 1,000	GOODWILL	SOFTWARE	TOTAL
Cost			
Balance at Jan. 1, 2006	44,325	36,148	80,473
Translation difference	-1,676	-21	-1,697
Additions	-	870	870
Additions consolidation scope	1,708	2	1,710
Disposals	-	-51	-51
Balance at Dec. 31, 2006	44,357	36,948	81,305
Accumulated depreciation and amortization			
Balance at Jan. 1, 2006	-	26,131	26,131
Translation difference	-	-53	-53
Amortization	-	2,658	2,658
Amortization due to restructuring	-	296	296
Disposals	-	-40	-40
Balance at Dec. 31, 2006	-	28,992	28,992
Net book amount	44,357	7,956	52,313

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

Bossard does not have intangible assets that are individually important for the judgment of the financial position of the group. No internally generated intangible assets have been capitalized during financial years 2006 and 2005. Goodwill has an indefinite life. Other intangible assets and software have finite lives.

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

CASH GENERATING UNIT	CARRYING AMOUNT OF GOODWILL IN 1,000 CHF	CURRENCY	BASIS FOR RECOVERABLE AMOUNT	DISCOUNT RATE	PROJECTION PERIOD
America	20,156	USD	Value in use	7.5 %	5 years
Europe	24,201	Multiple	Value in use	7.5 %	5 years
Total	44,357				

Based on the impairment tests, there was no need for the recognition of any impairment in financial year 2006 and 2005.

Financial Assets (10)

IN CHF 1,000	2006	INTEREST RATES %	2005
Other loans and deposits	2,547	0.0–6.0	3,013
Other investments			
Bossard + Staerle AG, Zug, 10%	360		360
Others	39		88
Total	2,946		3,461

Other Liabilities and Accrued Expenses (11)

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

Short-term Debt (12)

IN CHF 1,000	2006	INTEREST RATES %	2005
Bank overdrafts	10,695	1.3–2.7	10,532
Bank loans	32,803	2.6–7.5	38,571
Personal savings accounts	20,821	3.3	21,502
Notes payable	2,700	0.9–2.0	5,500
Other	1,338	2.0–8.8	1,054
Total	68,357		77,159

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

Long-term debt (13)

IN CHF 1,000	2006	INTEREST RATES %	2005
Bank loans	54,068	2.6–2.8	55,935
Other long-term debt	–		151
Total	54,068		56,086

In 2006 Bossard did not have (2005: CHF 35 million) any bank loans at fixed interest rates. All other borrowings are at floating rates. The effective weighted average interest rate on all borrowings was 3.7 % (2005: 3.7 %)

DUE FOR REPAYMENT IN CHF 1,000	1–2 YEARS	OVER 2 YEARS	TOTAL
Bank loans	54,068	–	54,068
Total	54,068	–	54,068
2005	56,086	–	56,086

Provisions (14)

IN CHF 1,000	PROVISION FOR RESTRUCTURING	PENSION AND OTHER TERMINATION BENEFITS	WARRANTY PROVISIONS	TOTAL PROVISIONS	./ SHORT-TERM PROVISIONS	TOTAL LONG-TERM PROVISIONS
Balance at Jan. 1, 2006	–	1,848	165	2,013	–123	1,890
Additions	3,729	1,083	496	5,308	–3,814	1,494
Used	–	–42	–130	–172	114	–58
Reversed	–	–157	–	–157	–	–157
Translation difference	–97	62	8	–27	93	66
Balance at Dec. 31, 2006	3,632	2,794	539	6,965	–3,730	3,235

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

The provision for restructuring mainly includes expenses for restructuring Bossard's operations in North America (see note 31). Pension and other termination benefits include liabilities for pension and granted legal benefits based on the affiliation to the company.

Taxes (15)

The provisions for deferred taxes consist of the following:

IN CHF 1,000	2006	2005
Deferred income taxes attributable to timing differences:		
Property, plant, equipment and intangible assets	794	883
Inventory	2,391	2,462
Other liabilities	1,496	1,674
Total deferred taxes	4,681	5,019

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

IN %	2006	2005
Average basic tax rate	15.9	21.3
Expense not deductible	0.6	1.1
Utilization of previously unrecognized tax losses	-7.5	-4.2
Non-effective tax losses	33.1	4.2
Changes in deferred taxes	-1.8	1.3
Other	-5.3	-2.7
Effective tax rate on profit before tax	35.0	21.0

IN CHF 1,000	2006	2005
Current taxes	6,905	5,184
Deferred taxes	-338	350
Total	6,567	5,534

Available unrecognized tax loss carry-forwards amounted to CHF 10.8 million at the end of 2006 (2005: CHF 8.0 million). Tax savings can be claimed at the latest as follows:

POTENTIAL CORPORATE TAX SAVINGS	BELOW 5 YEARS	OVER 5 YEARS	TOTAL IN CHF 1,000
2006	-	10,839	10,839
2005	761	7,217	7,978

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

Share Capital (16)

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

199,794 bearer shares of CHF 10 par value are held by Bossard Holding AG and have neither voting rights nor dividend entitlement.

185,000 of these shares have been held by the company since the capital increase.

In connection with the option scheme introduced in 1998, the company has acquired own shares through purchases on the Swiss Exchange. These shares are being held as treasury shares to cover the underlying liability from the employee option scheme (see note 17).

The consolidated retained earnings and reserves include non-distributable legal reserves of CHF 22.0 million (2005: CHF 24.0 million).

Dividend

The board of directors of Bossard Holding AG will propose a dividend of CHF 1.70 (2005: CHF 2.30) per bearer share and CHF 0.34 (2005: CHF 0.46) per registered share to the shareholders at the forthcoming annual general meeting.

The dividend paid in 2006 amounted to CHF 2.30 (2005: CHF 1.80) per bearer share.

Employee Options (17)

According to the employee share option scheme introduced in 1998, share options are granted to certain managers of the Group and the board of directors for parts of their bonus entitlement and board compensation. The options are granted at market prices on the date of issue and the related expenses are accounted for as personnel cost. The options can be exercised within four years at a predetermined strike price.

In 2006 as well as 2005 no share options were issued. The 2004 share options were issued at CHF 13.28 and at a strike price of CHF 52.00 per share. Bossard shares traded at CHF 53.00 on the issue date of the options. The liability resulting from this option scheme is hedged through purchases of own shares from the Swiss Exchange.

OUTSTANDING SHARE OPTIONS	NUMBER	AMOUNT IN CHF 1,000	MARKET VALUE *) IN CHF 1,000
Balance at Jan. 1, 2006	2,706	30	85
Repurchased/exercised	-1,198	-10	-44
Change option obligation	-	-	17
Balance at Dec. 31, 2006	1,508	20	58

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

TREASURY SHARES FOR OPTION SCHEME	NUMBER
Balance at Jan. 1, 2006	23,239
Sold	-8,445
Balance at Dec. 31, 2006	14,794

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

Lease and rental obligations (18)

At December 31, 2006 future minimum operating lease payments not recorded in the Balance Sheet amounted to:

OPERATING LEASE COMMITMENT	DUE WITHIN 1 YEAR	DUE WITHIN 2 YEARS	DUE WITHIN 3 YEARS	DUE WITHIN 4 YEARS	DUE AFTER 4 YEARS	TOTAL IN CHF 1,000
2006	1,637	1,025	681	385	85	3,813
2005	1,554	1,035	504	277	128	3,498

At December 31, 2006 future rental liabilities for office and warehouse premises amounted to:

LONG-TERM RENTAL LIABILITIES	DUE WITHIN 1 YEAR	DUE WITHIN 2 YEARS	DUE WITHIN 3 YEARS	DUE WITHIN 4 YEARS	DUE AFTER 4 YEARS	TOTAL IN CHF 1,000
2006	3,894	2,499	1,993	34	–	8,420
2005	5,238	3,160	2,291	1,885	66	12,640

Contingent Liabilities (19)

Contingent liabilities in the amount of CHF 0.7 million (2005: CHF 1.2 million) result mainly from advance payment guarantees and discounted drafts given to third parties in the course of normal business operations.

Assets Pledged or Otherwise Restricted (20)

IN CHF 1,000	2006	2005
Accounts receivable, drafts	12,545	12,808
Inventories	7,473	6,515
Goodwill	–	3,411
Property, plant and equipment	1,650	4,967
Total	21,668	27,701

The pledged or restricted assets are used as collateral for the outstanding bank loans and performance bonds. The total credit lines amount to CHF 21.6 million (2005: CHF 32.3 million). The current borrowings amount to CHF 13.1 million (2005: CHF 26.4 million).

Personnel Expenses (21)

IN CHF 1,000	2006	2005
Salaries	88,793	80,766
Social expenses	13,639	12,674
Pension expenses	3,639	3,526
Other personnel expenses	3,639	3,472
Total	109,710	100,438

In 2006 and 2005 no share options were granted to the management as part of the profit sharing program.

Retirement Benefit Obligations (22)

Bossard has established a number of pension schemes around the world covering most employees. The assets of the funded plans are held independent of the Group's assets in separate trustee-administered funds or state-managed pension schemes. Those pension schemes which qualify as defined benefit plans under revised IAS 19 are subject to annual actuarial valuations. The latest actuarial valuations were carried out as on January 1, 2006.

The amounts recognized in the income statement are as follows:

IN CHF 1,000	2006	2005
Current service expenses	1,796	1,467
Interest expenses	2,993	3,390
Expected return on plan assets	-4,398	-3,727
Actuarial losses recognized in year	1,025	253
Net periodic pension expenses	1,416	1,383
Amortization of plan assets	180	62
Total included in personnel expenses	1,596	1,445

The movement in the defined benefit obligation was as follows:

IN CHF 1,000	2006	2005
Present value of benefit obligation at Jan. 1	91,814	84,617
Service expenses	3,369	2,896
Interest expenses (at discount rate)	2,993	3,390
Benefits paid	-2,815	-2,607
Unrecognized actuarial losses	669	3,518
Present value of benefit obligation at Dec. 31	96,030	91,814

The movement in the fair value of plan assets was as follows:

IN CHF 1,000	2006	2005
Fair value of plan assets at Jan. 1	97,564	82,693
Expected return on plan assets	4,398	3,727
Employer contributions	1,596	1,445
Employee contributions	1,573	1,429
Benefits paid	-2,815	-2,607
Unrecognized actuarial gains	4,605	10,877
Fair value of plan assets at Dec. 31	106,921	97,564

Plan assets are comprised as follows:

IN CHF 1,000 / IN %	2006		2005	
Cash	33,133	24.9 %	17,285	14.4 %
Bonds	31,156	23.4 %	31,674	26.4 %
Equity	39,429	29.6 %	44,780	37.4 %
Properties	28,968	21.7 %	25,540	21.3 %
Others	608	0.4 %	632	0.5 %
Total	133,294	100.0 %	119,911	100.0 %
Thereof Plan assets of other companies	10,593	7.9 %	8,659	7.2 %

The pension plan assets include CHF 0.3 million (2005: CHF 0.3 million) in shares of Bossard Holding AG.

The movement of the asset was as follows:

IN CHF 1,000	2006	2005
Asset at Jan. 1	1,617	1,555
Contributions	1,596	1,445
Net periodic pension expenses	-1,416	-1,383
Asset at Dec. 31	1,797	1,617

Status of the defined benefit plans (all amounts according to an actuarial valuation):

IN CHF 1,000	31.12.2006	31.12.2005
Present value of funded obligation	96,030	88,296
Fair value of plan assets	106,921	86,687
Actuarial gains/(losses)	10,891	-1,609
Unrecognized accumulated (gains)/losses	-9,094	3,226
Asset	1,797	1,617

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

The principal actuarial assumptions used for accounting purposes were:

IN %	31.12.2006	31.12.2005
Discount rate	3.25	4.00
Expected rate of return on plan assets	4.50	4.50
Future salary increases	1.75	1.75
Future pension increases	0.25	0.25

The mortality rate was calculated in accordance with the Swiss Federal Law on Occupational Retirement (revised in 2000).

The expected return on the pension plan assets is based on market expectations for future returns on the invested pension plan assets over the corresponding term to maturity. Because of the long-term nature of the investments the actuarial assumptions made, such as future expected yield, do not necessarily correspond to short-term historical development.

In addition, CHF 2.3 million (2005: CHF 2.1 million) in contributions to defined contribution pension plans were recognized in the income statement.

There are further pension plans in the Group for which CHF 1.5 million (2005: CHF 1.3 million) are recognized in the provisions under pension and termination commitments (note 14).

Other Operating Expenses (23)

IN CHF 1,000	2006	2005
Expenses for office and warehouse space	9,474	9,304
Insurance and charges	2,654	2,829
Other operating expenses	7,388	5,754
Total	19,516	17,887

The capital gain of CHF 2.1 million from the disposal of the Sigma AG, Stans was recognized under operating and other expenses in 2005.

Depreciation and Amortization (24)

IN CHF 1,000	2006	2005
Buildings	2,245	2,114
Machinery and equipment	7,225	6,173
Computer software	2,658	2,370
Total	12,128	10,657

Financial Expenses Net (25)

IN CHF 1,000	2006	2005
Interest expense	5,617	5,482
Income from interests and securities	-443	-295
Income from non consolidated investment	-268	-268
Exchange gain	-991	-173
Total	3,915	4,746

Earnings per Share (26)

	2006	2005
Net income in CHF 1,000	11,919	19,642
Average number of shares entitled to dividend *)	2,997,716	2,990,530
Basic earnings per bearer share in CHF	3.98	6.57
Basic earnings per registered share in CHF	0.80	1.31

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

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

Financial Instruments (27)

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

IN CHF MILLION	2006	2005
USD	1,502	2,362
EUR	4	295
Other	34	62
Total	1,540	2,719

Open forward contracts at December 31, 2006 were as follows:

IN CHF MILLION	CONTRACT VALUE	MARKET VALUE
USD	-61.0	-61.0
Total	-61.0	-61.0
2005	-107.6	-107.7

The contract value shows the volume of open forward exchange contracts at the contracted exchange rate. The market value of the open contracts is based on the exchange rate at December 31, 2006.

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

IN CHF MILLION	CONTRACT VALUE	MARKET VALUE
2006	-61.0	-61.0
2005	-109.3	-109.4

Cash Flows from Operating Activities (28)

IN CHF 1,000	NOTE	2006	2005
Net income		12,205	20,851
Taxes	15	6,567	5,534
Financial expenses net	25	3,915	4,746
Depreciation and amortization	24	12,128	10,657
Other non cash expenses/(income)		5,990	-3,148
Cash flow from operating activities before changes in working capital		40,805	38,640
Increase receivables		-15,985	-10,839
Increase inventories		-3,518	-16,369
Increase payables		14,057	12
Cash flow from changes in working capital		-5,446	-27,196
Cash flow from operations		35,359	11,444

Segment Information (29)

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

IN CHF MILLION	EUROPE		AMERICA		ASIA		ELIMINATIONS		CONSOLIDATED	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
External sales	298.1	258.1	181.3	200.4	80.1	56.4			559.5	514.9
Inter-segment sales	6.2	4.0	0.7	0.1	0.4	0.5	-7.3	-4.6	-	-
Total revenue	304.3	262.1	182.0	200.5	80.5	56.9	-7.3	-4.6	559.5	514.9
Segment EBITDA	37.2	33.0	-6.5	4.8	4.1	4.0			34.8	41.8
Segment EBIT	30.6	25.8	-10.1	2.8	2.2	2.5			22.7	31.1
<i>Segment EBIT before restructuring expenses</i>	<i>30.6</i>	<i>25.8</i>	<i>0.3</i>	<i>2.8</i>	<i>2.2</i>	<i>2.5</i>			<i>33.1</i>	<i>31.1</i>
Finance expenses net									-3.9	-4.7
Taxes									-6.6	-5.5
Net income for the period									12.2	20.9
Other information										
Segment assets	213.1	189.4	129.1	154.0	49.9	40.1			392.1	383.5
Unallocated corporate assets									3.0	3.5
Consolidated total assets									395.1	387.0
Segment liabilities	136.3	137.0	36.3	44.6	45.0	31.1			217.6	212.7
Unallocated corporate liabilities									4.7	5.0
Consolidated total liabilities									222.3	217.7
Capital expenditures										
- Property, plant, equipment, software, goodwill	8.8	8.7	2.7	11.5	3.2	2.4			14.7	22.6
Depreciation and amortization										
- Property, plant, equipment, software, goodwill	6.6	7.2	3.5	2.0	2.0	1.5			12.1	10.7
Employees										
Annual weighted average number of employees	696	664	391	471	608	472			1,695	1,607

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

Europe: Austria, Czech Republic, Denmark, France, Hungary, Italy, Poland, Slovakia, Spain, Sweden, Switzerland

America: Mexico, USA

Asia: China, India, Malaysia, Singapore, South Korea, Taiwan

Acquisition and Disposal of Subsidiaries (30)

During Financial Year 2006, Bossard entered into the following business combinations:

NAME	PLACE	DATE		STRUCTURE	PURPOSE
Hi-Tec Fasteners ApS	Haslev, Denmark	01.01.2006	Disposal	Share deal	Trading fasteners
Böllhoff Usinec s.a.	Gretz Armainvilliers, France	01.01.2006	Acquisition	Share deal	Trading fasteners
Hi-Tec Fasteners ApS	Haslev, Denmark	01.01.2006	Acquisition	Net assets deal	Purchase of "Business Segment Industry"
Bossard Hungary Kft.	Törökbálint, Hungary	29.09.2006		Foundation	Trading fasteners

During Financial Year 2005, Bossard entered into the following business combinations:

NAME	PLACE	DATE		STRUCTURE	PURPOSE
Sigma AG	Stans, Switzerland	01.01.2005	Disposal	Share deal	Sale mechanical components
Bossard Germany GmbH	Duisburg, Germany	01.05.2005	Disposal	Share deal	Trading fasteners
Sal-Pol Sp.Z o.o.	Radom, Poland	01.09.2005	Acquisition	Share deal	Trading fasteners
Trimec Italia srl.	Milan, Italy	01.12.2005		Foundation	Trading fastener components

All acquisitions and disposals are within Bossard's core business of trading in fastening elements. All acquisitions were accounted for using the purchase method. This only led to minor revaluation of the balance sheet items. Goodwill is attributed to a good market position and to the anticipated synergies out of the acquisition.

The 50% holding in Hi-Tec Fastener ApS (Denmark) was sold on January 1, 2006. As a countermove the industrial operations of Hi-Tec Fastener ApS were acquired and integrated into the Group company Bossard Denmark A/S (Denmark). The original goodwill for the industrial operations was already paid in the past and will remain in addition to the newly paid goodwill.

The newly acquired businesses were integrated as at January 1, 2006, and contributed CHF 4.4 million to the sales and CHF 0.3 million to net earnings of the Bossard Group in 2006.

The divested businesses were sold as at January 1, 2006, and thus contributed to neither sales nor net earnings of the Bossard Group.

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

IN CHF 1,000	PURCHASE OF INVESTMENTS		SALES OF INVESTMENTS	
	2006	2005	2006	2005
Current assets	3,477	910	2,560	7,302
Long-term assets	78	73	537	3,092
Current liabilities	-1,121	-408	-923	-4,516
Minority interest	-	-115	-1,087	-
Translation difference	-	5	-	14
Net assets	2,434	465	1,087	5,892
Goodwill	1,708	2,183	-	-
Gain on sales	-	-	3	2,102
Purchase/Sales price	4,142	2,648	1,090	7,994
Cash consideration (paid)/received	-4,142	-2,648	1,090	7,994
Cash and cash equivalents acquired/(disposed)	125	241	-791	-333
Cash (outflow)/inflow from Purchase/Sale of investments	-4,017	-2,407	299	7,661

Restructuring in America (31)

The expense of CHF 10.4 million refers to the restructuring program announced on October 3, 2006. The measures are intended to ensure sustainable improvement of the Group's profitability and thus of an increase of the consolidated result through better utilization of the infrastructure as well as through the concentration of the logistics and procurement organization.

As a result of the program and the related reduction of jobs and closure of various locations, fixed assets and inventories were examined for possible impairment of value. Such impairment was taken into consideration. The restructuring costs comprise the costs for the restructuring project and for the social plan for employees made redundant. In accordance with IAS 37, a provision of CHF 3.7 million was made, primarily for termination compensation and costs incurred for the termination of contracts (note 14).

Events Occuring after Balance Sheet Date (32)

There were no events between December 31, 2006 and the date of approval of the consolidated financial statements by the board of directors which affect these statements.

Future Capital Expenditure (33)

Capital expenditure for 2007 is estimated at approximately CHF 13 million (2006: CHF 12.8 million).

Related Party Transactions (34)

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a group of shareholders as defined in art. 20 of SESTA (Swiss Federal Act on Stock Exchanges and Securities Trading). They hold 54.28% (Prior year: 54.48%) of total voting rights or 24.98% (Prior year: 25.40%) of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.

The following related party transactions were engaged in:

**COMPENSATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE MEMBERS
IN CHF MILLION**

	2006	2005
Salaries and other benefits	3.9	4.3

**BALANCE SHEET POSITIONS AS PER YEAR END
IN CHF MILLION**

	2006	INTEREST RATES IN %	2005	INTEREST RATES IN %
Loan to Kolin Holding AG	0.4	2.6	0.9	2.0
Deposits in the personnel savings accounts	4.2	3.3	3.0	3.3

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

Exchange Rates (35)

	31.12.2006 YEAR-END EXCHANGE RATE	31.12.2006 AVERAGE EXCHANGE RATE	31.12.2005 YEAR-END EXCHANGE RATE	31.12.2005 AVERAGE EXCHANGE RATE
1 EUR	1.61	1.57	1.55	1.55
1 USD	1.22	1.25	1.32	1.25
100 DKK	21.56	21.08	20.83	20.77
100 SEK	17.78	17.00	16.55	16.67
100 CZK	5.84	5.56	5.36	5.21
100 SKK	4.66	4.23	4.10	4.02
100 HUF	0.64	0.60	0.61	0.63
100 PLN	41.92	40.42	40.30	38.55
100 SGD	79.63	78.83	79.23	74.86
100 TWD	3.75	3.85	4.02	3.87
100 RMB	15.53	15.76	16.33	15.26
100 MYR	34.58	34.27	34.88	32.99
100 THB	3.42	3.35	3.21	3.10
100 INR	2.76	2.77	2.93	2.83
100 KRW	0.13	0.13	0.13	0.12

List of Significant Consolidated Companies (36)

	Companies and branches	Headquarters	Local currency	Capital in thousands of local currency	Share-holding	Fastening Technology	Finance/other
Holding and finance companies							
Switzerland	Bossard Holding AG	Zug	CHF	32,000	100		■
Jersey	Bossard Finance Ltd	St. Helier	CHF	97	100		■
Area Central Europe							
Switzerland	Bossard AG	Zug	CHF	12,000	100	■	
	Trimec AG	Zug	CHF	50	100	■	
	Bossard + Staerkle AG	Zug	CHF	3,600	10		□
Italy	Bossard Italia srl.	Milan	EUR	100	100	■	
	Trimec Italia srl.	Milan	EUR	100	100	■	
Austria	Bossard Austria Ges.m.b.H.	Vienna	EUR	1,017	100	■	
Area Europe							
Denmark	Bossard Denmark A/S	Skovlunde	DKK	5,000	100	■	
Sweden	Bossard Sweden AB	Malmö	SEK	400	100	■	
France	Bossard France SAS	Souffelweyersheim	EUR	3,050	100	■	
Spain	Bossard Spain SA	Barcelona	EUR	745	100	■	
Poland	Sal-Pol Sp.Z o.o.	Radom	PLN	1,300	80	■	
Czech Republic	Bossard CZ s.r.o.	Brno	CZK	1,000	100	■	
Slovakia	Bossard SK, spol. s r.o.	Bratislava	SKK	200	100	■	
Hungary	Bossard Hungary Kft. ¹⁾	Törökbálint	HUF	3,000	100	■	
Area America							
USA	Bossard U.S. Holdings, Inc.	Hampton, NH	USD	40,000	100		■
	Bossard Metrics, Inc.	Portsmouth, NH	USD	250	100	■	
	Bossard Michigan & Merrick, Inc.	Maspeth, NY	USD	5	100	■	
	Material Management Group, Inc.	Appleton, WI	USD	2,000	100	■	
	Bossard Milwaukee, Inc.	Milwaukee, WI	USD	83	100	■	
	Bossard IIP, Inc.	Cedar Falls, IA	USD	4	100	■	
Mexico	Bossard IIP de Monterrey, S.A. de C.V.	Monterrey	USD	755	100	■	
Area Asia							
Singapore	Bossard Pte. Ltd	Singapore	SGD	23,700	100	■	
India	LPS Bossard Pvt. Ltd	Haryana	INR	48,000	51	■	
China	Bossard Industrial Fasteners International						
	Trading (Shanghai) Co. Ltd	Shanghai	RMB	34,511	100	■	
Malaysia	Bossard (M) Sdn. Bhd.	Penang	MYR	300	100	■	
Taiwan	Bossard Ltd. Taiwan Branch	Taichung	TWD	-	100	■	
Japan	Bossard K.K.	Tokyo	JPY	60,000	2		□
South Korea	Bossard (Korea) Ltd	Anseong-City	KRW	1,000,000	100	■	

■ Fully consolidated □ Minority investment

Status: December 31, 2006

¹⁾ Foundation

Report of the Group Auditors



PricewaterhouseCoopers AG
 Birchstrasse 160
 8050 Zürich
 Phone +41 58 792 44 00
 Fax +41 58 792 44 10

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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes / page 2 to 29) of Bossard Holding AG for the year ended December 31, 2006.

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

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

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

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

PricewaterhouseCoopers AG


 Bruno Hälliger
 Auditor in charge


 Stefan Bosshard

Zürich, March 2, 2007

Enclosure:

- Consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes)

Balance Sheet

IN CHF	NOTES	31.12.2006	31.12.2005
Assets			
Current assets			
Marketable securities – Treasury shares	3	663,814	1,042,746
Accounts receivable from Group companies		1,735,942	972,465
Accounts receivable others		85,691	71,575
Total Current assets		2,485,447	2,086,786
Long-term assets			
Investments in Group and associated companies	2	118,379,215	118,379,215
Own shares	3	1,850,000	1,850,000
Total long-term assets		120,229,215	120,229,215
Total assets		122,714,662	122,316,001
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable others		13,417	21,500
Bank loans		25,320,000	25,000,000
Accrued expenses		377,433	342,622
Total current liabilities		25,710,850	25,364,122
Shareholders' equity			
Share capital		32,000,000	32,000,000
Legal reserve			
General reserve		16,000,000	16,000,000
Reserve for own shares	3	2,513,814	2,892,746
Other reserves		31,598,419	31,215,743
Retained earnings		14,891,579	14,843,390
Total shareholders' equity		97,003,812	96,951,879
Total liabilities and shareholders' equity		122,714,662	122,316,001

Income Statement and Appropriation of Available Profit

Income Statement

IN CHF	2006	2005
Income		
Dividend income, income from marketable securities	8,591,832	8,329,440
Interest income	61,715	99,008
Service fees from Group companies	336,000	336,000
Total income	8,989,547	8,764,448
Expenses		
General and administrative expenses	1,067,863	968,881
Financial expenses	962,321	1,330,052
Total expenses	2,030,184	2,298,933
Income before taxes	6,959,363	6,465,515
Taxes	10,700	10,800
Net income	6,948,663	6,454,715

Changes in Retained Earnings

IN CHF	2006	2005
Retained earnings at beginning of year	14,843,390	13,773,845
Net income	6,948,663	6,454,715
Appropriation of available profit determined by the annual general meeting		
Dividends for 2005 and 2004 respectively	-6,900,474	-5,385,170
Retained earnings at end of year	14,891,579	14,843,390

The Board of Directors Proposes to the Annual General Meeting the Following Appropriation of Retained Earnings as at December 31, 2006

IN CHF	2006
Available retained earnings before distribution	14,891,579
Dividend of 17 % on the share capital of max. CHF 30,150,000 eligible for dividends	-5,125,500
To be carried forward	9,766,079

Notes to the Financial Statements

IN CHF	2006	2005
1. Guarantees, contingent liabilities, assets pledged in favour of third parties	109,901,400	71,544,000
thereof used	59,408,827	38,247,619

The Bossard Group concentrates its main credit facilities in Bossard Holding AG.
Bossard subsidiaries can draw on the credit lines, for which right Bossard Holding AG has undertaken guarantee obligations.

2. Investments contain:

Bossard AG, Zug, wholly-owned
Bossard Finance Ltd, St. Helier, wholly-owned
Bossard + Staerkle AG, Zug, 10 % holding

Bossard International AG was merged with Bossard AG in the year 2006.

3. Balance of own shares

a) Treasury shares

Balance at Jan. 1 – 23,239 shares (2005: 66,239 shares)	1,042,746	2,972,177
Sales: 8,445 bearer shares of CHF 10 par value (2005: 43,000 shares)	-378,931	-1,929,431
Balance at Dec. 31 – 14,794 shares, rate 81.50 (2005: 23,239 shares, rate 80.00)	663,815	1,042,746

The treasury shares are held to hedge the liability resulting from the
Employee Share Option Scheme (no voting rights and dividend entitlement)

b) Own shares

Balance of own shares 185,000 bearer shares of CHF 10 par value (no voting rights and dividend entitlement – never issued)	1,850,000	1,850,000
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c) Reserve for own shares

Cost of treasury shares	663,815	1,042,746
Own shares – never issued	1,850,000	1,850,000
Reserve for own shares	2,513,815	2,892,746

4. Other information required by law

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a shareholder group in accordance with article 20 BEHG. They hold 54.28 % (last year 54.48 %) of the voting rights.
Kolin Holding AG, Zug, is wholly-owned by the Bossard families.

Report of the Statutory Auditors

PRICEWATERHOUSECOOPERS 

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8050 Zürich
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Report of the statutory auditors
to the general meeting of
Bossard Holding AG
Zug

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / page 31 to 33) of Bossard Holding AG for the year ended December 31, 2006.

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

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

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

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

PricewaterhouseCoopers AG


Bruno Häfner
Auditor in charge


Stefan Bosshard

Zürich, March 2, 2007

Corporate Governance

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

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

This report is drawn up in accordance with the directive of the SWX Swiss Exchange on information relating to corporate governance. Bossard's principles and rules relating to corporate governance are laid down in the company's articles of incorporation, the organization regulations and the rules of the board's committees. They are regularly reviewed by the board of directors and updated as required.

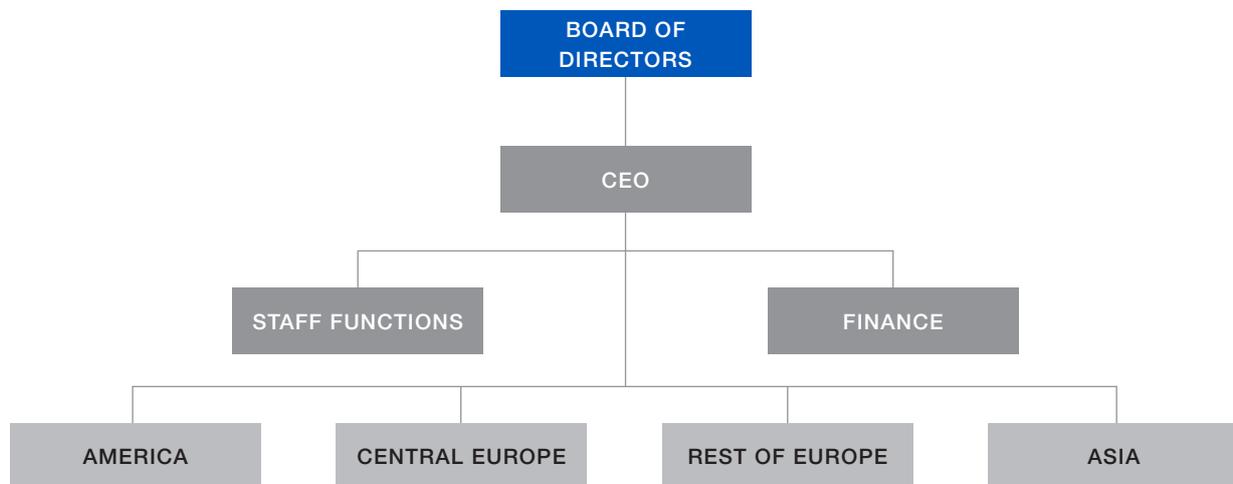
Group Structure and Shareholders

Group Structure

Bossard Holding AG is the only listed company of the Bossard Group. It is headquartered in Zug, Switzerland, and its shares (BOS, national # 1232386, ISIN CH0012323868) is listed on the SWX Swiss Exchange. Bossard's Group structure is intended to optimally and efficiently support business operations, in compliance with legal, taxation and financial requirements. The structure was made as straightforward as possible and thus also transparent for anyone outside the Group.

Bossard generates its entire sales revenues in the industrial fastening sector. Its business operations cover the three major industrial centers, Europe, America and Asia. Thus Bossard Group's management structure and reporting are geographically oriented.

Operational Group Structure



There is a detailed overview of both group and associated companies on page 29.

Significant Shareholders

At December 31, 2006, the following shareholders owned more than 5 % of the total share capital of Bossard Holding AG:

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung (company trust), Zug, form a group of shareholders as defined in Art. 20 of SESTA (Swiss Federal Act on Stock Exchanges and Securities Trading). They hold 54.28% (2005: 54.48 %) of total voting rights or 24.98 % (2005: 25.40%) of the capital entitled to dividend. These numbers do not include shares without voting commitment, which are held by various members outside this shareholder group. Kolin Holding AG is wholly owned by the Bossard families.

Sarasin Investmentfonds AG, Basel, holds 269,655 bearer shares, or 5.03% of the total share capital of Bossard Holding AG (date of announcement: August 23, 2006).

Cross-shareholdings

There are no cross-shareholdings with other companies.

Capital Structure

Capital/Authorized and Conditional Capital in Particular

Bossard Holding AG holds ordinary share capital in the amount of CHF 32 million, divided into CHF 26,600,000 bearer shares and CHF 5,400,000 registered shares. The share capital is fully paid up.

Since the increase in share capital undertaken in 1989, 185,000 bearer shares have been held in treasury. These shares carry no voting rights and are not entitled to dividend.

Only bearer shares are listed on the SWX Swiss Exchange. The registered shares are wholly owned by Kolin Holding AG.

Apart from the above, Bossard Holding AG holds no authorized or conditional capital.

Changes in Capital in the Past Three Years

The company's capital structure has not changed in the past three years.

Shares

The share capital is divided into 2,700,000 registered shares with a par value of CHF 2, and 2,660,000 bearer shares with a par value of CHF 10.

Participation and Profit-Sharing Certificates

The company has issued no participation or profit-sharing certificates.

Limitations on Transferability

According to Art. 6 of the articles of incorporation, the board of directors must approve the transfer of registered shares. For substantial reasons (such as acquisition by a competitor or fiduciary purchase), the board of directors may reject such transfer requests, primarily to protect the purpose of the company and to maintain its economic independence.

The listed bearer shares are fully transferable.

Bonds and Warrants/Options

Currently, the Group has no convertible bonds or bonds outstanding. Please refer on page 44 for details on the allocation of shareholder options in the company's share option program.

Board of Directors

Members of the Board of Directors

At December 31, 2006, the board of directors of Bossard Holding AG had seven non executive members. On April 19, 2006, the general meeting of shareholders newly elected Anton Lauber and Erica Jakober to the board. At the same meeting, Edwin Huber retired as a member of the board.

NAME	FUNCTION	APPOINTED
Dr. Kurt Reichlin	Chairman	2001
Rolf E. Thurnherr	Deputy chairman (representing holders of bearer shares)	2003
Dr. Beat E. Lüthi		2002
Dr. Thomas Schmuckli		2000
Helen Wetter-Bossard		2002
Anton Lauber		2006
Erica Jakober	Employee representative	2006

Dr. Kurt Reichlin was appointed chairman of the board in 2001. He had been a member of the board of directors since 1977. Until 2004, Dr. Kurt Reichlin was a senior partner in the law firm Reichlin & Hess in Zug. Prior to that, from 1958, he served in the Swiss Society of Chemical Industries in the external economic relations sector and, from 1965 to 1975, was employed in a management capacity by Ciba-Geigy. Background: Studied law (LLB and LLD) at the University of Fribourg; is an accredited lawyer. He serves on the boards of SMEs and Swiss holdings of BASF. He was born on August 14, 1932 and is a Swiss citizen.

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

Dr. Beat E. Lüthi, sc. techn. ETH, was elected to the board in 2002. Since 2003 he has been a group management committee member of the Mettler Toledo Group and heads its largest division, Laboratory Scales and Analytical Instruments. From 1998 to 2002 he was CEO and delegate of the board of the Feintool Group. From 1990 to 1998 he held a management position at Mettler Toledo. Background: Studied electrical engineering at the Swiss Federal Institute of Technology (ETH) in Zurich; subsequently PhD at the ETH Center for Enterprise Sciences (then BWI); Senior Management Program at INSEAD, Paris. He is a member of the board of directors of Soudronic AG, Bergdietikon. Dr. Beat E. Lüthi was born on January 12, 1962 and is a Swiss citizen.

Dr. Thomas Schmuckli was elected to the board in 2000. He served as secretary to the board between 1997 and 2000. Between 2000 and 2005 he was head of process and product management at the Zuger Kantonalbank, Zug. Prior to this, he was employed in various group companies of the Credit Suisse Group; first as a lawyer in Bank Leu and subsequently in the commercial sector of Credit Suisse in Zurich. Background: Studied law (LLB and LLD) at the University of Fribourg; is an accredited lawyer; management studies at the University of Zurich. He was born on February 4, 1963 and is a Swiss citizen.

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

Anton Lauber was elected to the board in 2006. Since 1996 he has been CEO and delegate of the board of Schurter AG Electronic Components in Lucerne and, since 1998, a member of the executive committee and of the board of directors of Schurter Holding AG, which has 17 companies operating worldwide. Previously, as divisional head, he managed the generator factory of ABB Switzerland. Anton Lauber sits on further boards within the Schurter Group and on boards of other companies (such as LEM Holding SA, Geneva, and Beutler Nova, Gettnau). In Central Switzerland he is committed to promoting industry and commerce in his capacity as president of Lucerne's Industry Association and of Innovation Transfer Central Switzerland. Background: Degree in mechanical engineering and various post-degree diplomas awarded by the University of St. Gallen and IMD, Lausanne. Anton Lauber was born on July 26, 1951 and is a Swiss citizen.

Erica Jakober was elected to the board in 2006. As the elected representative of Bossard's employees she will safeguard their interests on the board. Erica Jakober joined Bossard Switzerland as head of human resources in 1995. In 2006 she took over the management of the employee pension trust of Bossard AG. Before joining Bossard she worked for various international companies in the field of human resources. Background: Diploma in human resources management, and part-time business management courses (SKU). Erica Jakober was born on December 16, 1955 and is a Swiss citizen.

Other Activities and Vested Interests

Dr. Kurt Reichlin was senior partner in the law firm Reichlin & Hess in Zug. The company advises Bossard on various legal matters. In 2006, the fees for such services rendered by the company was amounted to CHF 91,000 (2005: CHF 82,000).

Dr. Thomas Schmuckli, Helen Wetter-Bossard and Anton Lauber have been proposed to the board of directors by the Kolin Holding AG, Zug.

Cross-involvement

There is no cross-involvement of members of the board of directors and members of other boards of listed companies.

Elections and Terms of Office

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

The group of holders of bearer shares has the right to one seat on the board of directors. In 2003 Rolf E. Thurnherr was appointed as the deputy chairman and as the employee representative in 2004; holders of registered shares with voting rights did not participate in this election. In general, an employee representative should also sit on the board. In 2006 Erica Jakober was elected as the employee representative. The majority of the board members should be external members with no executive function in the Group. In the reporting year, no members of the board had an executive function in the Bossard Group.

The following table shows the year of first election to the board:

		FIRST ELECTED TO THE BOARD
Dr. Kurt Reichlin	Chairman	1977
Rolf E. Thurnherr	Deputy chairman (representing holders of bearer shares)	1992
Dr. Beat E. Lüthi		2002
Dr. Thomas Schmuckli		2000
Helen Wetter-Bossard		2002
Anton Lauber		2006
Erica Jakober	Employee representative	2006

The term of office ends in 2008 for all members of the board.

Internal Organizational Structure

In the last instance the board of directors is responsible for Bossard's business policy and its business management. It is the company's highest management body. It has the right to take decisions in all matters which, by law or through the articles of incorporation, are not the responsibility of the general meeting of shareholders or which, through directives or decisions, have been passed on to other bodies.

The board of directors has the following main duties:

- defining the strategic thrust and policies of the Bossard Group
- determining the organizational structure
- establishing the accounting system and financial controls
- ultimate supervision of business activities and of persons entrusted with the management of the company
- appointing and dismissing members of the executive committee
- drawing up the annual report, preparing the annual general meeting of shareholders and implementing its decisions

For its support, the board has established two committees, the audit committee and the nomination and compensation committee. These serve to relieve the board from dealing with the details of specific issues and to prepare information for decision making. The activities of the committees and any delegation of tasks do not touch on the board's integral overall responsibility. Ad hoc committees can be formed to deal with specific projects or issues, or those where a certain time limit applies. Moreover, the board has delegated operational management to the executive committee under the chairmanship of the CEO. Board meetings are chaired by the chairman. In case of absence, the deputy chairman takes over his duties.

Board Meetings

As a rule, ordinary meetings of the board of directors are held seven to eight times a year. The board is available at short notice meetings should this be required. The length of board and committee meetings depends on the agenda. In 2006 a total of eight meetings were held.

The board also holds a retreat once a year; this meeting, which lasts for several days, is used to review and develop the Group's strategy. Apart from its scheduled meetings, the board is supplied with monthly information on the Group's financial development.

The president sends out written invitations to board meetings to each of the members, enclosing the agenda and any relevant information. Invitations must be dispatched at least seven days in advance. Each board member may request that the president add further items to the agenda. The board constitutes a quorum if the majority of its members is present. In the event of a tie, the chairman has the casting vote.

In exceptionally urgent cases, the chairman may require a decision to be taken via conference call. Such decisions must be included in the minutes of the next board meeting.

To ensure that the board receives adequate information to take a decision and depending on the agenda, the board invites the CEO, the CFO and, if necessary, other members of the executive committee, other employees or third parties to attend the meeting. The chairman, the CEO and other members of the executive committee meet on a regular basis to discuss fundamental corporate issues such as corporate strategy and medium-term financial, operational and succession planning.

Composition and Working Methods of the Board's Committees

The duties and rights of the two permanent board committees are set out in the organization regulations (www.bossard.com – Investor Relations – Corporate Governance) of the Bossard Group. Primarily, they have analyzing, advisory and controlling functions. In specific cases they also have decision-making functions.

These committees meet periodically or as required. The minutes taken at the meetings are sent to all the board members as well as to the participants of the meeting themselves. Moreover, at the following board meeting the chairmen of the committees report on the business dealt with at their earlier meetings and, where necessary, make the relevant proposals to the entire board.

Audit Committee

The audit committee (AC) has at least two members elected by the board from among its members for a period of one year, re-election possible. Currently the members of the audit committee are Dr. Thomas Schmuckli, chairman, and Dr. Kurt Reichlin. As a rule, the members of the AC meet at least three times a year. The meetings are attended by the CFO, the Group controller and a representative of the external auditors; depending on the agenda, the CEO may also participate.

In 2006 the audit committee held five meetings.

The AC has the following main duties:

- reviewing the annual report, the annual and interim financial statements, the notes to the statements and the report of the auditors for both the Bossard Group and for Bossard Holding AG; proposals are addressed to the board
- assessing whether the corporate accounting standards have been abided by
- selecting the statutory and group auditors to be proposed to the general meeting of shareholders; proposals are addressed to the board
- discussing the auditing plan
- evaluating the performance, independence and compensation of the external auditors
- periodically examining the company's risk management

Nomination and Compensation Committee

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

The NCC is made up of three members of the board and is elected for a period of four years. The current members of the committee are Dr. Kurt Reichlin, chairman, Dr. Thomas Schmuckli and Rolf E. Thurnherr. Depending on the agenda, the CEO may be invited to attend the meetings.

In 2006 the nomination and compensation committee held five meetings.

The nomination and compensation committee has the following duties:

- identifying suitable candidates to sit on the board; proposals are addressed to the board
- identifying suitable candidates for the executive committee; proposals are addressed to the board
- periodically examining the compensation system and overall compensation paid to the board
- determining total annual compensation payable to the CEO
- approving total annual compensation payable to the other members of the executive committee

Compliance

The board is continually informed on all major matters that touch on the principles of compliance. Additionally, the auditors inform the board of directors on reports received on matters of a legal nature that require attention. An evaluation of such reports received in 2006 brought nothing new to light but, instead, confirmed what was already known.

The ultimate supervision and control of compliance is vested in the board of directors. The board has delegated the necessary activities to the chairman of the board, who also serves as Group's compliance officer.

Definition of Areas of Responsibility

The powers and responsibilities vested in the board of directors and the executive committee are set out in the organization regulations as laid down in Art. 19 paragraph 2 of the articles of incorporation of Bossard Holding AG (www.bossard.com – Investor Relations – Corporate Governance). It describes the duties and rights which are permanently vested in the board and which cannot be delegated; it also describes the rights and duties of the executive committee. The organization regulations define the duties and responsibilities of the chairman of the board and of the CEO.

The board of directors regularly reviews the organization regulations and modifies them to meet new or changed requirements.

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

The board ensures that the executive committee establishes and maintains an internal control system suitable for the size of the Group and for the risk involved in pursuing its business activities. As part of the annual audit, the external auditors evaluate the efficiency and effectiveness of the internal control system and submit a report to the board once a year. So far Bossard has not set up its own internal audit center.

The board is informed on the company's financial development once a month. A written report is submitted each month comprising the income statement, various balance sheet items, the cash flow statement and the main key figures. The information is derived from an internal management information system. It includes the current and budget data, as well as regular projections based on current developments and expectations.

At each board meeting, this written report is supplemented by a personal report on current business developments presented by a member of the executive committee. In special cases the CEO immediately informs the board in written and/or verbal form on a specific issue. Additionally, the chairman of the board regularly meets with the CEO, who informs him on business operations and issues which are of fundamental importance.

Executive Committee

Members of the Executive Committee

The executive committee has the ultimate responsibility for the company's operations. Together with the other members of the executive committee, the CEO is responsible for operational management. The executive committee is responsible for the development of corporate strategy and the implementation of corporate targets.

At December 31, 2006, the executive committee had the following members:

NAME	FUNCTION	JOINED COMPANY	APPOINTED
David Dean	CEO	1992	2005
Stephan Zehnder	CFO	1996	2005
Julius Brun	Chief of Staff	1990	1998
Scott W. Mac Meekin	CEO Asia/America (since 2006)	1995	1995
Beat Grob	CEO Central Europe	1995	2006
Peter Erlangsen	CEO Rest of Europe	1994	2000

Up to April 30, 2006:

NAME	FUNCTION	JOINED COMPANY	APPOINTED
Peter Furrer	CEO Central Europe	1963	1999
Peter Vogel	CEO America	1973	1998

David Dean, CEO Group, has served in this function since 2005. From 1998 to 2004 he served as CFO. From 1992 to 1997 he was corporate controller of the Bossard Group. Prior to this, from 1990 to 1992 he was corporate controller and a member of the executive committee of an international logistics group. From 1980 to 1990 he worked for PricewaterhouseCoopers in various auditing and business consulting functions. He is a member of the regional advisory board of the Swiss National Bank. Background: Swiss certified accountant/controller, Swiss certified public accountant, PMD Harvard Business School and PMD IMD Lausanne. David Dean was born on April 5, 1959 and is a Swiss citizen.

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

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

Scott W. Mac Meekin has been CEO for Asia since 1996 and for America since May 1, 2006. Between 1995 and 1996 he was responsible for the Group's logistics. Prior to joining Bossard he filled various management positions, the last being vice president operations for the Porteous Fastener Company, California. Background: Graduate UCLA (ext), MBA National University Singapore, TGMP Harvard Business School. He was born on January 17, 1958 and is a U.S. citizen.

Beat Grob has been managing director of Bossard Switzerland since January 2005 and, as of May 1, 2006, also took over responsibility for the region of Central Europe. At the same time he became a member of the executive committee. Beat Grob joined Bossard in 1995 as project manager logistics. In 1996 he became head of logistics for the Bossard Group. Before joining Bossard he worked as a practicing lawyer and banker. He is chairman of the board of directors of Kolin Holding AG, Zug. Background: Graduated in law from University of Zurich, postgraduate MBA at the University of San Diego. Beat Grob was born on May 1, 1962 and is a Swiss citizen.

Peter Erlangsen has been CEO for the region of Rest of Europe since 2000. From 1996 to 1999 he was managing director of Bossard France. He joined Bossard in 1994 as head of market development. Between 1990 and 1994 he worked for Arvid Nilsson Boskin A/S, a Danish fastener trading company, where he became managing director. Background: Masters degree in economics and business administration, senior management program at IMEDE. He was born on May 24, 1956 and is a Danish citizen.

Peter Furrer was CEO for the region of Central Europe since 1999 to April 30, 2006. From 1989 to 1993 he was managing director of Bossard Switzerland and, from 1993 onwards, he was also responsible for Austria. Background: Swiss certified sales manager, systems marketing FAH and business administration SKU. Peter Furrer was born on May 23, 1944 and is a Swiss citizen.

Peter Vogel was CEO for America from 1998 to April 30, 2006. Between 1980 and 1998 he was CFO of the Bossard Group. From 1973 to 1980 he served in various capacities in Bossard's financial administration. Background: Swiss certified accountant/controller, APM Harvard Business School. Peter Vogel was born on April 7, 1944 and is a Swiss citizen.

Other Activities and Vested Interests

No members of the executive committee have other functions outside the Bossard Group.

Management Contracts

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

Compensation, Shareholdings and Loans

Content and method of determining the compensation and the shareholding programs

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

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

Consequently, the level of compensation depends noticeably on performance assessment and can vary from year to year according to the targets met. The compensation agreed is intended to reflect the sustainable success of the company and thus depends on the individual contribution made. Employment contracts with top management must also be market oriented with regard to termination of contract and severance payments, while also protecting the interests of the company.

Compensation at top management level is made up of a basic salary and a performance-linked component determined at the employer's discretion. One part of the variable compensation may be paid out in the form of options on shares or of shares at market value at the time of payment. The options may not have a share dilution effect on existing shareholders; if necessary, any commitments arising must be covered by the company through the repurchase of shares on the stock market.

Compensation for the board of directors is also made up of a fixed and a variable component. The fixed basic payment is intended to adequately compensate the members of the board for the time invested. When business is going well, the board members participate through a profit-linked, variable payment. This profit-linked component is tied to the economic profit reached (calculated according to the EVA method) and to dividends paid to the shareholders. One part of the compensation to board members may be paid in options on shares or in shares; here the same methods are applied as described above.

The principles and elements of the compensation system for the board and the executive committee are periodically reviewed by the nomination and compensation committee and, if necessary, redefined. The total annual compensation for the CEO is determined by the NCC. The total annual compensation for the other members of the executive committee is approved by the NCC.

Compensation for Acting Members of Governing Bodies

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

IN CHF	2006	NUMBERS OF BENEFICIARIES	2005	NUMBERS OF BENEFICIARIES
Board of directors	749,850	8	780,200	6
Executive committee	3,128,886	8	3,487,114	7
Total	3,878,736	16	4,267,314	13

No severance payments were made to former members of the board or the executive committee.

Compensation to Former Members of Governing Bodies

In the reporting year, no compensation was paid to former members of the board of directors or the executive committee.

Share Allotment in the Reporting Year

No shares were allotted to members of the board or the executive committee as part of their compensation or for other reasons. The registered shares are wholly owned by Kolin Holding AG which, in turn, is wholly owned by the Bossard families.

Share Ownership

At December 31, 2006, members of the board of directors and the executive committee held a total of 33,872 bearer shares.

Options

At December 31, 2006, members of the board of directors and the executive committee held the following options on shares in Bossard Holding AG:

ALLOTMENT YEAR	EXPIRATION	TOTAL OPTIONS	EXERCISE PRICE	SUBSCRIPTION RATION
2004	2008	1,508	52.00	1:1
Total		1,508		

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

Shares were repurchased on the stock market to cover these option commitments. Thus exercising the option rights will in no way dilute the holdings and voting rights of the shareholders.

In the reporting year, no employee share option plans were drawn up.

Additional Honorariums and Remunerations

During the reporting year, no further honorariums or other remunerations were paid to members of the board of directors, the executive committee or to persons closely associated with them.

Loans Granted to Governing Bodies

At December 31, 2006 no loans existed to members of the board of directors or the executive committee.

Highest Total Compensation

The highest total compensation for a member of the board in the reporting year amounted to CHF 194,730.

Shareholders' Participation

Shareholders' Participation Rights

Shareholders' participation rights are set out in detail in the articles of incorporation of Bossard Holding AG. The articles of incorporation can be examined on the Internet (www.bossard.com – Investor Relations – Corporate Governance).

Voting-rights and Representation Restrictions – Articles of Incorporation Art. 14

At the general meeting of shareholders each share carries one vote. A person entered in the share register as the owner or beneficiary of registered shares may exercise these voting rights. A shareholder can request to be represented at the general meeting by another shareholder, by a bank, by the company as the representative of the various bodies or by an independent proxy.

Statutory Quorum – Articles of Incorporation Art. 15

Provided there are no mandatory legal or statutory provisions to the contrary, the general meeting of shareholders takes its decisions and holds elections with an absolute majority of the valid votes cast. In a second ballot a relative majority is required.

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

1. a change of the corporate purpose,
2. an increase of the voting power of existing voting shares as well as the issue of new shares with more voting privileges than those of existing voting shares,
3. the introduction of more stringent transferability restrictions,
4. an approved or conditional capital increase,
5. a capital increase out of equity, subscribed in kind or to acquire assets and giving special privileges,
6. the restriction or withdrawal of option exercise rights,
7. the relocation of the company domicile,
8. dissolving the company without liquidation.

As a general rule, an open ballot is used for decision making and elections. A secret ballot is held if this is required by the chairman, or if one or more shareholders representing a total of at least 10% of the voting shares request this.

Convocation of the General Meeting of Shareholders – Articles of Incorporation Art. 11 and 12

The general meeting of shareholders is held annually, at the latest six months after the end of the fiscal year. It is convoked by the board. The invitation, together with the agenda and the motions, must be published at least twenty days before the meeting is to be held.

Shareholders representing shares with a total par value of at least CHF 1 million may request an item for discussion to be placed on the agenda. One or more shareholders who, together, represent at least 10% of the share capital may ask the board of directors to call a general meeting and/or request an item for discussion to be put on the agenda.

Inscription in the Share Register – Articles of Incorporation Art. 5

The company keeps a share register, in which owners and usufructuaries of the registered shares are inscribed together with their names and addresses. The company must be notified of any changes of address. Until such notification is received, all information to holders of registered shares is sent to the address entered in the share register as the legally valid address. Inscription in the share register requires prior proof that the registered shares were acquired or the reasons for granting usufructuary rights.

No entries into the share register are undertaken in the period between dispatching the invitations to the general meeting of shareholders and the day of the general meeting itself.

Should inscriptions in the share register have been made on the basis of false information on how the shares were acquired, the board of directors may, within twelve months of certain knowledge of the error and after hearing those concerned, delete the entry backdated to the original date of inscription. The owner of the shares must be informed immediately.

The company only recognizes holders of registered shares or usufructuaries of registered shares if they are entered in the share register.

Changes of Control and Defense Measures

Duty to Make an Offer

In accordance with the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), an investor who acquires one third of all voting rights must make a takeover offer for all the shares outstanding. The Group has not availed itself of the possibility of modifying this regulation (“opting out” or “opting up”).

Clauses on Changes of Control

The employment agreement for members of the executive committee contain no clauses on changes of control. The Group does not provide for golden parachutes for the members of its senior management. The term of notice for executive committee members is between six and twelve months. During this period they are entitled to compensation and bonus payments.

Auditors

Duration of the Mandate and Term of Office of the Lead Auditor

PricewaterhouseCoopers AG, Zurich, has been the statutory auditor for Bossard Holding AG since 1986 and also serves as group auditor. The statutory and group auditors are elected by the general meeting of shareholders for a period of twelve months.

The lead auditor is Bruno Häfliger, Swiss certified public accountant. He has been responsible for this auditing mandate since 2003.

Auditing Fees

In 2006, PricewaterhouseCoopers AG as statutory and group auditors received audit fees for their services in the amount of CHF 557,000 (2005: CHF 510,000).

Additional Fees

For tax consulting and other consulting services, PricewaterhouseCoopers AG received in 2006 CHF 41,000 (2005: CHF 46,500).

Information and Control Instruments Pertaining to the External Audit

The audit committee meets at least three times a year. Apart from other business, the committee discusses plans for the statutory and group audit, the results of the interim audit and the year-end financial statements. The management letter from the external auditors forms the basis for discussion of the interim audit and the year-end financial statements.

The audit committee supports the board of directors in its supervision of the statutory auditors. The committee's main responsibility is to propose the external auditors, annually review qualifications, independence and performance, approve the auditing fees and review the accounting principles as well as the annual financial report and notes. The audit committee annually examines the scope of the external audit, the auditing plans and related procedures, and discusses the results of the audit with the external auditors.

Information Policy

Principles/Dates to Note

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

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

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

The Group publishes relevant information on its business operations in its annual reports, four-month reports and press releases. It also provides information at press conferences, meetings for financial analysts, and at the annual general meeting of shareholders.

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

Important dates in 2007:

Annual general meeting of shareholders	April 17, 2007
Publication of 1 st four-month report	June 5, 2007
Publication of 2 nd four-month report	October 2, 2007
First Results 2007	January 29, 2008

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

All publications on business results and all press releases are available in German and English on our website (www.bossard.com – Investor Relations).

All publications can be ordered at any time via e-mail at investor@bossard.com or from Bossard Holding AG, Investor Relations, Steinhauserstrasse 70, CH-6301 Zug.

Investor Information

	2006	2005	2004	2003	2002
Share capital					
Bearer shares at CHF 10 par					
Capital stock in CHF 1,000	26,600	26,600	26,600	26,600	26,600
Number of shares issued	2,660,000	2,660,000	2,660,000	2,660,000	2,660,000
Number of shares entitled to dividend	2,460,206	2,451,761	2,408,761	2,391,758	2,349,608
Registered shares at CHF 2 par					
Capital stock in CHF 1,000	5,400	5,400	5,400	5,400	5,400
Number of shares issued	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Number of shares entitled to dividend	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Bearer shares equivalents, entitled do dividend at Dec. 31					
	3,000,206	2,991,761	2,948,761	2,931,758	2,889,608
Market price					
Ticker-Symbole (BOSZ/BOS)					
Volume traded (Daily average)	3,922	2,275	3,853	3,700	2,532
Closing price at Dec. 31	81.5	80.0	70.0	55.0	31.0
Bearer share high in CHF	93.0	86.3	75.0	55.5	43.8
Bearer share low in CHF	73.5	66.9	51.5	26.3	28.0
Dividend per share					
Bearer share in CHF	1.7 ¹⁾	2.3	1.8	0.8	0.8
Registered share in CHF	0.34 ¹⁾	0.46	0.36	0.16	0.16
In % of share capital	17.0	23.0 ⁴⁾	18.0	8.0	8.0
Dividend yield (Basis: Price at Dec. 31)	2.1 %	2.9 %	2.6 %	1.5 %	2.6 %
Earnings per share ^{2) 5) 7)}					
Bearer share in CHF	7.44	5.87	5.99	3.16	3.14
Registered share in CHF	1.49	1.17	1.20	0.63	0.63
Cash flow per share ^{2) 6)}					
Bearer share in CHF	8.12	10.54	9.66	6.95	7.26
Registered share in CHF	1.62	2.11	1.93	1.39	1.45
Price/earnings ratio (Basis: Price at Dec. 31) ⁵⁾	10.9	13.6	11.7	17.4	9.9
Net worth per share ³⁾					
Bearer share in CHF	57.6	56.6	49.9	47.4	46.8
Registered share in CHF	11.5	11.3	10.0	9.5	9.4
Market capitalization (Basis: Price at Dec. 31)					
In CHF million ³⁾	245	239	206	161	90
In % of shareholders' equity	141.5	141.4	140.1	116.0	66.2

1) Proposal to annual general meeting

2) Basis: Average number of outstanding shares entitled to dividend

3) Basis: Number of outstanding shares entitled to dividend at year end

4) 19% dividend + 4% jubilee dividend has been declared

5) Basis: Ordinary Net income

Ordinary means: Before exceptional items – 2006: Restructuring expenses America; 2005: Capital gain from sale of investment

6) Net income after exceptional items + depreciation and amortization

7) Basis: Share attributable to Shareholders' Bossard Holding AG

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

IN CHF MILLION	2006	2005	2004	2003	2002
Economic value added analysis					
Gross Sales	559.5	514.9	497.3	433.4	449.7
Earnings before interest and taxes (EBIT) ¹⁾	33.1	29.0	27.2	15.9	18.4
Effective tax rate in % ¹⁾	22.5	21.0	20.7	23.5	14.1
Net operating profit after tax (NOPAT) ¹⁾	25.6	22.9	21.5	12.1	15.8
Equity	172.7	169.3	147.3	139.0	135.2
Gross financial debt	122.4	133.2	110.9	109.6	127.8
Less cash and cash equivalents	8.9	10.0	6.8	5.9	7.1
Capital employed (year end)	286.2	292.5	251.4	242.7	255.9
Average annual capital employed (A)	289.4	272.0	247.1	249.3	275.9
Return on average capital employed (ROCE) in % ¹⁾	8.8	8.4	8.7	4.9	5.7
Cost of financial debt in %					
Average cost of financial debt	3.7	3.7	3.6	3.9	4.3
Less effective tax	22.5	21.0	20.7	23.5	14.1
Cost of financial debt after tax	2.9	2.9	2.9	3.0	3.7
Cost of equity in %					
Risk free rate (Basis: Yearly average of yield Swiss government bond)	2.5	2.0	2.7	2.6	3.2
Risk premium	5.5	5.5	5.5	5.5	5.5
Cost of equity	8.0	7.5	8.2	8.1	8.7
Equity of total assets	43.7	43.7	42.7	42.4	40.0
Weighted average cost of capital (WACC) in % ¹⁾	5.1	4.6	4.7	5.1	5.7
Economic profit in % (ROCE – WACC) ¹⁾ (B)	3.7	3.8	4.0	-0.2	-
Economic profit in CHF million ¹⁾ (A) * (B)	10.7	10.4	9.8	-0.5	-

1) Basis: Ordinary EBIT

Ordinary means: Before exceptional items – 2006: Restructuring expenses America; 2005: Capital gain from sale of investment

IN CHF MILLION	2006	2005	2004	2003	2002
Economic book value (EBV)					
Market value added (Economic profit/WACC) ¹⁾	209.8	226.1	208.5	-9.8	-
Capital employed	286.2	292.5	251.4	240.8	254.6
Implied enterprise value ¹⁾	496.0	518.6	459.9	231.0	254.6
Less gross financial debt	122.4	133.2	110.9	109.6	127.8
Add cash and cash equivalents	8.9	10.0	6.8	5.9	7.1
Economic book value at Dec. 31 ¹⁾	382.5	395.4	355.8	127.3	133.9

Market valuation and key ratios

Share price at Dec. 31 in CHF	81.5	80.0	70.0	55.0	31.0
Market capitalization	244.5	239.3	206.4	161.2	89.6
Net financial debt	113.5	123.2	104.1	103.7	120.7
Enterprise value (EV)	358.0	362.5	310.5	264.9	210.3
EV in % of gross sales	64.0	70.4	62.4	61.1	46.8
EV / EBITDA ²⁾	7.9	9.1	7.7	8.9	6.3
EV / EBIT ¹⁾	10.8	12.5	11.4	16.7	11.4
EV / NOPAT ¹⁾	14.0	15.8	14.4	21.9	13.3
Price/book value per share	1.4	1.4	1.4	1.2	0.7
Return on equity in % ¹⁾	13.2	11.8	12.7	6.9	7.1

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

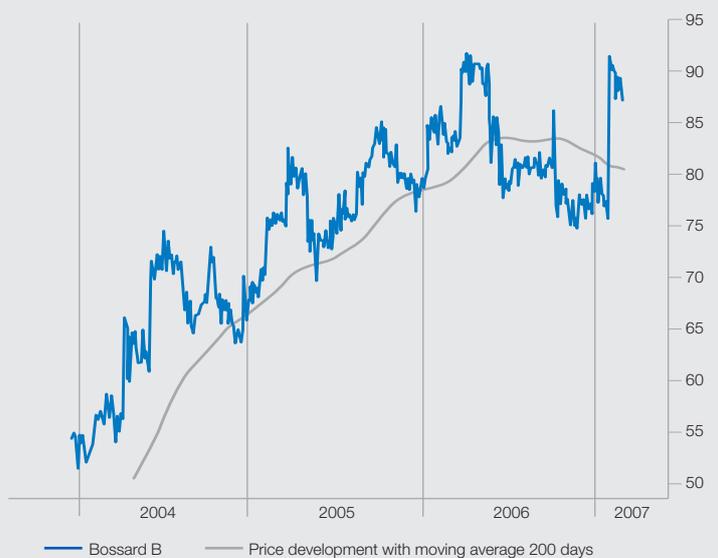
1) Basis: Ordinary EBIT

2) Basis: Ordinary EBITDA

Ordinary means: Before exceptional items – 2006: Restructuring expenses America; 2005: Capital gain from sale of investment

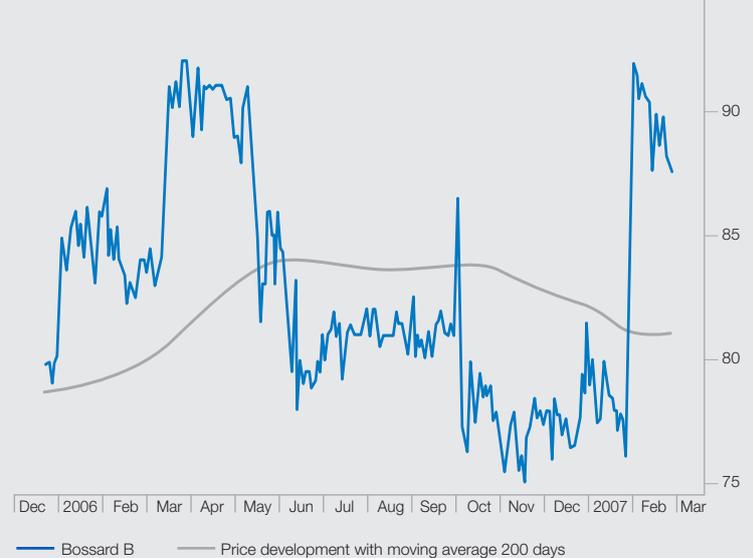
SHARE PRICE DEVELOPMENT 2004 – FEBRUARY 2007

Code: BOS, Valor: 123 2386



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The Annual Report is also available in english. The german version is the governing text.

Dieser Geschäftsbericht ist auch in englischer Sprache erhältlich. Massgebend ist die deutsche Version.

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