BOSSARD

Press Release

Bossard Group
Results for 2009

Good result despite difficult market environment

In the past year Bossard Group, like so many others, felt the full impact of the worldwide economic crisis and the marked collapse of demand in all its markets. Yet thanks to timely and effective cost reductions and the exceptional commitment of its personnel, Bossard still managed to achieve a positive result.

Bossard, too, was hit by the worldwide decline in industrial production. The collapse of demand, the cutting back of inventories, and the falling prices of raw materials led to an exceptionally high drop in sales for Bossard. Group sales revenues fell by 30.2 % from CHF 565.7 million to CHF 395.1 million. This is a decrease of CHF 170.6 million. In local currencies sales were down 28.6 %.

"But there were also some bright spots" David Dean, the CEO of Bossard Group stated. "Despite sluggish demand we again acquired numerous new customers. Moreover, we enhanced our market share further and our consolidated net income was substantially higher than anticipated."

Europe with noticeably lower sales

In Europe sales fell in all Bossard's markets – down 32.7 % to CHF 224.5 million. In local currencies they decreased by 30.5 %. The negative trend slowed down marginally in Q4 2009. During that period sales were even up somewhat on the previous quarter.

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Sales also down in North America and Asia

In North America sales fell by 29.4 % to USD 102 million. In Swiss francs they decreased by 29.2 %. In the second half of the year demand fell again – partially for seasonal reasons – and then stabilized at a low level.

In Asia sales dropped to CHF 59.9 million. This is a decline of 20.9 % in Swiss francs and 18.4 % in local currencies. With a plus of 22 %, our subsidiary in India was the only Group company to report an increase in sales. In all the other countries in Asia sales fell by up to 30 %. However, demand improved steadily in Asia throughout the second half of the year. In the fourth quarter sales rose by almost 15 % compared to Q3 of 2009.

Improved gross profit margin

Despite the difficult business environment, the gross profit margin rose slightly to 37 %. The main contributing factors for this were lower procurement costs and foreign exchange developments. Conversely, because of the collapse of sales, gross profit fell by CHF 56.5 million to CHF 146.3 million.

Operating expenses cut noticeably

Year-on-year, operating expenses before depreciation and amortization were cut by CHF 29.9 million or more than 20 %. Initial measures were implemented as early as 2008. Since the outbreak of the crisis operating costs have been reduced by some 30 %.

As at end 2009 Bossard had 1,403 employees, 12.3 % fewer than in the prior year. It was possible to avoid further downsizing by introducing flexible work models and utilizing natural fluctuations. These measures allowed Bossard to retain its employee know-how, which is its most valuable capital.

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Operating profit in all three regions

Consolidated operating profit (EBIT) fell year-on-year by CHF 45.1 million to CHF 18.8 million and the EBIT margin from 8.3 % to 5 %. It is very satisfying that, despite noticeably lower sales, Bossard reached a positive operating result in each of its three geographic regions. The standardization of the Group's processes and systems over the past few years and our successfully multiplied business model were major contributing factors.

Financial expenses substantially reduced

Financial expenses were cut noticeably in 2009. The main reasons for this were a high cash flow and low interest rates. Net financial expenses amounted to CHF 2.2 million, which is CHF 6.5 million lower than in 2008. Given the Group's lower consolidated net income taxes fell by CHF 2.7 million to CHF 1.3 million.

Consolidated result above expectations

In the wake of the economic crisis – despite stringent cost savings – consolidated net income fell from CHF 32.4 million to CHF 15.3 million. Return on sales decreased from 6 % to 4 % which, however, is still substantially above the average for our sector of industry.

For David Dean it is obvious that: "With this result we have clearly surpassed our target of achieving at least a minimum of profitability in order to maintain our credit standing."

Very robust balance sheet

Compared to 2008, the balance sheet total decreased by 18.8 % from CHF 350.4 million to CHF 284.5 million. Thanks to targeted measures to reduce the capital employed, the net working capital item – particularly inventories – was noticeably lower. Compared to the prior year equity increased marginally from CHF 159.7 million to CHF 162.0 million. Thus the capital ratio rose from 45.6 % to more than 56.9 %, and this in spite of a dividend payout of CHF 9.6 million in 2009. The gearing (net debt/equity) also improved again from 0.6 to 0.2.

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Free cash flow at record high

Thanks to the consolidated net income, the strong reduction of capital employed, and very restrained investing activities, the free cash flow tripled compared to 2008 and reached a record high of CHF 70 million. As a result, the net debt of CHF 98.6 million in the prior year could be cut to CHF 38.6 million. Thus even in a year of recession Bossard strengthened its financial position further.

Prospects for 2010: cautious optimism

In the fourth quarter of 2009 the market environment improved somewhat, particularly in Europe and Asia. For the first time since the beginning of the recession sales in Q4 were marginally higher than in the previous quarter. We plan to keep our productivity high and to make rapid and effective use of market opportunities whenever they occur.

Bossard expects the market environment to remain challenging. One positive sign is that the slight recovery in the fourth quarter of 2009 continued at the beginning of the current year. Moreover, prices in the procurement market are rising. These factors give us confidence", David Dean said, "and if the economic environment does not deteriorate again, the result for 2010 will be better than for the past business year."

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Zug, Switzerland, March 10, 2010

A Profile of the Bossard Group

Bossard is a fastening technology and logistics company operating globally. Its full-service package focuses on fasteners and includes worldwide sales, technical and engineering support, and inventory management. Its customer base is made up of local and multinational industrial companies. The Group has 1,400 employees in more than 50 locations worldwide and reports sales of 395 million Swiss francs. Bossard is listed on the Swiss Exchange.

Key Figures

In CHF 1,000	2009	+/- in %	2008	2007	2006	2005
Gross sales	395,109	-30.2%	565,701	600,821	559,541	514,943
Net sales	379,861	-30.0%	542,843	578,256	536,830	497,084
EBIT	18,813	-58.3%	45,121	41,164	22,687	31,131
in % of net sales	5.0		8.3	7.1	4.2	6.3
Net income	15,298	-52.8%	32,382	30,548	12,205	20,851
in % of net sales	4.0		6.0	5.3	2.3	4.2
Free cash flow	70,043	205.6%	22,919	5,313	14,831	-11,503
Capital expenditures	4,810	-59.3%	11,830	10,687	12,799	20,385
Net debt	38,640	-60.8%	98,577	112,330	113,620	123,226
Shareholders' equity	162,015	1.4%	159,727	151,399	128,387	124,985
in % of total assets	56.9		45.6	40.8	36.3	36.5
Total assets	284,507	-18.8%	350,358	370,819	353,754	342,683
Number of employees at year end	1,403	-12.3%	1,600	1,773	1,818	1,709

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