FINANCIAL REPORT

FINANCIAL REVIEW 2016

New record highs – improved profitability

Bossard continues on its growth path: Sales, EBIT, and net income reached record highs in 2016. Sales grew by 5.9 percent to CHF 695.0 million, with substantial contributions from the European and American market regions. Business in America was particularly impressive, not only because of the acquisition of Arnold Industries but also because of the solid performance of our existing business. EBIT improved a notable 11.6 percent to CHF 78.5 million. This development confirms our investment policy targeting profitable growth. Upward-trending profitability after the appreciation of the Swiss franc was reflected in the operating margin increase from 10.7 percent to 11.3 percent. Also noteworthy was the 14.6 percent growth in net income to CHF 62.4 million.

Our growth-oriented strategy led to significant acquisitions and investments in modern, high-performing infrastructures in recent years. This groundwork had an appreciable effect on our results, as evidenced by our performance in 2016.

Palpable momentum in Europe

2016 sales in Europe rose by 4.7 percent to CHF 401.6 million. Fortunately, momentum in the second half of the year was especially strong, notably in the fourth quarter, with most markets contributing to this accelerated growth. By the end of the year, positive trends were particularly evident in Switzerland, where the significant appreciation of the Swiss franc at the beginning of 2015 had taken its toll on previous quarters.

Net Sales

+5.9 %

Growth spurt in America

Progress in the America business was remarkable in 2016, with sales increasing a full 12 percent to CHF 186.1 million. Fourth-quarter growth reached a staggering 38.9 percent, two thirds of which stemmed from the acquisition of Arnold Industries. Bossard's existing business thrived as well. Sales resulting from the cooperation with the leading US electric vehicle manufacturer, for instance, increased substantially. Excluding the Arnold acquisition, we posted a strong 15.3 percent growth in the fourth quarter, a clear reflection of the highly promising nature of our America business.

Organic development in Asia

In Asia, Bossard is benefiting from the investment activities launched in prior years. Sales in this region rose by 0.6 percent to CHF 107.3 million. However, the 3.1 percent growth in sales in local currency clearly indicates we are in a position to realize our potential in Asia as well. We even achieved double-digit growth in India, Taiwan, and Singapore. The fact that we were able to compensate weaker demand from various customers with new business is likewise encouraging. Finally, Bossard made strides in the third and fourth quarters even in the currently challenging Chinese market.

Increased gross profit – higher selling expenses

The growth of the Bossard Group is also reflected in its gross profit, increasing to CHF 219.6 million from the previous year's CHF 202.7 million. After the appreciation of the Swiss franc affected performance in the previous year, we were able to improve our gross profit margin in 2016 from 30.9 percent to 31.6 percent.

Compared to 2015, selling and administrative costs rose by 6.6 percent to CHF 141.1 million. Their percentage of net sales totaled 20.3 percent, remaining at the previous year's level. Sales expenditures grew, in particular due to our ongoing investment in the development and expansion of our sales organization. The number of employees increased from 2,018 in the previous year to 2,179, due in part to the acquisition of Arnold Industries, which added 105 employees to our workforce.

EBIT at a new record high

We are pleased to note that Bossard's operating profitability is bouncing back from the slump precipitated by the appreciation of the Swiss franc in the previous year. EBIT grew in 2016 by 11.6 percent to CHF 78.5 million. There are several reasons for this disproportional increase as measured against revenue – especially the above-mentioned investments and acquisitions, which bolstered the profitable development of the Group. The cooperation with the leading US electric vehicle manufacturer and the acquisition of new customers also made an important contribution to strengthening profitability.

EBIT

+11.6 %

Compared to the prior year, financial expenses rose from CHF 2.5 million to CHF 2.8 million, largely due to lower currency gains.

Taxes amounted to CHF 13.3 million, equaling those of the previous year. The tax rate fell from 19.7 percent to 17.5 percent, which is attributable to the use of existing loss carryforwards and the altered profit mix.

Higher dividend thanks to record profit

Net income in 2016 increased a remarkable 14.6 percent to CHF 62.4 million, in turn pushing up return on sales from 8.3 percent to 9.0 percent. In accordance with our dividend policy (40 percent of net income), the record net income results in increased dividends. The board of directors' recommendation to the annual general meeting of shareholders is to increase dividends from CHF 3.00 to 3.30 (+10 percent). This is equivalent to a dividend yield of 2.3 percent based on the share price at the end of December 2016.

Continued solid balance sheet structure

The Group's continuing growth and the acquisition of Arnold Industries as per September 2016 boosted total assets by 7.2 percent to CHF 495.8 million. Good signs were evident regarding capital employed for the net working capital: Its percentage of net sales fell from 39.1 percent in 2015 to 38.1 percent. The equity ratio rose from 40.2 percent to 41.9 percent, even though Bossard offsets the goodwill from acquisitions directly against equity. The gearing – the ratio of net debt to equity – remained unchanged at 0.8 in spite of vigorous investment activity.

In spite of the acquisition of Arnold Industries and substantial investments in our infrastructure, net debt increased only slightly from CHF 147.8 million to CHF 158.8 million owing to solid cash flow. Cash flow from operating activities rose by a healthy CHF 32.2 million to CHF 85.1 million, aided by positive results and in particular by the marked reduction in inventory. Cash flow from investing activities totaled CHF 71.8 million in 2016, CHF 6.3 million less than in the previous year. This includes acquisitions and investments in tangible and intangible assets. A substantial amount of these investments went to the technology and logistics centers in China and Germany completed in 2016. Free cash flow rose to CHF 13.2 million, up from the previous year's negative free cash flow of CHF 25.3 million.

Solid basis for future development

Our performance in fiscal year 2016 is reason for confidence going forward. Bossard is on a solid foundation that promotes growth. The groundwork and the acquisitions in America have consolidated our competitive position, thereby opening up new potential. In other market regions and markets, vigorous investment activities - including fields such as Industry 4.0 and e-mobility - has delivered measurable competitive benefits. In the overall view, we have started the 2017 fiscal year with optimism. We have the potential to continue growing in all three market regions. However, we remain aware that political uncertainties and changing market conditions can affect the earnings situation of companies.

BOSSARD GROUP

Consolidated balance sheet

in CHF 1,000	Notes	31.12.2016	31.12.2015
Assets			
Current assets			
Cash and cash equivalents	4	22,511	29,918
Accounts receivable, trade	5	124,235	103,372
Other receivables		2,920	3,364
Prepaid expenses		9,305	7,758
Inventories	6	188,445	198,602
		347,416	**343,014**
Long-term assets			
Property, plant and equipment	7	110,181	91,920
Intangible assets	8	14,774	6,392
Financial assets	9	12,569	11,474
Deferred tax assets	10	10,829	9,802
		148,353	**119,588**
Total assets		**495,769**	**462,602**

in CHF 1,000	Notes	31.12.2016	31.12.2015
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable, trade	11	48,123	45,653
Other liabilities		16,854	12,267
Accrued expenses		22,266	20,362
Tax liabilities		4,782	8,062
Provisions	12	3,577	255
Short-term debts	13	83,861	73,935
		179,463	**160,534**
Long-term liabilities			
Long-term debts	14	97,417	103,811
Provisions	12	6,725	7,492
Deferred tax liabilities	10	4,520	4,579
		108,662	**115,882**
Total liabilities		**288,125**	**276,416**
Shareholders' equity			
Share capital	15	40,000	40,000
Treasury shares	15	–5,987	–6,672
Capital reserves		63,427	85,311
Retained earnings		104,858	62,538
		202,298	**181,177**
Minority interest		5,346	5,009
Total shareholders' equity		**207,644**	**186,186**
Total liabilities and shareholders' equity		**495,769**	**462,602**

The notes on pages 76 to 99 are an integral part of the consolidated financial statements.

BOSSARD GROUP

Consolidated income statement

in CHF 1,000	Notes	2016	2015
Net sales	16/17	695,015	656,314
Cost of goods sold		475,366	453,610
Gross profit		**219,649**	**202,704**
Selling expenses		94,652	89,077
Administrative expenses		46,488	43,308
EBIT		**78,509**	**70,319**
Financial result	21	2,797	2,497
Income before taxes		**75,712**	**67,822**
Income taxes	10	13,278	13,332
Net income		**62,434**	**54,490**
Attributable to:			
Shareholders of Bossard Holding AG		60,992	52,982
Minority interest		1,442	1,508

in CHF	Notes	2016	2015
Earnings per registered A share [1]	22	8.04	7.01
Earnings per registered B share [1]	22	1.61	1.40

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

The notes on pages 76 to 99 are an integral part of the consolidated financial statements.

BOSSARD GROUP

Consolidated statement of changes in equity

in CHF 1,000	Issued share capital	Treasury shares	Capital reserves	Retained earnings: Retained earnings	Retained earnings: Translation differences	Shareholders Bossard	Minority interest	Shareholders' equity
Balance at January 1, 2015	40,000	–6,844	106,615	135,524	–68,444	206,851	3,752	210,603
Dividend			–22,694			–22,694	–71	–22,765
Net income for the period				52,982		52,982	1,508	54,490
Management participation plan			1,085			1,085		1,085
Change in treasury shares		172	305			477		477
Offset goodwill from acquisitions				–46,254		–46,254		–46,254
Minority interests from acquisitions						0	17	17
Translation differences					–11,270	–11,270	–197	–11,467
Balance at December 31, 2015	**40,000**	**–6,672**	**85,311**	**142,252**	**–79,714**	**181,177**	**5,009**	**186,186**

Balance at January 1, 2016	40,000	–6,672	85,311	142,252	–79,714	181,177	5,009	186,186
Dividend			–22,730			–22,730	–1,360	–24,090
Net income for the period				60,992		60,992	1,442	62,434
Management participation plan			1,174			1,174		1,174
Change in treasury shares		685	–328			357		357
Offset goodwill from acquisitions				–17,517		–17,517		–17,517
Minority interests from acquisitions						0	279	279
Translation differences					–1,155	–1,155	–24	–1,179
Balance at December 31, 2016	**40,000**	**–5,987**	**63,427**	**185,727**	**–80,869**	**202,298**	**5,346**	**207,644**

For details regarding share capital, please refer to note 15 on page 89 and regarding the offset goodwill from acquisitions to note 25 on page 94.

The notes on pages 76 to 99 are an integral part of the consolidated financial statements.

BOSSARD GROUP

Consolidated cash flow statement

in CHF 1,000	Notes	2016	2015
Net income		62,434	54,490
Income taxes	10	13,278	13,332
Financial income	21	–2,975	–3,617
Financial expenses	21	5,772	6,114
Depreciation and amortization	7/8	12,605	11,603
Increase provisions	12	2,535	1,692
Gain from disposals of property, plant and equipment	7	–252	–90
Loss from disposals of intangible assets	8	1	122
Interest received		229	939
Interest paid		–3,767	–3,833
Taxes paid		–14,642	–14,385
Increase management participation plan (part of equity)		1,174	1,085
Other non-cash income		–1,166	–2,101
Cash flow from operating activities before changes in net working capital		75,226	65,351
Increase accounts receivable, trade		–16,467	–2,243
Increase other receivables		–1,761	–402
Decrease/(Increase) inventories		23,172	–3,934
Increase/(Decrease) accounts payable, trade		874	–698
Increase/(Decrease) other liabilities		4,020	–5,237
Cash flow from operating activities		**85,064**	**52,837**
Investments in property, plant and equipment	7	–30,480	–18,140
Proceeds from sales of property, plant and equipment	7	771	658
Investments in intangible assets	8	–9,541	–3,988
Cash flow from purchases of companies	23	–31,431	–56,607
Investments in financial assets	9	–2,462	–338
Divestments of financial assets	9	1,326	296
Cash flow from investing activities		**–71,817**	**–78,119**
Proceeds/Repayment of short-term debts	13	10,029	15,513
Proceeds/Repayment of long-term debts	14	–6,233	38,235
Purchase/Sale of treasury shares		–171	–138
Dividends paid to shareholders		–22,730	–22,694
Dividends paid to minority interests		–1,360	–71
Cash flow from financing activities		**–20,465**	**30,845**
Translation differences		–189	–1,063
Change in cash and cash equivalents		**–7,407**	**4,500**
Cash and cash equivalents at January 1		29,918	25,418
Cash and cash equivalents at December 31	4	22,511	29,918

The notes on pages 76 to 99 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Scope of operations (1)

Bossard Holding AG, Zug, Switzerland, a limited company subject to Swiss law, is the parent company of all entities within Bossard Group (hereinafter Bossard). Bossard is a leading distributor of fasteners of every kind and a provider of related engineering and logistics services including inventory management solutions. The Group operates in three geographic regions, Europe, America and Asia, and is one of the market leaders in its sector of industry.

Accounting principles of the consolidated financial statements (2)

The consolidated financial statements of Bossard are based on the financial statements of the individual Group companies at December 31, 2016 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and liabilities at market value, in accordance with full Swiss GAAP FER. They are consistent with Swiss law and the listing rules of the SIX Swiss Exchange.
The consolidated financial statements were authorized for issue by the board of directors on February 27, 2017 and will be recommended for approval at the annual meeting of shareholders.

The main principles of consolidation and valuation are detailed in the following chapters.

Principles of consolidation (2.1)

The consolidated financial statements include the financial statements of Bossard Holding AG as well as the domestic and foreign subsidiaries over which Bossard Holding AG exercises control. Group companies acquired during the year are included in the consolidation from the date on which control over the company is transferred to Bossard. Group companies are excluded from the consolidation as of the date Bossard ceases to have control over the company. December 31 represents the uniform closing date for all companies included in the consolidated financial statements.
The purchase method of accounting is used for capital consolidation. Intercompany receivables and liabilities as well as transactions and intercompany profits not yet realized through sales to third parties are eliminated.

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 directly or indirectly holds more than one half of the voting rights 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.

Minority interest
Minority interest of less than 20 percent is recognized at acquisition cost less any economically necessary impairment.

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

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

Accounting and valuation principles (2.3)

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

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

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

Property, plant and equipment

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

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

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

Leasing

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

Intangible assets

Software

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

Others

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

Financial assets

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

Impairment

The recoverability of long-term assets is monitored annually. Impairment is treated adequately in the financial statements.

Derivative financial instruments

Financial instruments are recognized in the balance sheet at fair value. Positive replacement values are recognized under financial assets and negative replacement values under current liabilities. Derivative financial instruments held for hedging purposes are carried at the same value as the underlying transactions.

Liabilities

All liabilities of Bossard vis-à-vis third parties are recognized at nominal value.

Provisions

A provision is recognized if, on the basis of past events, Bossard has reason to assume that it will need to meet an obligation for which the amount and due date are still uncertain but can be reliably estimated.

Contingent liabilities

Contingent liabilities are valued as at the balance sheet date. A provision is made if an outflow of funds without a utilizable inflow is both probable and assessable.

Financial debts

Financial debts are recognized at nominal value. They are classified as current liabilities unless Bossard can defer the settlement of the liability for at least twelve months after the balance sheet date.

Treasury shares

Treasury shares are recognized as deduction in the equity at acquisition cost. Any gains and losses from transactions with treasury shares are included in capital reserves and recognized in equity.

Share-based compensation

There is a share purchase plan for the board of directors and the executive committee, and they are required, or may elect, to draw part of their total compensation in shares. The shares are made available at market price, less the allowable tax discount of approximately 16 percent for the three-year lockup period. The market value is always determined in February and is based on the average closing price over the last ten trading days in February. There is a restricted stock unit plan (RSU) in place for the members of the management. The eligible participants annually receive a defined sum which is converted into RSUs on Bossard Holding AG registered A shares. The conversion is performed at market value and is based on the average closing price over the last ten trading days in November. The stock options (RSU) are subject to a three-year vesting period. After three years, yearly one-third of the allocated RSUs is passed on to the manager provided as long as he or she has not left the company or been given notice. The share-based compensation is valued at present value when granted and is recognized over the vesting period as personnel costs and as equity (instruments with equity compensation) or liabilities (instruments with cash compensation). If no cash settlement is planned, no subsequent valuation is made unless the terms of exercise and purchase are amended. The subsequent valuation is based on the closing price for the share of the last trading day of the fiscal year. No dilution effect results because no additional shares have been issued.

Pension benefit obligations

Bossard operates a number of pension plans in accordance with the legal requirements in the individual countries. Their assets are generally held in autonomous pension institutions or in statutory occupational pension plans. The pension plans are funded by employee and employer contributions. Pension plans are dealt in accordance with Swiss GAAP FER 16.
Any actual economic impacts of pension plans on the company are calculated as at the balance sheet date. An economic benefit from a surplus is capitalized provided this is admissible and the surplus is to be used to decrease the company's future contributions to its pension plans. An economic liability is recognized if the conditions for forming a provision are met. Contributions by subsidiaries to other pension plans are recognized in the income statement in the year they are made.

Net sales and revenue recognition

Revenue is recognized at fair value and represents the amount receivable for goods supplied and services rendered, net of sales-related taxes and revenue reductions. Revenue reductions include all positions that can be directly assigned to the sales, such as discounts, losses on receivables and exchange rate differences. Sales revenues are recognized when the goods and services have been supplied or rendered.

Non-operating result

Non-operating results are expenses and income arising from events or transactions which clearly differ from the ordinary operations of Bossard.

Income taxes

All taxes are accrued irrespective of when such taxes are due. Deferred income taxes are recognized according the "liability method" for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.
Deferred tax assets on temporary differences can only be capitalized if recovery is probable. Deferred taxes are calculated using the expected applicable local tax rates. Bossard will not capitalize tax savings from tax loss carryforwards. The value of such tax assets is recognized only when realized.
Taxes payable on the distribution of profits of subsidiaries and associates are accrued only for profits that are to be distributed the following year.

Related parties

A party is related to Bossard if the party directly or indirectly controls, is controlled by, or is under common control with Bossard, has an interest in Bossard that gives it significant influence over Bossard, has joint control over Bossard (board of directors and executive committee) or is an associate or a joint venture of Bossard. In addition, members of the key management personnel of Bossard as well as pension plans are also considered related parties.

Accounting estimates and assumptions

Preparing the financial statements in accordance with Swiss GAAP FER requires the board of directors and the executive committee to make estimates and assumptions which can impact on the recognized assets, liabilities, contingent liabilities and contingent assets at the time of preparation as well as income and expenses for the reporting period. These assessments are based on the board of directors' and the executive committee's best knowledge and belief of current and future Bossard activities. The actual results may deviate from these estimates.

Risk management (2.4)

Risk management is a tool to analyze and evaluate all the processes for identifying and assessing risks in the Bossard Group. The results are defined in a report submitted to the board of directors and the executive committee.

Financial risk management

Within the scope of its international operations, Bossard is exposed to various financial risks arising from its business activities, but also from the Group's financial activities. The Group's main financial risks include foreign exchange and interest rate fluctuations as well as the credit worthiness and solvency of the Group's counter parties.
The board of directors and the executive committee lay down the principles governing the Group's financial risk management with regard to exchange rate, interest rate, credit, liquidity and capital risks. The aim is, where necessary, to hedge against the financial risks listed above and thus to minimize any negative impact on the consolidated result as well as on the Group's performance. Where this is considered advisable, the Group may hedge individual financial risks using financial instruments such as derivatives. However, these must be linked with the Group's business operations.
The Group has comprehensive insurance cover to safeguard itself against other risks.

Foreign currency risk

Given its international operations, the Group is exposed to exchange rate fluctuations that impact on the Group's financial and income situation, because these are disclosed in Swiss francs. The Group continuously monitors its currency risks and, if necessary, hedges against them. The Group's currency risks are essentially confined to the Euro and the US dollar. Business transactions in the Group's individual companies are mainly performed in local currency. Consequently, the currency risks for the Group's ongoing operations can basically be considered as low. In some Group companies, however, there are foreign currency risks in connection with payments outside their local currency, mainly in regard to payments to suppliers. Where necessary, parts of these foreign currency risks are hedged through foreign exchange contracts.
The net assets of foreign subsidiaries are exposed to exchange rate risk. Such risks are partly hedged through taking up loans in the currency concerned and, where necessary, through foreign exchange contracts of up to a maximum of twelve months.

Interest rate risk
Changes in interest rates can negatively affect the Group's financial and income situation and thus lead to changes in interest income and expense. Financing and related interest rate conditions are invariably handled centrally by corporate treasury. In certain market situations the Group can employ interest hedge transactions to safeguard itself against interest rate fluctuations, or it can convert a part of the loan requirements into fixed interest loans.

Credit risk
Credit risks can arise if, in a transaction, the counter party is either not prepared or not in a position to meet its obligations. The credit loss risk for accounts receivable trade can be confined through setting credit limits, undertaking credit investigations where possible, and by running an efficient system for managing receivables. Given the Group's monthly reporting system, continual monitoring of overdue payments is ensured. Accounts receivable trade are recognized after deducting allowances for bad debts. The danger of risk concentration is limited through the fact that the Group's customer base is composed of numerous customers and is widely spread in geographic terms. Short-term bank deposits are placed in banks with high credit rating.

Liquidity risk
One aspect of judicious risk management is ensuring that an adequate sum can be drawn on through approved credit limits and that there is a possibility of refinancing. To ensure that the company is invariably solvent and financially flexible, a liquidity reserve has been established in the form of credit limits and cash in hand. Optimal liquidity control is conducted by means of cash pooling.

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

Changes in the scope of consolidation (3)

In 2016 the Bossard Group invested in the following companies:

- Interfast AG, Zug
  100 percent investment, January 2016
- Arnold Industries, LLC, USA
  100 percent investment, September 2016
- Arnold Management Delaware, LLC, USA
  100 percent investment, September 2016
- Arnold Industries Shanghai, Ltd, China
  100 percent investment, September 2016
- Arnold Industries Cork DAC, Ireland
  95 percent investment, September 2016

The scope of consolidation changed in 2016 as follows:

- Bossard South Africa (Pty) Ltd (founding)
- KVT-Fastening AG, Dietikon (merger with Bossard AG)

In 2015 the Bossard Group invested in the following companies:

- Aero-Space Southwest, Inc., USA
  100 percent investment, January 2015
- Aero-Space Southwest, Inc., Mexico
  100 percent investment, January 2015
- SertiTec SAS, France
  100 percent investment, January 2015
- Torp Tekniske AS, Norway
  60 percent investment, January 2015
- Forind Fasteners S.r.l., Italy
  100 percent investment, February 2015

Cash and cash equivalents (4)

in CHF 1,000	2016	Interest rates in %	2015	Interest rates in %
Cash at banks and on hand	21,948	0.0–1.8	29,641	0.0–2.3
Short-term bank deposits	563	1.2–9.1	277	0.0–9.1
Total	**22,511**		**29,918**	

For details of movements in cash and cash equivalents please refer to the consolidated cash flow statement (page 75).

Accounts receivable, trade (5)

in CHF 1,000		2016	2015
Accounts receivable,	**trade gross**	123,710	103,328
According to due date	not due	115,921	97,097
	30 days overdue	3,658	3,451
	60 days overdue	1,166	983
	90 days overdue	2,965	1,797
Notes receivable		4,649	3,050
Allowance for bad debts			
Balance at Jan. 1		–3,006	–3,472
Changes		–1,078	454
Changes scope of consolidation		–47	–142
Translation differences		7	154
Balance at Dec. 31		–4,124	–3,006
Total		**124,235**	**103,372**

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

Inventories (6)

Inventories that lack marketability or have low turnover are written down to the estimated market value less sales costs. Value adjustments amounted to CHF 32.1 million as per December 31, 2016 (2015: CHF 28.7 million), this is equivalent to 14.6 percent of gross inventory (2015: 12.6 percent).

Property, plant & equipment (7)

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

The insurance value of property, plant and equipment is CHF 207.5 million (2015: CHF 190.3 million).

in CHF 1,000	Facilities under construction	Land and buildings	Machinery and equipment	Others	Total
Cost					
Balance at Jan. 1, 2015	-	103,096	101,486	7,156	211,738
Additions	6,757	1,108	8,992	1,283	18,140
Changes scope of consolidation	-	28	135	54	217
Disposals	-	–1,485	–7,414	–920	–9,819
Translation differences	12	–2,400	–2,454	–264	–5,106
Balance at Dec. 31, 2015	**6,769**	**100,347**	**100,745**	**7,309**	**215,170**
Accumulated depreciation					
Balance at Jan. 1, 2015	-	46,030	75,025	3,621	124,676
Depreciation	-	2,629	6,533	1,310	10,472
Disposals	-	–1,437	–7,082	–732	–9,251
Translation differences	-	–759	–1,752	–136	–2,647
Balance at Dec. 31, 2015	**0**	**46,463**	**72,724**	**4,063**	**123,250**
Net book value	**6,769**	**53,884**	**28,021**	**3,246**	**91,920**

Intangible assets (8)

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

In 2016 CHF 1,149,156 self-created intangible assets were capitalized.

in CHF 1,000	Software in development	Software	Others	Total
Cost				
Balance at Jan. 1, 2015	-	27,012	427	27,439
Additions	2,528	1,460	-	3,988
Disposals	-	–2,405	-	–2,405
Translation differences	-	–578	-	–578
Balance at Dec. 31, 2015	**2,528**	**25,489**	**427**	**28,444**
Accumulated amortization				
Balance at Jan. 1, 2015	-	23,584	186	23,770
Amortization	-	1,088	43	1,131
Disposals	-	–2,283	-	–2,283
Translation differences	-	–566	-	–566
Balance at Dec. 31, 2015	**0**	**21,823**	**229**	**22,052**
Net book value	**2,528**	**3,666**	**198**	**6,392**

Financial assets (9)

in CHF 1,000	2016	Interest rates in %	2015	Interest rates in %
Loans and deposits to third parties	11,829	0,0–10,0	10,734	0,0–10,0
Other financial assets	740		740	
Total	**12,569**		**11,474**	

Income taxes (10)

The tax expenses are made up as follows:

in CHF 1,000	2016	2015
Current taxes	13,404	13,988
Deferred taxes	–126	–656
Total	**13,278**	**13,332**

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

in %	2016	2015
Group's average tax rate	**27.4**	**25.9**
Non tax deductible expenses	0.5	0.5
Non-taxable income	–5.2	–4.8
Expenses taxed at special rate	0.1	0.1
Unrecognized current year tax losses	0.6	0.6
Utilization unrecognized prior year tax losses	–6.7	–2.6
Others	0.8	–0.0
Effective tax rate	**17.5**	**19.7**

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

The deferred taxes consist of the following:

in CHF 1,000	Assets 2016	Liabilities 2016	Assets 2015	Liabilities 2015
Accounts receivable	501	20	374	834
Inventories	4,511	1,752	3,746	1,835
Property, plant and equipment	111	422	64	363
Intangible assets	3,922	2	4,057	71
Liabilities	1,784	2,324	1,561	1,476
Total deferred taxes	**10,829**	**4,520**	**9,802**	**4,579**
Net		–6,309		–5,223

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

Expiry of unused tax loss carryforwards in CHF 1,000	Within 5 years	Over 5 years	Total
2016	0	26,612	**26,612**
2015	0	40,390	**40,390**

This results in not capitalized deferred tax assets for unused tax loss carryforwards of CHF 7.6 million (2015: CHF 11.7 million).

Accounts payable, trade (11)

in CHF 1,000	2016	2015
Accounts payable, trade	47,879	45,437
Notes payable	244	216
Total	**48,123**	**45,653**

Provisions (12)

in CHF 1,000	Pension and other termination benefits	Management participation plan	Others	Total
Balance at Jan. 1, 2016	3,326	588	3,833	7,747
Additions	522	308	3,463	4,293
Change in consolidation scope	-	-	-	-
Usage	–537	–160	–985	–1,682
Reversals	–43	-	–43	–86
Translation differences	–42	–4	76	30
Balance at Dec. 31, 2016	**3,226**	**732**	**6,344**	**10,302**
Thereof short-term	39	-	3 538	3,577

Pension and other termination benefits include liabilities for pension and granted legal benefits based on affiliation to the company.

The provision management participation plan pertains a long-term orientated program which is offered by Bossard Group to specified middle and top management personnel. The manager annually receives a defined sum which is converted into restricted stock units on Bossard Holding AG registered A shares. The additional compensation is locked up for three years.

Other provisions include CHF 2.0 million (2015: CHF 2.1 million) for assumed obligations for renovations related to the acquisition of KVT-Fastening and CHF 3.1 million (2015: CHF 0.5 million) earn-out provisions related to acquisitions.

in CHF 1,000	Pension and other termination benefits	Management participation plan	Others	Total
Balance at Jan. 1, 2015	2,339	474	2,665	5,478
Additions	1,102	202	859	2,163
Change in consolidation scope	227	-	610	837
Usage	–132	–53	–286	–471
Reversals	–10	–17	–9	–36
Translation differences	–200	–18	–6	–224
Balance at Dec. 31, 2015	**3,326**	**588**	**3,833**	**7,747**
Thereof short-term	20	-	235	255

Short-term debts (13)

in CHF 1,000	2016	Interest rates in %	2015	Interest rates in %
Bank overdrafts	5,218	0.6–3.5	5,336	0.6–4.0
Bank loans	55,907	0.7–6.3	49,414	1.1–6.3
Personnel savings accounts	22,724	1.3	19,175	1.3–2.0
Other	12	0.0	10	0.0
Total	**83,861**		**73,935**	

The personnel savings accounts correspond to savings of employees. The effective weighted average interest rate on all borrowings was 1.5 percent (2015: 1.6 percent).

Long-term debts (14)

in CHF 1,000	2016	Interest rates in %	2015	Interest rates in %
Bank loans	97,417	0.8–1.3	103,811	0.8–2.5
Total	**97,417**		**103,811**	

Share capital (15)

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

409,793 registered A shares of CHF 5 par value are held by Bossard Holding AG and have neither voting rights nor dividend entitlement.

The consolidated retained earnings and reserves include non-distributable legal reserves of CHF 16 million (2015: CHF 16 million).

Treasury shares

	2016	2015
Balance at Jan. 1: 61,503 shares (2015: 72,542 shares)	4,822,355	4,993,916
Additions: 6,427 registered A shares of CHF 5 par value (2015: 5,473 shares)	708,762	553,244
Disposals: 28,137 registered A shares of CHF 5 par value (2015: 16,512 shares)	–1,393,639	–724,805
Balance at Dec. 31: 39,793 shares, rate 143.40 (2015: 61,503 shares, rate 109.20)	**4,137,478**	**4,822,355**

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

39,793 registered A shares (2015: 61,503) are reserved for the management participation plan (RSU).

Dividend

At the upcoming annual general meeting of shareholders on April 10, 2017 the board of directors of Bossard Holding AG will propose a dividend for the 2016 fiscal year of CHF 3.30 (2015: CHF 3.00) per registered A share or CHF 0.66 (2015: CHF 0.60) per registered B share.

Segment information (16)

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

Sales by regions (17)

	Europe		America		Asia		Group	
in CHF million	2016	2015	2016	2015	2016	2015	2016	2015
Sales	404.5	386.8	186.8	166.7	108.0	106.6	699.3	660.1
Sales deductions	2.9	3.4	0.7	0.5	0.7	–0.1	4.3	3.8
Net sales	**401.6**	**383.4**	**186.1**	**166.2**	**107.3**	**106.7**	**695.0**	**656.3**

Personnel expenses (18)

in CHF 1,000	2016	2015
Salaries and variable compensation	115,948	108,932
Social security expenses	16,055	14,848
Pension expenses	8,954	8,985
Other personnel expenses	4,711	3,138
Total	**145,668**	**135,903**

The expense recognized for share-based compensation in the results for the period is CHF 1,477,766 (2015: CHF 1,246,344).

Awarded restricted stock units (19)

No. RSU	2016	2015
Balance at Jan. 1: Number of RSU outstanding	77,401	71,639
Deliveries	–19,738	–7,697
Allocations	11,985	14,725
Other changes	–1,060	–1,266
Balance at Dec. 31: Number of RSU outstanding	**68,588**	**77,401**

Other operating expenses (20)

in CHF 1,000	2016	2015
Occupancy costs	12,173	11,747
Capital taxes, insurance and charges	3,230	3,016
Other operating expenses	6,644	7,267
Total	**22,047**	**22,030**

Financial result (21)

in CHF 1,000	2016	2015
Financial income		
Income from interests and securities	930	956
Income from non-consolidated investments	59	93
Exchange gains	1,986	2,568
Total	**2,975**	**3,617**
Financial expenses		
Interest expenses	4,026	4,134
Exchange losses	1,746	1,980
Total	**5,772**	**6,114**
Total Financial result	**2,797**	**2,497**

Earnings per share (22)

	2016	2015
Net income in CHF 1,000	60,992	52,982
Average number of shares entitled to dividend [1]	7,582,379	7,562,677
Earnings per registered A share in CHF	8,04	7,01
Earnings per registered B share in CHF	1,61	1,40

1) Registered B shares adjusted to the nominal value of the registered A shares.

Earnings per share are calculated by dividing the net income attributable to Shareholders of Bossard Holding AG by the weighted average number of shares entitled to dividend during the year. Since no options or convertible bonds are outstanding, no dilution effect results.

Acquisition and disposal of subsidiaries and businesses (23)

Acquisitions 2016

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

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

Acquisitions 2015

In January 2015, 100 % of the shares in Aero-Space Southwest, Inc., USA, Aero-Space Southwest, Inc., Mexico and SertiTec SAS, France as well as 60 % of the shares in Torp Tekniske AS, Norway were acquired. In February 2015, 100 % of the shares in Forind Fasteners S.r.l., Italy were acquired. The four companies are well-known specialists in high-quality fastening applications in their respective markets.

in CHF 1,000	Market value as per acquisition
Cash and cash equivalents	1,172
Accounts receivable, trade	9,894
Inventories	12,445
Other current assets	695
Long-term assets	2,543
Accounts payable, trade	4,981
Other current liabilities	8,373
Long-term liabilities	828
Net assets	**12,567**
Minorities	–17
Net assets acquired	**12,550**
Goodwill	46,254
Total	58,804
Less acquired cash and cash equivalents	–1,172
Less purchase price not yet paid	–1,025
Cash flow from acquisitions	**56,607**

Disposals

In 2016 and 2015, no subsidiaries were disposed.

Derivative financial instruments (24)

Open forward contracts at December 31 were as follows:

in CHF million	2016	2015
Contract value	3.1	4.4
Fair value	0.0	0.0
Balance sheet value	0.0	0.0

The contract value shows the volume of open forward exchange contracts at the balance sheet date.

Goodwill (25)

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalization and amortization of goodwill is disclosed below:

in CHF 1,000	2016	2015
Equity incl. minority interest	**207,644**	**186,186**
Equity ratio	41.9 %	40.2 %
Cost		
Balance at Jan. 1	228,747	182,493
Additions	17,517	46,254
Balance at Dec. 31	**246,264**	**228,747**
Amortization over 5 years		
Balance at Jan. 1	121,445	75,561
Amortization	48,467	45,884
Balance at Dec. 31	**169,912**	**121,445**
Theoretical net book value goodwill as per 31.12.	**76,352**	**107,302**
Theoretical equity incl. minority interest and net book value goodwill	**283,996**	**293,488**
Theoretical equity ratio	49.6 %	51.5 %

Goodwill is theoretically amortized on a straight-line basis usually over 5 years. Goodwill from new acquisitions is converted once to Swiss francs using the closing rate as at acquisition date. With this procedure no exchange differences result in the movement schedule.

Impact on income statement:

in CHF 1,000	2016	2015
Operating result (EBIT) without theoretical amortization goodwill	78,509	70,319
Theoretical amortization goodwill	–48,467	–45,884
Operating result (EBIT) incl. theoretical amortization goodwill	**30,042**	**24,435**

Pension benefit obligations (26)

The Group has various pension plans to which most of its employees contribute. With the exception of companies in Switzerland, the pension institution is responsible for providing coverage for retirement, survivors' and disability benefits.
The pension plan institution for the Swiss companies is an independent pension plan in accordance with the Swiss federal law on occupational retirement, survivors' and disability pension plans (BVG).

Economic benefit/economic obligation and pension plan expenses:

	Surplus/ Deficit according to pension plans	Economic share of the company		Change or capitalized in fiscal year	Contributions accrued	Pension plan expenses in personnel expenses	
in CHF 1,000	31.12.2016	31.12.2016	31.12.2015	2016	2016	2016	2015
Patronage funds/pension institutions	2,092				615	615	40
Pension institutions without surplus/deficit					5,187	5,187	5,156
Pension institutions with surplus							
Pension institutions with deficit							
Pension institutions abroad					3,152	3,152	3,789
Total	**2,092**	**-**	**-**	**-**	**8,954**	**8,954**	**8,985**

In accordance with Swiss GAAP FER 26, the provisional financial statements of the pension plan institution serve as a basis for calculation. The surplus in the patronage fund corresponds to the non-committed funds. The patronage fund may, at its own discretion, make contributions to the pension plan institution.

Items comprising the pension plan expenses:

in CHF 1,000	2016	2015
Contributions to pension institutions charged to the company	8,954	8,985
Contributions to pension plans paid out of the employer contribution reserve (ECR)	-	-
Total contributions	**8,954**	**8,985**
Changes in ECR from asset development, value adjustments, discounting, interest, etc.	-	-
Contributions and changes in employer contribution reserve	**8,954**	**8,985**
Changes in economic benefit of the company from surplus	-	-
Changes in economic obligations of the company from deficit	-	-
Total changes of economic impact through surplus/deficit	-	-
Pension plan expenses in personnel expenses	**8,954**	**8,985**

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

Participations by the board of directors and the executive committee (27)

At December 31, the individual members of the board of directors and of the executive committee (including persons closely associated with them) held the following registered A shares of Bossard Holding AG:

		2016	2015
Board of directors			
Dr. Thomas Schmuckli	Chairman, chairman NC [1], ARCC [2]	14,150	15,600
Anton Lauber	Deputy chairman, ARCC	8,041	7,694
Dr. René Cotting	Chairman ARCC	918	500
Daniel Lippuner	ARCC	868	-
Prof. Dr. Stefan Michel	Representative of registered A shares, chairman CC [3], NC	4,270	3,402
Maria Teresa Vacalli	NC, CC	2,488	1,620
Helen Wetter-Bossard	NC, CC	22,853	23,178
Total		**53,588**	**51,994**

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

Executive committee			
David Dean	CEO	11,166	23,502
Stephan Zehnder	CFO	13,444	14,930
Beat Grob	CEO Central Europe	32,174	30,610
Dr. Daniel Bossard	CEO Northern & Eastern Europe	4,147	5,474
Steen Hansen	CEO America	1,168	354
Robert Ang	CEO Asia	8,663	6,578
Dr. Frank Hilgers	CCO	900	442
Total		**71,662**	**81,890**

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

		2016	2015
David Dean	CEO	3,350	3,074
Stephan Zehnder	CFO	2,623	3,074
Beat Grob	CEO Central Europe	2,623	3,074
Dr. Daniel Bossard	CEO Northern & Eastern Europe	2,623	3,074
Steen Hansen	CEO America	2,623	3,074
Robert Ang	CEO Asia	2,623	3,074
Dr. Frank Hilgers	CCO	2,266	2,361
Total		**18,731**	**20,805**

Related party transactions (28)

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a group of shareholders as defined in article 120seq. of Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA). They hold 56.1 percent (2015: 56.1 percent) of total voting rights or 27.9 percent (2015: 27.9 percent) of the capital entitled to dividend. Kolin Holding AG is wholly owned by the Bossard families.

The following related party transactions were undertaken:

Balance sheet positions as per year end in CHF million	2016	Interest rates in %	2015	Interest rates in %
Deposits in the personnel savings accounts	6,7	1,3	4,0	1,3–2,0

Lease and rental obligations (29)

At December 31, future operating lease payments not recorded in the balance sheet amounted to:

Operating lease commitment in CHF 1,000	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due after 4 years	Total
2016	997	626	360	59	23	**2,065**
2015	952	680	328	61	5	**2,026**

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

Long-term rental liabilities in CHF 1,000	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due after 4 years	Total
2016	6,793	5,692	4,100	3,374	16,935	**36,894**
2015	5,989	4,456	3,631	2,941	18,203	**35,220**

Assets pledged or otherwise restricted (30)

in CHF 1,000	2016	2015
Inventories	6,108	5,992
Property, plant and equipment	1,485	1,396
Total	**7,593**	**7,388**

The pledged or restricted assets are used as collateral for outstanding bank loans which are not encumbered with any special conditions. The assets are after the repayment of the credits freely available again. The total credit lines amount to CHF 4.9 million (2015: CHF 6.4 million). The current borrowings amount to CHF 0.9 million (2015: CHF 1.3 million).

Contingent Liabilities (31)

As per December 31, 2016 no contingent liabilities exist (2015: CHF 0.03 million). In the previous year they resulted mainly from discounted notes given to third parties in the course of normal business operations. There are no other contingent liabilities or capital commitments. Investment commitments from signed contracts for warehouse construction in China and Germany not recognized in the balance sheet, amounted to CHF 11.9 million as at December 31, 2015.

Events occurring after balance sheet date (32)

Between December 31, 2016 and the approval of the consolidated financial statements by the board of directors, no major events occurred which would require additional disclosures or changes in the consolidated financial statements for 2016.

Exchange rates (33)

	31.12.2016 Year-end exchange rate	01.01.2016–31.12.2016 Average exchange rate	31.12.2015 Year-end exchange rate	01.01.2015–31.12.2015 Average exchange rate
1 EUR	1.07	1.09	1.09	1.07
1 USD	1.02	0.99	1.00	0.96
1 GBP	1.26	1.34	1.47	1.47
1 AUD	0.74	0.73	0.73	0.72
1 RON	0.24	0.24	0.24	0.24
1 CAD	0.76	0.74	0.72	0.75
1 NOK	0.12	0.12	0.11	0.12
1 ZAR	0.07	0.07	0.06	0.08
100 DKK	14.42	14.64	14.57	14.31
100 SEK	11.19	11.52	11.87	11.41
100 CZK	3.97	4.03	4.02	3.91
100 HUF	0.35	0.35	0.34	0.34
100 PLN	24.32	24.99	25.35	25.52
100 SGD	70.23	71.34	70.84	69.98
100 TWD	3.14	3.05	3.05	3.03
100 RMB	14.61	14.83	15.41	15.44
100 MYR	22.67	23.79	23.30	24.75
100 THB	2.84	2.79	2.77	2.81
100 INR	1.50	1.47	1.51	1.50
100 KRW	0.08	0.08	0.09	0.09
100 MXN	4.93	5.28	5.79	6.07

List of group companies (34)

Companies and branches		Headquarters	Currency	Capital in 1,000	Share-holding
Holding and finance companies					
Switzerland	Bossard Holding AG	Zug	CHF	40,000	100
	Bossard Finance AG	Zug	CHF	100	100
Germany	Bossard-KVT Beteiligungs GmbH	Illerrieden	EUR	25	100
	KVT-Fastening Beteiligungs GmbH	Illerrieden	EUR	25	100
USA	Bossard U.S. Holdings, Inc.	Phoenix, AZ	USD	40,000	100
	Arnold Management Delaware, LLC	Canton, MA	USD	-	100
Europe					
Switzerland	Bossard AG	Zug	CHF	12,000	100
	KVT-Fastening, Branch of Bossard AG	Dietikon	CHF	-	100
	Interfast AG	Zug	CHF	50	100
Germany	KVT-Fastening GmbH	Illerrieden	EUR	100	100
	Bossard Deutschland GmbH	Illerrieden	EUR	25	100
Italy	Bossard Italia S.r.l.	Legnano	EUR	100	100
	Forind Fasteners S.r.l.	Cassina de' Pecchi	EUR	10	100
Austria	Bossard Austria Ges.m.b.H.	Schwechat	EUR	1,017	100
	KVT-Fastening GmbH	Linz	EUR	509	100
Denmark	Bossard Denmark A/S	Hvidovre	DKK	9,000	100
Sweden	Bossard Sweden AB	Malmö	SEK	400	100
France	Bossard France SAS	Souffelweyersheim	EUR	17,600	100
	SertiTec SAS	Souffelweyersheim	EUR	681.8	100
Spain	Bossard Spain SA	Sant Cugat del Vallès	EUR	745	100
Poland	Bossard Poland Sp.Z o.o.	Radom	PLN	1,300	100
	KVT-Fastening Sp.Z o.o.	Radom	PLN	100	100
Romania	KVT-Fastening S.R.L.	Bucharest	RON	0.2	100
Slovakia	KVT-Fastening spol. s.r.o.	Bratislava	EUR	5	100
Slovenia	KVT-Fastening d.o.o.	Ljubljana	EUR	8.2	100
Czech Rep.	Bossard CZ s.r.o.	Modrice	CZK	1,000	100
	KVT-Fastening s.r.o.	Brno	CZK	200	100
Hungary	KVT-Fastening Kft.	Budapest	HUF	3,000	100
South Africa	Bossard South Africa (Pty) Ltd	Kempton Park	ZAR	-	100
Ireland	Arnold Industries Cork DAC	Cork	EUR	200	95
Norway	Torp Tekniske AS	Oslo	NOK	200	60
America					
USA	Bossard North America, Inc.	Cedar Falls, IA	USD	2,255	100
	Aero-Space Southwest, Inc.	Phoenix, AZ	USD	4.9	100
	Arnold Industries, LLC	Canton, MA	USD	-	100
Canada	Bossard Canada, Inc.	Montreal	CAD	-	100
Mexico	Bossard de México, S.A. de C.V.	Monterrey	USD	755	100
	Aero-Space Southwest, Inc.	Guadalajara	MXN	10	100
Asia/Oceania					
Singapore	Bossard Pte. Ltd	Singapore	SGD	42,600	100
India	LPS Bossard Pvt. Ltd	Rohtak	INR	48,000	51
China	Bossard Industrial Fasteners Int. Trading (Shanghai) Co. Ltd	Shanghai	RMB	110,488	100
	Bossard Fastening Solutions (Shanghai) Co. Ltd	Shanghai	RMB	76,829	100
	Arnold Industries Shanghai, Ltd	Shanghai	RMB	4,649	100
Malaysia	Bossard (M) Sdn. Bhd.	Penang	MYR	300	100
Thailand	Bossard (Thailand) Ltd	Bangkok	THB	45,000	100
Taiwan	Bossard Ltd Taiwan Branch	Taichung	TWD	-	100
South Korea	Bossard (Korea) Ltd	Cheonan	KRW	3,500,000	100
Australia	Bossard Australia Pty. Ltd	Melbourne	AUD	500	100

As per December 31, 2016

REPORT OF THE STATUTORY AUDITOR
on the consolidated financial statements

Report of the statutory auditor
to the general meeting of
Bossard Holding AG
Zug

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Bossard Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

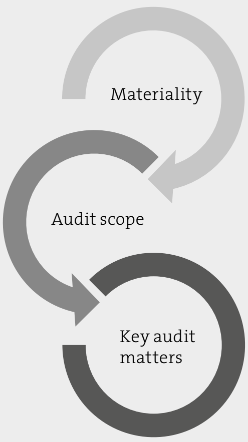
In our opinion, the consolidated financial statements (pages 72 to 99) give a true and fair view of the consolidated financial position of the Group as at December 31, 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 3,700,000

We concluded full scope audit work at eight reporting units in six countries. Our audit scope addressed 71 % of the sales, 65 % of the assets and 84% of the net income of the Group.

Additionally, we concluded reviews at a further four reporting units in three countries, which addressed an additional 10 % of the sales, 14 % of the assets and 7 % of the net income of the Group.

As a key audit matter, the following area of focus was identified:
Valuation of inventories

pwc

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. All significant subsidiaries of the Group were audited by PwC. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether adequate sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor included telephone conferences with the component auditors, an investigation of the risk assessment and participating in the audit discussions of group companies subject to full scope audits, at which the local management, local auditor and the Group's representative took part.

Materiality

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

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

Overall Group materiality	CHF 3'700'000
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. In addition, profit before tax is a generally accepted benchmark for considerations of materiality.

We agreed with the Audit, Risk & Compliance Committee that we would report to them misstatements above CHF 370,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

pwc

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
The inventories amount to CHF 188.4 million (after deduction of a value adjustment of CHF 32.1 million) as of December 31, 2016 and are thus the largest asset category, representing around 38 % of total assets. Merchandise is valued at the lower of the acquisition cost and net realisable value (lower of cost or market principle). We consider the valuation of inventories as a key audit matter due to the amount they represent on the balance sheet and the significant scope for judgement involved in determining the write-downs required on obsolescent or slow-moving products. Please refer to page 77 (2.3 Accounting and valuation principles) and page 84 (6 Inventories) in the annual report.	We performed the following audit procedures to assess the appropriateness of the valuation of the inventories: – We checked on a sample basis the acquisition costs based on the latest purchase prices used for valuation purposes. Additionally, by reference to sales prices achieved in the year, we checked on a sample basis the compliance with the lower of cost or market principle. – We noted that the method for determining write-downs of inventories was applied consistently. – For obsolescent or slow-moving inventories, we discussed with Management the assumptions applied in calculating the required write-downs and assessed these assumptions. In doing so, we paid particular attention to the changes in the write-downs for each category of product or of write-downs compared with the prior year. We also took into account the impact of significant unforeseen product write-downs or write-offs in previous years. – We tested on a sample basis the computational accuracy and completeness of the calculation of the write-downs. – We discussed with Management and the Audit, Risk & Compliance Committee the results of our work and movements in the write-downs. Based on the audit procedures performed, we have addressed the risk of an incorrect valuation of the inventories. We have no findings to report.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Norbert Kühnis Audit expert Auditor in charge	Roger Leu Audit expert

Zürich, 27. Februar 2017

BOSSARD HOLDING AG

Balance sheet

in CHF	Notes	31.12.2016	31.12.2015
Assets			
Current assets			
Cash and cash equivalents		71,113	69,472
Other receivables	1	551,440	100,036
Prepaid expenses		8,370	26,498
		630,923	**196,006**
Non-current assets			
Financial assets	2	9,246,817	26,775,781
Investments	3	118,023,215	118,023,215
		127,270,032	**144,798,996**
Total assets		**127,900,955**	**144,995,002**

in CHF	Notes	31.12.2016	31.12.2015
Liabilities and shareholders' equity			
Current liabilities			
Other current liabilities	5	33,004	136,554
Accrued expenses		972,005	924,849
		1,005,009	**1,061,403**
Total liabilities		**1,005,009**	**1,061,403**
Shareholders' equity			
Share capital		40,000,000	40,000,000
Legal reserve			
Reserves from capital contributions		4,093,912	26,824,006
Other legal reserves		2,049,686	2,049,686
Statutory retained earnings			
General statutory retained earnings		16,000,000	16,000,000
Other reserves		34,111,700	34,111,700
Retained earnings			
Profit brought forward		31,620,562	27,628,816
Profit for the current year		5,007,564	3,991,746
Treasury shares	4	–5,987,478	–6,672,355
Total shareholders' equity		**126,895,946**	**143,933,599**
Total liabilities and shareholders' equity		**127,900,955**	**144,995,002**

BOSSARD HOLDING AG

Income statement

in CHF	2016	2015
Income		
Dividend income	5,000,000	5,000,000
Other operating income	300,000	300,000
Expenses		
Personnel expenses	1,425,710	1,232,119
Other operating expenses	328,893	344,343
Amortization	-	859,373
Other financial income	1,507,641	1,141,605
Financial expenses	21,974	14,024
Income before taxes	**5,031,064**	**3,991,746**
Taxes	23,500	-
Net income	**5,007,564**	**3,991,746**

Notes to the financial statements

Accounting principles applied in the preparation of the financial statements

General

The financial statements of Bossard Holding AG, Zug were prepared in accordance with the Swiss Code of Obligations and under the new financial reporting law (Title 32 of the Swiss Code of Obligations).

Financial assets

Financial assets include non-current loans. Loans in foreign currency are translated into Swiss francs at year-end rate. Unrealized translation losses are recognized in the income statement, whereas unrealized translation gains remain unrecognized (Principle of imparity).

Investments

Investments are measured at cost at the time of recognition. Investments are valued individually, if they are material and are not usually grouped together because of their similarity for the valuation.

Treasury shares

Treasury shares are measured at cost at the time of recognition and are disclosed as a negative item in the shareholders' equity. Gains and losses arising from disposal of treasury shares are recognized in the income statement as financial income or financial expenses.

Foreign currencies

	31.12.2016 Year-end exchange rate	31.12.2015 Year-end exchange rate
Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:		
EUR	1.07	1.09

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

in CHF	2016	2015
1. Other receivables		
To subsidiaries	551,440	100,036
Total	**551,440**	**100,036**
2. Financial assets		
To subsidiaries	9,246,817	26,775,781
Total	**9,246,817**	**26,775,781**

3. Investments

NAME, LEGAL FORM, REGISTERED OFFICE	2016 Capital	2016 Votes	2015 Capital	2015 Votes
Direct investments				
Bossard Finance AG, Zug	100 %	100 %	100 %	100 %
Indirect investments				
Bossard-KVT Beteiligungs GmbH, Illerrieden	100 %	100 %	100 %	100 %
KVT-Fastening Beteiligungs GmbH, Illerieden	100 %	100 %	100 %	100 %
Bossard AG, Zug	100 %	100 %	100 %	100 %
KVT-Fastening AG, Dietikon (Merger with Bossard AG as of January 1)	-	-	100 %	100 %
Interfast AG, Zug	100 %	100 %	-	-
KKV AG, Zug	35 %	35 %	35 %	35 %
KVT-Fastening GmbH, Illerrieden	100 %	100 %	100 %	100 %
Bossard Deutschland GmbH, Illerrieden	100 %	100 %	100 %	100 %
Bossard Italia S.r.l., Legnano	100 %	100 %	100 %	100 %
Forind Fasteners S.r.l., Cassina de' Pecci	100 %	100 %	100 %	100 %
Bossard Austria Ges.m.b.H., Schwechat	100 %	100 %	100 %	100 %
KVT-Fastening GmbH, Linz	100 %	100 %	100 %	100 %
Bossard Denmark A/S, Hvidovre	100 %	100 %	100 %	100 %
Bossard Sweden AB, Malmö	100 %	100 %	100 %	100 %
Torp Tekniske AS, Oslo	60 %	60 %	60 %	60 %
Bossard France SAS, Souffelweyersheim	100 %	100 %	100 %	100 %
SertiTec SAS, Souffelweyersheim	100 %	100 %	100 %	100 %
Bossard Spain SA, Sant Cugat del Vallès	100 %	100 %	100 %	100 %
Bossard Poland Sp.Z o.o., Radom	100 %	100 %	100 %	100 %
KVT-Fastening Sp.Z o.o., Radom	100 %	100 %	100 %	100 %
KVT-Fastening S.R.L., Bucharest	100 %	100 %	100 %	100 %
KVT-Fastening spol. s.r.o., Bratislava	100 %	100 %	100 %	100 %
KVT-Fastening d.o.o., Ljubljana	100 %	100 %	100 %	100 %
Bossard CZ s.r.o., Modrice	100 %	100 %	100 %	100 %
KVT-Fastening s.r.o., Brno	100 %	100 %	100 %	100 %
KVT-Fastening Kft., Budapest	100 %	100 %	100 %	100 %
Bossard South Africa (Pty) Ltd, Kempton Park	100 %	100 %	-	-
Arnold Industries Cork DAC, Cork	95 %	95 %	-	-
Bossard U.S. Holdings, Inc., Phoenix	100 %	100 %	100 %	100 %
Arnold Management Delaware, LLC, Canton	100 %	100 %	-	-
Bossard North America, Inc., Cedar Falls	100 %	100 %	100 %	100 %
Aero-Space Southwest, Inc., Phoenix	100 %	100 %	100 %	100 %
Arnold Industries, LLC, Canton	100 %	100 %	-	-
Bossard Canada, Inc., Montreal	100 %	100 %	100 %	100 %
Bossard de México, S.A. de C.V., Monterrey	100 %	100 %	100 %	100 %
Aero-Space Southwest, Inc., Guadalajara	100 %	100 %	100 %	100 %
Bossard Pte. Ltd, Singapore	100 %	100 %	100 %	100 %
LPS Bossard Pvt. Ltd, Rohtak	51 %	51 %	51 %	51 %
LPS Bossard Information System Pvt., Rohtak	51 %	51 %	51 %	51 %
Bossard Ind. Fasteners Int. Trading (Shanghai) Co. Ltd, Shanghai	100 %	100 %	100 %	100 %
Bossard Fastening Solutions (Shanghai) Co. Ltd, Shanghai	100 %	100 %	100 %	100 %
Arnold Industries Shanghai, Ltd, Shanghai	100 %	100 %	-	-
Bossard (M) Sdn. Bhd., Penang	100 %	100 %	100 %	100 %
Bossard (Thailand) Ltd, Bangkok	100 %	100 %	100 %	100 %
Bossard (Korea) Ltd, Cheonan	100 %	100 %	100 %	100 %
Bossard Australia Pty. Ltd, Melbourne	100 %	100 %	100 %	100 %

4. Treasury shares, incl. shares held by subsidiaries

	2016		2015	
	Number	Value	Number	Value
Balance at January 1	431,503	6,672,355	442,542	6,843,916
Additions	6,427	708,762	5,473	553,244
Disposals	–28,137	–1,393,639	–16,512	–724,805
Balance at December 31	**409,793**	**5,987,478**	**431,503**	**6,672,355**

Group companies don't hold any registered A shares. In 2016 28,137 registered A shares (2015: 16,512 registered A shares) were used for the share option programs.

5. Other current liabilities

	2016	2015
To third parties	33,004	136,554
Total	**33,004**	**136,554**

6. Collateral to third parties

	2016	2015
Guarantees	223,725,516	227,809,279
thereof used	161,575,460	157,446,194

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

7. Shares and options on share held by management and related parties

The disclosure of shareholdings of the board of directors and the executive committee as per Swiss Code of Obligation article 959c, section 2, paragraph 11 and article 663c can be found in the notes to the consolidated financial statements (note 27 page 96).

8. Significant shareholders

Kolin Holding AG, Zug, and Bossard Unternehmensstiftung, Zug, form a shareholder group in accordance with article 120seq. of Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA). They hold 56.1 percent (2015: 56.1 percent) of the voting rights.
Kolin Holding AG, Zug, is wholly owned by the Bossard families.

Other information required by law

9. Full-time equivalents / Personnel expenses

Bossard Holding AG has no employees. The personnel expenses include the compensation of the board of directors.

BOSSARD HOLDING AG

Appropriation of available earnings

Statement of changes in retained earnings

in CHF	2016	2015
Retained earnings at the beginning of the year	31,620,562	27,628,816
Net income	5,007,564	3,991,746
Retained earnings at the end of the year	**36,628,126**	**31,620,562**

Statement of changes in capital contribution reserve

in CHF	2016	2015
Capital contribution reserve at the beginning of the year [1]	26,824,006	49,517,566
Distribution	–22,730,094	–22,693,560
Capital contribution reserve at the end of the year	**4,093,912**	**26,824,006**

1) Subject to adjustments by the Swiss tax authorities

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

in CHF	2016
Available retained earnings before distribution	36,628,126
Dividend of 66 percent on the share capital of max. CHF 37,951,035 eligible for dividends	–25,047,683 [2]
To be carried forward	**11,580,443**

2) The figure is based on the issued share capital as of December 31, 2016 eligible for dividends. It may change due to movements on treasury shares after the balance sheet date.

REPORT OF THE STATUTORY AUDITOR
on the financial statements of Bossard Holding AG

Report of the statutory auditor
to the general meeting of
Bossard Holding AG
Zug

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Bossard Holding AG, which comprise the balance sheet as at December 31, 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 104 to 108) as at December 31, 2016 comply with Swiss law and the articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

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

Overall materiality	CHF 1,000,000
How we determined it	0.8 % of shareholder's equity
Rationale for the materiality benchmark applied	We chose shareholder's equity as the benchmark because it is a relevant and generally accepted benchmark for materiality considerations relating to a holding company.

We agreed with the Audit, Risk & Compliance Committee that we would report to them misstatements above CHF 100,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

We have no key audit matters to report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

pwc

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis Audit expert Auditor in charge	Roger Leu Audit expert

Zürich, 27. Februar 2017

INVESTOR INFORMATION

	2016	2015	2014	2013	2012
Share capital					
Registered A shares at CHF 5 par					
Capital stock in CHF 1,000	33,250	33,250	33,250	33,250	26,600
Number of shares issued	6,650,000	6,650,000	6,650,000	6,650,000	5,320,000
Number of shares entitled to dividend	6,240,207	6,218,497	6,207,458	6,212,792	4,882,826
Registered B shares at CHF 1 par					
Capital stock in CHF 1,000	6,750	6,750	6,750	6,750	5,400
Number of shares issued	6,750,000	6,750,000	6,750,000	6,750,000	5,400,000
Number of shares entitled to dividend	6,750,000	6,750,000	6,750,000	6,750,000	5,400,000
Registered A shares equivalents, entitled to dividend at Dec. 31	7,590,207	7,568,497	7,557,458	7,562,792	5,962,826
Market price					
Ticker symbol (BOSN)					
Volume traded (daily average)	8,991	8,011	13,014	11,964	8,160
Closing price at Dec. 31	143.4	109.2	109.3	103.3	67.0
Registered A share high in CHF	144.0	118.4	130.8	104.3	73.0
Registered A share low in CHF	90.4	88.8	88.0	59.1	50.9
Dividend per share					
Registered A share in CHF	3.30 [1]	3.00	3.00	3.00	2.88
Registered B share in CHF	0.66 [1]	0.60	0.60	0.60	0.58
In % of share capital	66.0	60.0	60.0	60.0	57.5
Dividend yield in % (Basis: price at Dec. 31)	2.3	2.7	2.7	2.9	4.3
Earnings per share [2] [5]					
Registered A share in CHF	8.04	7.01	7.49	7.40	7.29
Registered B share in CHF	1.61	1.40	1.50	1.48	1.46
Cash flow per share [2] [4]					
Registered A share in CHF	9.90	8.74	9.20	9.03	9.05
Registered B share in CHF	1.98	1.75	1.84	1.81	1.81
Price/Earnings ratio (Basis: price at Dec. 31)	17.8	15.6	14.6	14.0	9.2
Net worth per share [3]					
Registered A share in CHF	27.4	24.6	27.9	22.1	8.7
Registered B share in CHF	5.5	4.9	5.6	4.4	1.7
Market capitalization (Basis: price at Dec. 31)					
In CHF million [3]	1,088.4	826.5	826.0	780.9	399.5
In % of shareholders' equity	524.2	443.9	392.2	466.7	770.3

in CHF million	2016	2015	2014	2013	2012
Economic value added analysis					
Net sales	695.0	656.3	617.8	605.7	485.2
Earnings before interest and taxes (EBIT)	78.5	70.3	72.8	69.8	48.4
Effective tax rate in %	17.5	19.7	18.0	14.8	12.7
Net operating profit after tax (NOPAT)	**64.7**	**56.5**	**59.7**	**59.5**	**42.2**
Equity	207.6	186.2	210.6	167.3	51.9
Gross financial debt	181.3	177.7	123.3	126.6	227.8
Less cash and cash equivalents	22.5	29.9	25.4	25.4	25.6
Capital employed (year-end)	366.4	334.0	308.5	268.5	254.1
Average annual capital employed (A)	**350.2**	**321.3**	**288.5**	**261.3**	**245.5**
Return on average capital employed in % (ROCE)	**18.5**	**17.6**	**20.7**	**22.8**	**17.2**
Cost of financial debt in %					
Average cost of financial debt	1.5	1.6	1.8	2.0	1.7
Less effective tax	17.5	19.7	18.0	14.8	12.7
Cost of financial debt after tax	1.2	1.3	1.5	1.7	1.5
Cost of equity in %					
Risk free rate (Basis: yearly average of yield Swiss government bond)	–0.4	–0.1	0.7	0.9	0.7
Risk premium	5.5	5.5	5.5	5.5	5.5
Cost of equity	5.1	5.4	6.2	6.4	6.2
Equity ratio	41.9	40.2	48.5	43.2	13.8
Weighted average cost of capital in % (WACC)	**2.9**	**3.0**	**3.8**	**3.7**	**2.1**
Economic profit in % (ROCE – WACC) (B)	15.6	14.6	16.9	19.1	15.1
Economic profit in CHF million (A) * (B)	**54.7**	**47.1**	**48.9**	**49.8**	**37.0**

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

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

in CHF million	2016	2015	2014	2013	2012
Economic book value (EBV)					
Market value added (economic profit/WACC)	1,905.6	1,593.7	1,297.3	1,333.8	1,733.2
Capital employed	366.4	334.0	308.5	268.5	254.1
Implied enterprise value	2,272.0	1,927.7	1,605.8	1,602.3	1,987.3
Less gross financial debt	181.3	177.7	123.3	126.6	227.8
Plus cash and cash equivalents	22.5	29.9	25.4	25.4	25.6
Economic book value at Dec. 31	**2,113.2**	**1,779.9**	**1,507.9**	**1,501.1**	**1,785.1**
Market valuation and key ratios					
Share price at Dec. 31 in CHF	143.4	109.2	109.3	103.3	67.0
Market capitalization	1,088.4	826.5	826.0	780.9	399.5
Net financial debt	158.8	147.8	97.9	101.2	202.2
Enterprise value (EV)	**1,247.2**	**974.3**	**923.9**	**882.1**	**601.7**
EV in % of net sales	179.4	148.5	140.8	134.4	91.7
EV/EBITDA	13.7	11.9	10.8	10.7	10.2
EV/EBIT	15.9	13.9	12.7	12.6	12.4
EV/NOPAT	19.3	17.2	15.5	14.8	14.3
Price/book value per share	5.2	4.4	3.9	4.7	7.7
Return on equity in %	31.7	27.5	30.2	51.1	33.6

EBIT Earnings Before Interest and Taxes
NOPAT Net Operating Profit After Taxes
ROCE Return On Capital Employed
WACC Weighted Average Cost of Capital
EV Enterprise Value
EVA Economic Value Added
EBITDA Earnings Before Interest, Taxes, Depreciation and Amortization

Share price development 2012–2016

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

Bossard N
Price development with moving average 200 days