

REPORT TO THE SHAREHOLDERS

Success based on continuous investments

Dear Shareholders,

The 2016 fiscal year underlined impressively the growth potential of the Bossard Group arising from its premium product and services portfolio. In 2016, we again generated record sales and profits. Sales rose by 5.9 percent to CHF 695 million, and net income grew by an impressive 14.6 percent to CHF 62.4 million. Performance in all market regions (Europe, America and Asia) improved, although business in individual countries continued to be difficult. Fortunately, we were able to make headway toward our ambitious profitability targets. While the previous year had been plagued with the challenges precipitated by the appreciation of the Swiss franc, operating profitability rallied in 2016 to well above the industry average.

Undaunting commitment in America

Our America business grew by leaps and bounds in 2016. The surge in business volume was largely due to our cooperation with the leading US electric vehicle manufacturer and its soaring production volumes. Our commitment to this customer, demonstrated by substantial upfront investments since 2010, is indeed paying off. A mutually binding contract extension until 2020 reflects the successful cooperation and esteem the two companies have for one another.

For years, we have been selectively expanding our America business because we see enormous potential for profitable growth in this region. This commitment is underscored by the acquisition of AeroSpace Southwest, Inc. in 2015. In November 2016, Bossard acquired Massachusetts-based Arnold Industries, Inc., a distributor of premium fastening solutions and thus perfectly aligned with Bossard's philosophy. Arnold Industries is an expert supplier to the electronics, computer and medical technology industries – sectors in which Bossard has gained a wealth of experience in other regions of the world. The acquisition of Arnold Industries solidified our presence in the Northeast of the USA. Bossard already has a presence in a number of major industrial locations in America.

The Technology and Development Center we opened in Silicon Valley at the end of 2016 also reflects our focus on the USA. The center ties into our mission to supply complex and advanced fastening solutions in a highly innovative business landscape.

Vigorous investment

Expanding our America business required considerable investment. In addition, we spent substantial funds in other regions of the world to solidify and expand our market presence. Most recently, we expanded capacities and infrastructures in Germany, Denmark, China, South Korea, Thailand and Malaysia. Overall investments from 2014 to 2016 totaled over CHF 30 million, reflecting this stepped-up commitment. With these efforts, we are building a sustainable foundation on which Bossard can continue to grow organically and successfully.

Noteworthy projects include the new technology and logistics center in Hvidovre near Copenhagen, which plays a key role to opening up the Scandinavian markets. Another is expanded capacity in Illerrieden, Germany, where a state-of-the-art 6,100 square meters' logistics center was built that will serve customers in Germany and other European countries. In late 2016 Bossard moved into a new distribution and technology center in Shanghai that will help us expand our market presence in China. As you can see, valued shareholders, Bossard is investing a great deal in its future. And this willingness to invest is one of the keys to the success we have enjoyed over the past several years.

To make Industry 4.0 tangible

The trend toward intelligent factories within the context of Industry 4.0 will become increasingly important for our customers in the coming years.

With our Smart Factory Logistics methodology, we have developed a system that helps our customers work more effectively and efficiently in this environment. It is not surprising then that RWTH Aachen University chose our methodology for a demonstration factory that shows how a production facility of the future will operate in the real world. RWTH Aachen offers a practical and hands-on opportunity to experience Industry 4.0. We are also cooperating with universities in other countries that value our practical experience. Making Industry 4.0 tangible is a frequent request. With Smart Factory Logistics, Bossard demonstrates how the link between the supply chain and the assembly line works.

Bossard is aware that many industrial companies are still at the very beginning of this transforma-

tion process. But many entrepreneurs know that this is the way to boost productivity and that moving towards Industry 4.0 is a must. In this situation, Bossard benefits from all the groundwork it has done over the years. We are ready for those customers that want to take the next steps toward Industry 4.0, and we are pleased to be able to offer solutions that drive this transformation, thus making Industry 4.0 tangible.

Long-term thinking, responsible action: the basis for success

The aviation industry, our engagement to the automotive industry, the expansion of our America business, and major investments in various countries: A fiscal year like 2016 is much more than a succession of quarterly figures. Over the months, various strategic decisions were made that significantly affect the company's future success. And much of what we accomplished in 2016 should be seen as the basis for future growth. In some cases, measurable results may not manifest themselves in 2017. It is critical to the company, however, that we safeguard our perspectives for growth over the medium and long term. The evidence lies in the many investments we made in 2016, but also in the vigor we bring to each project as we continually break new ground by taking on highly complex tasks from demanding customers. It is in this spirit that we express our confidence in the continued success of the Bossard Group. We are convinced that this forward-looking strategy is in the interest of all our stakeholders: our customers, our employees, and especially you, our valued shareholders. Not only have you given us your loyalty and trust, your feedback and recommendations have been pivotal to our growth. Please accept our heartfelt gratitude.



Dr. Thomas Schmuckli, Chairman of the board of directors and David Dean, CEO

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Chairman of the
board of directors

David Dean
CEO

Zug, February 27, 2017