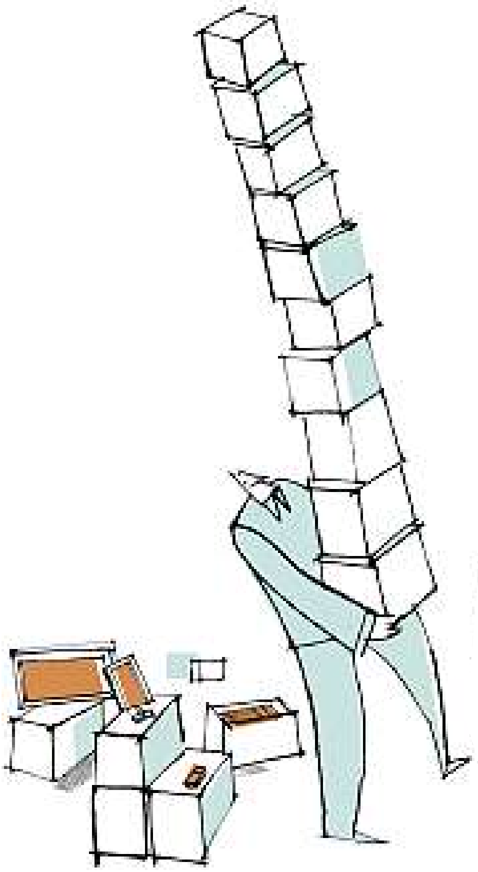
Annual Report 2006



ALSO

more than distribution

ALSO in brief

The ALSO Group is a leading company in the wholesale and logistics sector for information and communications technology (ICT) and consumer electronics. In 2006, ALSO generated net sales of CHF 3 277.1 million with 2 047 employees. Headquartered in Hergiswil (CH), the company was founded in 1984 and has been listed on the Swiss stock exchange since 1986. The Schindler Group has held a majority interest since 1988.

Since 1 September 2006, ALSO has held 50,1 % of the stock in the Finnish GNT Group, the leading distributor of information technology and consumer electronics (ICE) in the Nordic and Baltic region. ALSO has an option to purchase the remaining 49,9 % of the shares by 2010 at the latest. ALSO is active in nine European countries. Under ALSO's name in Switzerland and Germany, under GNT's name in Finland, Norway, Sweden, the three Baltic states and Poland.

Core competencies
ALSO specializes in ICT distribution and logistics services.

As part of its distribution activities, ALSO works with well-known manufacturers of hardware and software, and provides additional services in value-added sectors such as high-end-servers, -storage, security and networks. In addition to this, distribution offers a wide range of IT consumables. Its strongest points are high-level availability and compliance with the strictest quality standards. As an outsourcing partner for other companies, ALSO supplies customized logistics services for the IT, home electronics and telecommunications sectors and sees itself here as part of a complex value-added chain that ALSO optimizes with a range of top-quality market services.

Strategic alliance EWG
In September 2002, ALSO and a number of other distributors holding leading positions in their respective countries, founded the alliance European Wholesale Group (EWG), headquartered in Hergiswil (CH). The three companies in the alliance – ALSO (CH), Copaco (NL) und Esprinet (I) – in 2006 posted consolidated net sales well over EUR 5 billion, making EWG the third-largest ICT distribution organization in Europe. The strategic alliance offers leading hardware and software manufacturers a best-in-class platform from which they can efficiently address more than 60 000 dealers in 14 countries. Together the EWG partners employ a staff of over 2 700 and represent more than 500 vendors.

ALSO's principles
We are deeply committed to our partners and associates, and customer benefit is our top priority. For us, providing first-class personal service comes as naturally as all-round professionalism and competitiveness. Our aim is to build lasting business partnerships which you can rely on completely. In order to achieve this goal, we base our daily business on the philosophy expressed through ALSO's principles:

- We provide more customer value than the competition.
- We make only promises we can keep.
- We are personally committed to every one of our customers.
- We cultivate long-term partnerships.
- We measure ourselves against the zero-error principle.

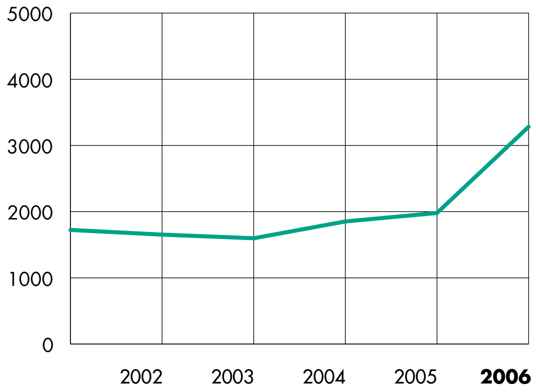
ALSO at a glance

Income Statement (Mio. CHF)	2006	2005	2004	2003	2002
Sales revenue	3 277.1	1 980.3	1 852.2	1 598.3	1 653.3
Gross profit	152.9	101.1	107.9	155.2	177.7
Operating profit (EBIT)	29.2	23.4	30.6	15.7	30.7
Net income	12.2	17.1	20.9	1.8	19.7
Cash flow statement (Mio. CHF)					
Cashflow	20.4	22.0	25.2	21.3	30.9
Investments in fixed assets	8.1	3.6	4.3	2.2	3.3
Balance sheet (Mio. CHF)					
Total assets	1 416.9	438.6	424.9	369.6	350.1
Total shareholders' equity	202.1	190.8	176.5	158.3	158.6
Key figures					
Gross margin	4.7 %	5.1 %	5.8 %	9.7 %	10.7 %
Operating margin	0.9 %	1.2 %	1.7 %	1.0 %	1.9 %
Return on sales	0.4 %	0.9 %	1.1 %	0.1 %	1.2 %
ROIC (Return on invested capital) [1]	5.9 %	8.0 %	10.3 %	5.4 %	11.7 %
ROA (Return on assets) [2]	3.4 %	4.9 %	6.5 %	2.0 %	6.5 %
Sales-to-assets ratio [3]	4.5	4.6	4.7	4.4	4.4
Number of registered shares at CHF 1 [5]	6 038 590	6 038 590	6 038 590	6 038 590	5 999 700
Dividend per registered share (CHF) [4] [5]	0.7	0.7	0.7	0.5	0.7
Equity per registered share (CHF) [5]	33.5	31.6	29.2	26.2	26.4
Share price, highest (CHF) [5]	65.0	44.4	37.5	32.9	43.5
Share price, lowest (CHF) [5]	39.9	32.0	29.1	19.0	28.8
Market capitalization at 31 Dec (Mio. CHF)	389.5	241.5	194.4	183.6	180.0
Personnel at 31 Dec [6]	2 047	623	602	974	1 112
Average personnel during the year [6]	1 066	593	613	1 040	1 177

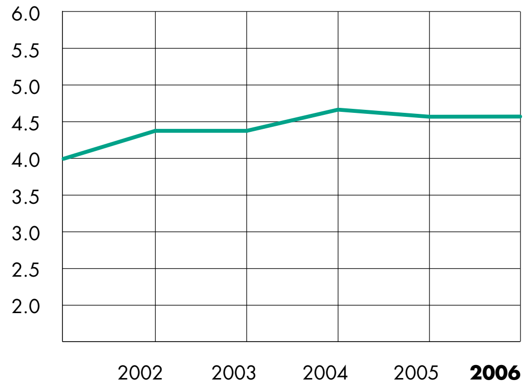
[1] NOPAT / capital employed
[2] Net income + interest / average total assets
[3] Net sales / average total assets
[4] Board of Director's proposal
[5] All figures after the ten-for-one stock split of 23 March 2006 (previous years were adjusted accordingly)
[6] Basis: full-time equivalents including temporary employees

Shareholders' Information

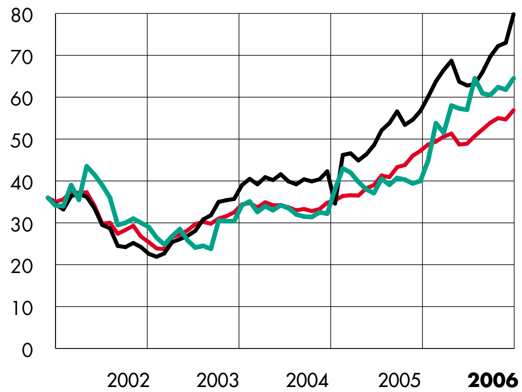
Sales
CHF million



Asset productivity
Sales-to-asset ratio

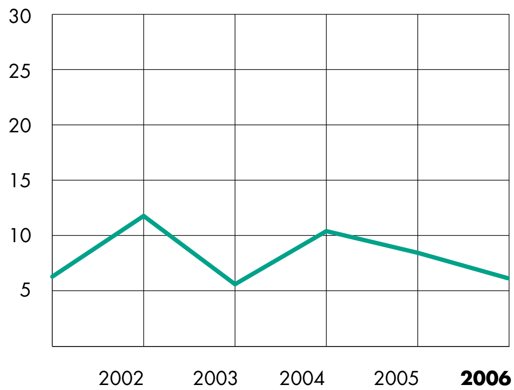


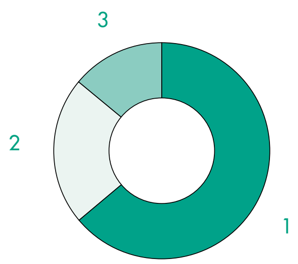
Share price
CHF (adjusted)



ALSO Holding reg. shs (adj.)
Swiss Performance Index – (SPI)
Vontobel small cos. – price index (VSC)
(Source: Datastream)

Return on invested capital (ROIC)
percent





Shareholder structure

1 Schindler Holding AG	64.0 %
2 Institutional Investors	22.1 %
3 Diverse smaller portfolios	13.9 %

Stock details
Since 1986 ALSO is quoted on the Swiss SWX Stock Exchange.
Symbol: ALSN
Security No.: 155143
ISIN: CH0024590272

Important dates

Annual General Meeting:	14 March 2007
Quarterly report:	11 May 2007
Half year report:	10 August 2007
Quarterly report:	9 November 2007
Annual results media conference:	18 February 2008

Content

In Focus

Industries are in a constant state of flux. A sustainable market presence calls for an overarching objective, strategic logic, flexibility, tenacity and patience. Because market shares are never final.

"Consolidation" is a favourite and frequently used term. It is a widely held belief that, ultimately, in any industry there will only be two or three competitors left and that their market positions will be set in stone. And yet things often turn out so differently, because this rather simplistic view neglects the fact that industries are subject to everlasting change.

A good example is the aircraft industry since the advent of jet engines. In the 1960s, there was a string of manufacturers with resonant names such as Boeing, De Havilland, Douglas, Lockheed, McDonnell, Sud Aviation or Vickers. From then on, the number of suppliers shrank continuously. Consolidation seemed inexorable.

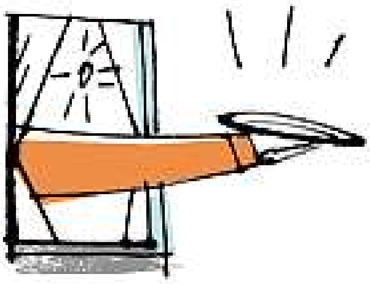
At the same time, however, new suppliers and market segments had sprung up. In 1970, when Airbus Industries was founded, few would have put money on the company's eventually being on an equal footing with Boeing. Today the companies are engaged in a head-to-head contest in the wide-bodied aircraft segment. In the regional aircraft market, Bombardier and Embraer fiercely compete with Airbus and Boeing, while Bombardier, Cessna, Dassault and Gulfstream Aerospace dominate the business jet market.

Put simply, what this means is that market shares are never final. Playing a sustainable and lasting role in an industry, therefore, means coming up with answers at several levels:

- *Overarching goal:* Where does our company want to be in 10 or 20 years?
- *Strategic logic:* What competitive advantages can we defend and exploit?
- *Flexibility:* When – if at all – should we change our present course?
- *Tenacity:* Are we striving to achieve our overarching goal or are we simply being pig-headed?
- *Patience:* What is more important – public opinion or strategic logic?

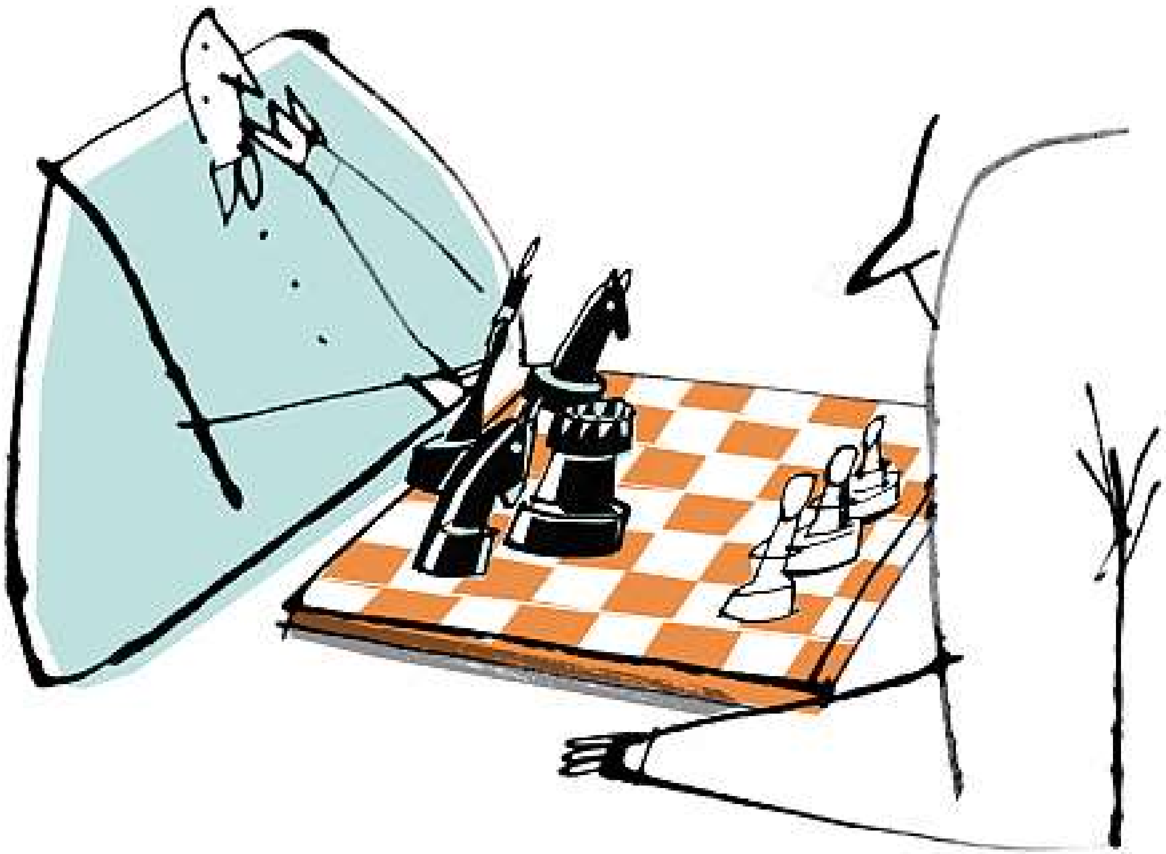
For many observers, ALSO's pullout from the German market in 1989 to concentrate fully on Switzerland marked the end of its vision of a European player. In 1995, ALSO founded a green-field company in Germany that has since gone on to establish itself as one of the market's leading contenders. And through its takeover of the Finnish GNT Group in August 2006 ALSO has become the fourth-largest distributor in Europe with a presence in nine Western and Eastern European countries.

Market shares:
And yet things often
turn out so differently.



Overarching goal:
Where does our company want to be in 10 or 20 years?

Strategic logic:
What competitive advantages
can we defend and exploit?



Board of Directors' Report

The takeover of the Finnish GNT Group has made ALSO the fourth-largest distributor in Europe. In its core business, ALSO increased net income by 39% but the consolidated financial statement has been depressed by the GNT Group's result. In 2007, with consolidated net sales of almost CHF 5 billion, ALSO will be very close to the third-largest competitor in Europe. Medium term, ALSO aims to achieve a net income of CHF 35–40 million.

ALSO looks back on an eventful and highly significant year. The most important event of fiscal 2006 was undoubtedly the acquisition of the Finnish GNT Group on 31 August 2006, a move that put ALSO among the leading distributors in Europe.

ALSO now number 4 in Europe

After the founding of the ALSO operation in Germany in 1995, the GNT takeover marks another important step in the Group's expansion strategy and a milestone in its 22-year history. On 31 August 2006, at a cost of CHF 50.9 million, ALSO acquired 50,1% of the share capital of GNT Holding together with an option to buy the remaining 49,9% by 2010 at the latest. The price of the second portion will depend on the GNT Group's net income in 2007 or in 2009, depending on the time when the option is exercised. The details of this transaction can be found in note 4.12. GNT is the largest independent distributor of information technology and consumer electronics (ICE) in Scandinavia and the Baltic states.

With projected sales of almost CHF 5.0 billion in 2007, this will put ALSO up among the four largest ICE distribution companies in Europe and make it the market leader in five of the nine countries in which it has operations.

Net income for 2006 CHF 12.2 million

The ALSO Group reported net sales of CHF 3 277.1 million and an operating profit of CHF 29.2 million during the year under review. These figures include the GNT Group, which has been consolidated since the takeover (1 September–31 December 2006). Consolidated net income stood at CHF 12.2 million.

In the wake of the GNT Group acquisition, the equity ratio fell to 14% (2005: 44%). On 31 December 2006, the number of employees stood at 2 047 people (2005: 623). The increase of 1 424 persons can be attributed largely to the acquisition of the GNT Group.

At the Annual General Meeting on 14 March 2007, the Board of Directors will propose an unchanged dividend of CHF 0.70 for fiscal 2006 (2005: CHF 0.70 after stock split). The Annual General Meeting of 14 March 2006 approved the proposal of a ten-for-one stock split.

"Old" ALSO pushes up income by 39%

Although the European economy picked up in 2006, the upturn had no direct impact on the IT industry. After a brief, upbeat phase during the first three months, the IT market in Switzerland and Germany cooled noticeably in the second and third quarters. It was not until the second half of September that demand started to rise again and continued to grow in the fourth quarter, as is usual for the season. Overall, both the Swiss and the German IT markets suffered a slight fall-off in value, while the PC vendors represented by ALSO, further consolidated their market positions.

Against this backdrop, net sales in ALSO's core business in both Switzerland and Germany increased by an impressive 19% to CHF 2350.8 million (2005: CHF 1980.3 million). At CHF 33 million, the operating result was 41% higher than the previous year (2005: CHF 23.4 million, including non-recurring special costs of CHF 2.9 million) while net income, at CHF 23.8 million, was substantially higher than the previous year (2005: CHF 17.1 million, including non-recurring special costs of CHF 2.3 million).

With net sales of CHF 1 000.8 million (2005: CHF 989.2 million), ALSO consolidated its leading position in Switzerland. Specifically, the company has established a stronger foothold in the new growth areas of home electronics, high-end-storage and IT consumables, while acquiring new customers for its logistics services. As a result of increased productivity and strict cost management, ALSO Switzerland generated a significantly improved operating result compared with the year before.

ALSO Germany reported sales of CHF 1 350.0 million (2005: CHF 991.1 million), the third time in succession it had posted double-digit growth. This above-average increase is due to an enlarged customer base and a stronger position as preferred supplier with existing customers. At the same time, ALSO Germany achieved the best operating result since its founding in 1995.

GNT result depresses ALSO's net earnings

The GNT Group, acquired with effect from 31 August 2006 and which is part of Northern and Eastern Europe in ALSO's geographical segment reporting, grew by more than 80% compared with the same period a year ago. This was due primarily to the takeover of Santech Micro Group's (SMG) companies in Sweden and Norway at the beginning of the year. On a comparable basis, the Group achieved single-digit sales growth.

The GNT Group failed to live up to our expectations for 2006. For the period 1 September to 31 December 2006, the company generated net sales of CHF 926.3 million and a loss of CHF 11.6 million. This was surprising in view of the fact that after the third quarter even GNT was expecting to make a contribution in the low, single-digit millions towards ALSO's result. There are three reasons for this disappointing result: (1) lower gross margins than in previous months caused, among other things, by selling off aged inventory; (2) higher operating costs than in previous months, partly due to projects designed to make a lasting improvement to profitability; and (3), valuation issues relating to the consolidated annual statements. The companies in Sweden and Norway acquired from SMG were still working at a loss in 2006 and have yet to achieve the turnaround. In the medium term, GNT is expected to make a contribution of CHF 15–20 million towards the ALSO Group's net results.

EWG alliance closes gap on number 2

The European Wholesale Group (EWG) strategic alliance, co-founded by ALSO in 2002, continued to grow strongly in 2006. In total, the three partners in the alliance – ALSO (Switzerland), Copaco (Netherlands) and Esprinet (Italy) – generated sales of substantially more than EUR 5 billion (2005: EUR 4.8 billion). In 2007, EWG is expected to report net sales of around EUR 6.5 billion and, as the clear number three among the European ICT distributors, close in on the current number two. Since its foundation, the EWG has finalized pan-European agreements with its strategic partners Canon, Fujitsu Siemens and HP.

2006 value creation only partly applicable

The targets for sustainable value creation set by the Board of Directors in 2005 are only partly applicable in the year under review because of the takeover of the GNT Group, which became effective as of 31 August 2006.

Applied to the consolidated financial statements of the ALSO Group, as it would appear without the GNT takeover, the following picture emerges:

- ROIC target (ROIC > WACC) exceeded:
  For the ALSO Group alone (excluding GNT), the return on invested capital (ROIC) would have been 9,2%, which would have been above the weighted average cost of capital (WACC 7–8%).
- Shareholders' equity ratio above target (25–35%):
  Without the GNT takeover, the ratio of shareholders' equity to total assets would have been 40%.
- Profitability target (EBIT 1,5–2,5%) just missed:
  With 1,4%, ALSO (without GNT) only just failed to achieve the 1,5–2,5% target for its distribution business.
- Objective for payout ratio (25–35%) sustained:
  Measured in terms of ALSO's net income (excluding GNT), the payout ratio is 18%. Measured in terms of ALSO's reported Group net income it is 35%.

Following the GNT Group takeover, the Board of Directors fully intends to stick to its targets for sustainable value creation. ALSO will purposefully pursue these goals in the years ahead and continue to focus on profitable growth.

Outlook: Growth in revenues and income

In terms of PC penetration (number of PCs per 100 of the population), the IT market in Central and Northeastern Europe shows considerable variances. While Switzerland and Sweden are virtually saturated, Germany, Finland and Norway still have some way to go. In Eastern Europe, PC penetration is still considerably lower than the average for the Western part of the continent. Consequently, the growth potential in all these markets differs widely. Against this backdrop, ALSO is well positioned for the future. In view of its strong position relative to the competition in Central and Northern Europe, it stands to benefit more than average from any market upturn. And with GNT, ALSO has opened up additional potential for growth.

In the current year, ALSO's main concern will be to restore GNT to sustainable profitability. For 2007, ALSO is expecting Group sales in the region of CHF 5.0 billion. In the medium term ALSO forecasts increased sales and net income of CHF 35–40 million.

The success of the ALSO Group depends not only on external economic conditions. A decisive role is also played by the quality and productivity of our employees, who faced an additional challenge by the acquisition of GNT. The Board of Directors would like to take this opportunity to thank them for their enormously hard work and effort over the past year. The Board's thanks also go to our customers for their loyalty, to our associates for their outstanding cooperation and to our shareholders for their trust and confidence in our company.

Thomas C. Weissmann
Chairman of the Board of Directors

Market Report

ALSO's focus strategy is bearing fruit. The Group has consolidated its leading position in Switzerland and grown substantially in Germany. By taking over GNT, ALSO has opened up additional growth potential in Eastern Europe. The Group is well placed to meet the challenges of the future and its leading market position means it stands to derive above-average benefit from any market upturn.

The demand for IT products rose throughout Europe in 2006. In unit terms, the West European PC market grew overall by 6%, the East European by more than 20%. However, market developments in the individual countries supplied by ALSO (including GNT) differed very considerably.

While unit demand for PCs in Switzerland fell by around 7% compared with 2005, it remained at the same level in Germany. The Scandinavian PC market supplied by GNT showed an overall rise of around 4% compared with 2005, while growth in the East European PC markets was over 20%.

In contrast to earlier years, the volume and value of demand in most countries in 2006 remained more or less equal because average prices in the most important market segment – desktops and mobiles – remained generally stable.

Focus strategy pays off

One of the cornerstones of ALSO's strategy is its concentration on leading suppliers in the PC market. The brands represented by ALSO increased their market shares in most countries and showed higher growth than the markets in question, while the assemblers and no-name suppliers in particular lost market share and had to live with serious tail-offs in sales. In 2006, then, ALSO continued to profit from this long-term trend towards the well-known brand names.

Core business boosts net income by 39%

The "old" ALSO (Core business) as it was before the GNT takeover, reported 9% higher unit sales than in 2005 in Switzerland and Germany, and with an increase to CHF 2350.8 million, topped the CHF 2 billion mark for the first time in its history (2005: CHF 1980.3 billion). Thanks to increased productivity in Switzerland, buoyant growth in Germany and slightly higher margins, the operating profit of CHF 33.0 million was substantially higher than the previous year (2005: CHF 23.4 million, including non-recurring special costs of CHF 2.9 million). Net profit stood at CHF 23.8 million, which was likewise significantly higher than the figure for 2005 (CHF 17.1 million including non-recurring special costs of net CHF 2.3 million).

ALSO Switzerland consolidates leading position

In 2006 ALSO strengthened its leading position in Switzerland. Although the Swiss PC market was the only one in Western Europe to report lower volume sales, ALSO still sold 5% more units than in 2005 and posted slightly higher sales than the previous year of CHF 1 000.8 million (2005: CHF 989.2 million). Thanks to the increase in sales, a shift in the product mix toward higher-value products and improved efficiency in all areas, the Swiss subsidiary compensated for lower average prices and pushed up its operating profit significantly compared with 2005.

It is also encouraging to report that ALSO Switzerland has continued to grow in all areas. In the volume area, where the Group distributes classic IT hard- and software products, ALSO increased its market shares with important manufacturers and extended its product lines. The value area, which mainly comprises servers and high-end-storage, grew substantially in 2006. The range here was extended to include products from EMC and the IBM P series. And for the third year in succession, ALSO reported double-digit growth with IT consumables. In its home electronics area, ALSO increased its human resources in 2006 and opened up new customer segments. The addition of Samsung to the range has also strengthened ALSO's market position noticeably. Apart from Samsung, ALSO distributes home electronics from Sony, Toshiba and BenQ. ALSO continued to expand its logistics services operations, reporting increased business volume with existing customers like Swisscom Mobile, Orange and Sunrise and acquiring three new important clients in Tele2, SRG and Sony.

ALSO Germany reports 36 % growth

Although the German IT market stagnated during the year under review compared with 2005, ALSO Germany too reported substantial growth and pushed up sales by 36 % to CHF 1 350.0 million (2005: CHF 991.1 million). This represents a doubling of sales since 2003 and the first time the company has passed the billion mark. Thanks to the sharp rise in sales, strict cost management and a slight improvement in margins, ALSO Germany reported its best operating result and its highest net income since its founding in 1995.

In 2006, once again, ALSO Germany's success was based on its focus on establishing connections with manufacturers and expanding its customer base. In the HP retail and other retail sections, ALSO acquired mainly medium-sized and small customers and grew by approximately one third. In the retail section, ALSO opened up new customer segments and boosted sales by more than 50 %. In 2006, ALSO assembled a specialist team that will be able to give retail clients more individual service in the future.

One significant event for ALSO Germany in 2006 was relocation of its entire logistics operations to a newly built logistics centre in Braunschweig, which has given it twice as much warehouse space. Handling orders from one location has made operations more efficient and cost-effective.

Customers respect quality

In the annual quality survey conducted by leading trade magazines in Switzerland and Germany asking retailers to rank features such as sales, logistics, prices, technical service and customer loyalty, ALSO was once again up among the leaders.

In Switzerland, the Group was voted best distributor for the sixth time in seven years and, in the specialist category, emerged for the first time ever as second best distributor of IT consumables. For the seventh year in succession, the German subsidiary was one of the top distributors and the only one in the broadline category to win the accolade of "Excellent Distributor". Apart from this, ALSO Germany was chosen as "Preferred Distributor" for the second time in succession in a dealer survey conducted by the trade magazine Computer Partner. In terms of individual quality factors, both companies were awarded better scores than in the previous year and as a result increased their lead over the competition. These results are yet another indication that ALSO's focus on the highest possible quality in day-to-day operations is much appreciated by its customers.

From a manufacturer's point of view, ALSO became the first distributor in Germany to be recognized as a "Microsoft Gold Certified Partner for Licensing Solutions". This means that ALSO will be able to provide dealers with sound advice and support following the introduction of Microsoft's new "Vista" operating system and related new software products. Finally, ALSO won for the third consecutive time the award "Best Distributor of the Year" from Acer and was chosen as "Best Volume Distributor 2006" from IBM.

GNT Group depresses ALSO's net earnings

The GNT Group, in which ALSO took a majority stake on 31 August 2006, is geographically assigned to the Group's Northern and Eastern European territory. GNT was founded in 1995 and today is the leading ICE distributor in Scandinavia and the Baltic states. GNT is market leader in Finland, Estonia, Latvia and Lithuania and in the top three in Sweden and Norway. The company founded a subsidiary in Poland in 2004. With a total of 1 366 employees, GNT distributes around 83 000 products to 13 000 customers.

For the period 1 September – 31 December 2006, GNT reported sales of CHF 926.3 million and a loss of CHF 11.6 million, despite the fact that after the third quarter even GNT was expecting to make a contribution in the low, single-digit millions towards ALSO's result. There are three reasons for this disappointing result: (1) lower gross margins than in previous months caused, among other things, by selling off aged inventory; (2) higher operating costs than in previous months, partly due to projects designed to make a lasting improvement to profitability; and (3), valuation issues relating to the consolidated annual statements.

Compared with the same period a year ago, the GNT Group has grown by more than 80 % following its acquisition by Santech Micro Group at the beginning of 2006. On the basis of comparable units, the Group achieved only single-digit sales growth in 2006 over the previous year. While GNT companies in the Baltic states and Poland reported vigorous growth, sales in Sweden and Norway failed to match those of the previous year. The Finnish subsidiary reported a slight increase in sales in 2006 compared with the previous year.

Within the ALSO Group, the former GNT Group will remain under independent management. The top priority in the year under review was to standardize the financial reporting. Apart from this, over 20 separate projects were launched in areas such as finance, IT, human resources, tax and legal issues, operations and corporate communications to push forward the integration of GNT.

EWG alliance strengthens position in Europe

When the strategic EWG alliance was established in 2002, there were doubts as to how long it might last. However, a compelling mix of organic growth, new partners and acquisitions has since seen EWG climb its way up the European distributor rankings. In a market that has grown in value by 10 – 15 % at best, EWG has almost tripled in size. In 2006, the partners in the alliance – ALSO (Switzerland), Copaco (Netherlands) and Esprinet (Italy) – together generated sales of substantially more than EUR 5 billion (2005: EUR 4.8 billion). EWG – today the undisputed number three in Europe – is expected to report net sales of around EUR 6.5 billion and close on the current number two.

Optimism for the future

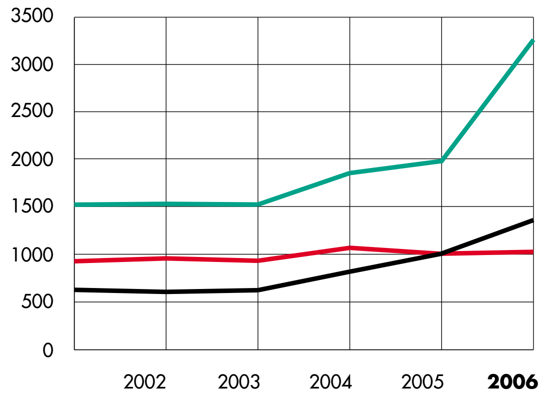
Generally speaking, the scenario in the IT industry remains challenging. The largely saturated IT markets of Central and Northern Europe will probably show little growth in the years ahead. In Eastern Europe, economic growth will have a more marked impact than in Central and Northern Europe, which should have a positive effect on developments in these markets. PC penetration (number of computers per 100 of the population) remains substantially below the average for Western Europe.

The launch of the new "Vista" operating system and new versions of Microsoft Office in the current year should generate fresh demand for hard- and software products. In the business sector, the subject of mobility will also assume increasing importance in 2007. Thanks to new technologies, the prevalence of mobile professionals will increase, pushing up demand for greater data security and simple storage solutions. In the consumer sector, the demand for LCD and plasma flatscreen televisions will increase strongly while IT and home electronics convergence products will generate further growth in 2007.

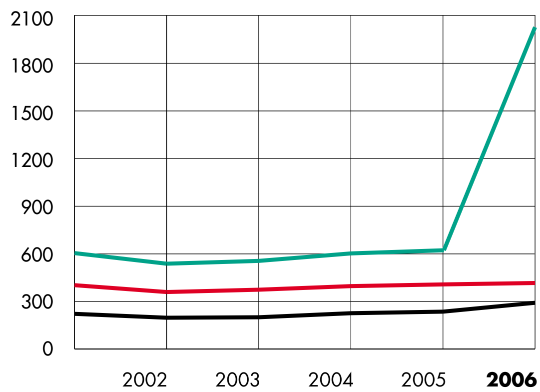
ALSO is well equipped to deal with the challenges that lie ahead. Because of its leading market position, the Group will profit more than most from any upturn in the market. In the Baltic states and Poland, ALSO's acquisition of GNT has opened up major potential for growth.

In Switzerland, ALSO is targeting further expansion in high-growth markets like IT consumables, high-end-storage and home electronics. By outsourcing logistics services, ALSO aims to extend its connections with existing customers and expects further growth from this sector. Germany continues to push business with small and medium-sized enterprises and intends to extend its product portfolio. At GNT, the focus in the current year will be primarily on restoring the Group’s profitability in general and, more specifically, on achieving a turnaround in Sweden and Norway.

Sales
CHF Mio.



Year-end headcount (per 31.12.)



Total ALSO Group (incl. GNT)
Switzerland
Germany

Corporate Governance

In accordance with the guidelines set out in the Swiss Federal Stock Exchanges and Securities Trading Act (SESTA), the ALSO Group publishes a separate chapter containing detailed information about corporate governance: the management and control of the company at the highest level.

The following information is restricted to the bare essentials. Wherever necessary, reference is made to other external sources of information such as the 2006 consolidated financial statements, the Internet or legal regulations (the Swiss Code of Obligations).

All figures published in this chapter, as far as they are cost positions and with exception of the bonuses, are on accrual basis.

1. Group structure and shareholders

Group structure
For a summary of the main Group companies and subsidiaries please see page 74 of the Consolidated Financial Statements.

Major shareholders	**31.12.06**	**31.12.05**
– Schindler Holding AG, Hergiswil (Switzerland)	64.0%	64.5%
– Bestinver Gestion, S.G.I.I.C. S.A., Madrid (Spain)	5.0%	5.0%
– SaraSelect Anlagefonds, Basel (Switzerland)	5.0%	–
– SUVA, Schweizerische Umfallversicherungsanstalt, Lucerne (Switzerland)	–	5.6%

(according to share register)

During the year under review, as required by Art. 20 of the Swiss Federal Stock Exchanges and Securities Trading Act, the Group received notification from the SaraSelect Fund that it had exceeded the 5% limit for holdings in the company. A Board decision was taken recognizing the SaraSelect Fund as well as Bestinver Gestion as full shareholders but entering only 5% of the voting rights they hold in the share register.

The remaining shareholders and their entire holdings are entered in the share register.

Bestinver Gestion S.G.I.I.C. S.A, Madrid, holds 8,4% and SaraSelect Anlagefonds, Basel, holds 5,3% shares in ALSO.

SUVA, Schweizerische Unfallversicherungsanstalt, Luzern, reduced its position in ALSO shares to under 5%.

Cross-ownership
ALSO has no cross-ownership arrangements with companies that do not belong to the Group.

2. Capital structure

Capital structure as of 31.12.2006

Capital	Total	Number of shares	Par value per share
Ordinary share capital	CHF 6 038 590	6 038 590 registered shares	CHF 1
Approved capital	–	–	–
Conditional capital	CHF 151 410	151 410 registered shares	CHF 1

The market capitalization of the ALSO Group on 31 December 2006, stood at CHF 389.5 million. ALSO shares have been listed on the Swiss SWX Stock Exchange since 1986 (Symbol: ALSN, Security No. 2459027).

The Annual General Meeting on 14 March 2006 agreed on a ten-for-one split of the existing 603'859 shares, par value CHF 10, to create 6 038 590 new shares, par value CHF 1. The first day's trading for the new shares was on 23 March 2006. In order to improve the comparability of results in the following tables and notes, the previous year's figures have been adjusted accordingly.

At the end of 2006 ALSO Holding AG had conditional capital amounting to CHF 151 410 at its disposal. The conditional capital was created for the following purpose described in the statutes as follows:

Reserved for the employee stock purchase program
The company's share capital will be increased by a maximum of CHF 151 410 through the exercise of options issued as part of the employee stock purchase program set up for the staff of companies affiliated to ALSO Holding AG. These options apply to a maximum of 151 410 fully paid up registered shares with a par value of CHF 1 each.

According to the terms of the employee stock purchase program, the owners of the option rights are entitled to subscribe to the new shares. The subscription rights of existing shareholders do not apply to this stock. The newly issued shares are subject to the restrictions listed under Art. 5 of the statutes.

Options
The ALSO Group has an employee stock purchase program but does not have a separate option plan (see note 5 in chapter Corporate Governance).

Capital changes in the past three years

Changes	Number of registered shares	Total par value in CHF 1000
Share capital as of 31 December 2003	**603 859**	**6 039**
Capital increase 2004	–	–
Share capital as of 31 December 2004	**603 859**	**6 039**
Capital increase 2005	–	–
Share capital as of 31 December 2005	**603 859**	**6 039**
Capital increase 2006	–	–
Share split as of 23 March 2006, 1:10		
Share capital as of 31 December 2006	**6 038 590**	**6 039**

On 31 December 2006 ALSO Holding AG had ordinary share capital of CHF 6 038 590, consisting of 6 038 590 registered shares with a par value of CHF 1. The capital of CHF 6 038 590 is fully paid up. All registered shares are entitled to a dividend and each registered share represents one vote. ALSO Holding AG has no outstanding stock vested with preferential rights.

There are no participation or profit-sharing certificates.

The (11 363) shares issued under the employee stock purchase program in 2006 were taken from treasury stock.

Restrictions on the transferability of shares and registration of nominees
In accordance with Art. 5 of the statutes, the Board of Directors may reject the registration of a purchaser as a full shareholder (i.e. as a shareholder with voting rights) if:
a) The purchaser has not acquired the shares in his own name and at his own expense.
b) The purchaser would as a result of his registration hold more than 5% of the voting rights. The voting rights of shareholders with common interests are counted together. The only exceptions here are representatives of the Board or executive body and security holding agreements with banks.
c) The purchaser's registration could prevent the company from providing evidence of its shareholding body as required under Swiss law.

If the registered shares have been acquired directly as a result of inheritance, the division of an estate or under Swiss matrimonial legislation, the holder's registration as a full shareholder cannot be refused.

The Board of Directors has the power to register a purchaser who exceeds the maximum percentage holding as defined under Art. 5, § 1 lit. b) and c) of the statutes as a full shareholder if such is decision are compatible with the company's interests. The Board of Directors may submit its decision regarding registration to the General Meeting (GM). There are no special rulings regarding the registration of nominees in the statutes.

Board of Directors

1

2

3

1) Prof. Dr. Karl Hofstetter
Born 1956, Member since 22 April 1996, elected until GM in 2009.
Present position
Member of the Board of the Schindler Group and operative as Group General Counsel.
Other activities and interests
Honorary Professor in Civil and Commercial Law at the University of Zurich (Switzerland), Member of the Board of the University of Lucerne (Switzerland), Member of the Commission of Experts on Disclosure of Shareholdings on the SWX Swiss Exchange, Member of the Arbitration Commission of the Central Swiss Chamber of Commerce, Member of the Board of Directors of Venture Incubator AG in Zug (Switzerland), Chairman of SwissHoldings, Bern (Switzerland).
Previous positions
Practised law in Zurich (Switzerland) and New York (USA).
Education and qualifications
First degree and doctorate in Law and Economics at the Universities of Zurich (Switzerland), Stanford, UCLA and Harvard (USA); qualified to practise law in Zurich (Switzerland) and New York (USA).

2) Thomas C. Weissmann
Born 1951, Chairman of the Board of Directors and Chief Executive Officer,
Member since 1 July 1988, elected until GM in 2009.
Present position
Chief Executive Officer of the ALSO Group.
Previous positions
Director of Corporate Development with Schindler Management AG, Ebikon (Switzerland), Manager with the Boston Consulting Group, Munich (Germany).
Education and qualifications
Graduate in Business Administration at the University of St. Gallen (Switzerland), MBA from the Harvard Business School, Boston (USA).

Thomas C. Weissmann has a formal contract of employment with Schindler Management AG. This company passes on the costs to the ALSO Group (see management agreement).

3) Prof. Dr. Rudolf Marty
Born 1949, Member since 15 June 1993, elected until GM in 2009.
Present position
Consultant, Rudolf Marty Consulting GmbH in Wilen near Wollerau (Switzerland).
Other activities and interests
Professor of Information Technology at the University of Zurich (Switzerland), President of Gebert Rüf Foundation, Basel (Switzerland), Board of the Software Competence Center Hagenberg, Hagenberg (Austria), Member of the IT commission of the University of Zurich (Switzerland).
Previous positions
Managing partner of "itopia – corporate information technology" in Zurich (Switzerland). Head of Applications Development with the Union Bank of Switzerland (UBS), Zurich (Switzerland), Head of the Unilab IT Research Laboratory with UBS, Zurich (Switzerland).
Education and qualifications
Graduate in Economics and a doctorate in IT from the University of Zurich (Switzerland).

All members of the Board of Directors hold Swiss citizenship.
There are no conflicting interests with the Boards of other listed companies.

Election and period of office
At the end of a personal three-year period of office, the member must be re-elected by the General Meeting.

Members of the Board of Directors are obliged to retire at the General Meeting during which the Annual Report is approved for the year in which they turn 70.

The Board of Directors appoints its own Chairman.

Internal organization
The Board of Directors takes decisions only when all members are present. The Chairman of the Board of Directors is also the Chief Executive Officer.

The Chairman of the Board of Directors calls meetings as often as the Group's operations require but a minimum of four half-day to one-day meetings per year. Apart from these regular meetings, there is also one strategy meeting held jointly with Group Management and lasting two days. A total of five meetings were held during the year under review.

Delegation of authority and responsibility
The Board of Directors has overall charge of the Group, supervising and ensuring that management carries out its duties in accordance with the statutes, regulations and applicable legislation.

As part of its duties, the Board of Directors decides how the Group is to be organized, appoints executive management and individuals responsible for representing the company.

The delegation of responsibilities as agreed between the Board of Directors and Group Management can be found in the "Organizational and corporate regulations of ALSO Holding AG, Hergiswil".

In this document, the Board of Directors delegates the day-to-day running of the company to Group Management unless the law, statutes or organizational regulations prescribe otherwise. The Board of Directors is also empowered to take decisions about all matters that are not reserved for or assigned to the General Meeting or another corporate body by law or statute.

Instruments for the information and control of Group Management
At each meeting, the Board of Directors is informed by Group Management of current business and any significant operational matters. Details of unusual incidents are circulated to all members of the Board of Directors immediately.

There are no standing committees. However, the Board may set up ad hoc committees to carry out preparatory work and to execute its decisions.

As part of the standardized management approach practised by the Schindler Group, the committee of the Board of Schindler Holding AG and the company's internal auditing committee are responsible for monitoring the actions of ALSO Group management. These duties are defined in consultation with the Board of Directors of ALSO Holding AG. In addition, Prof. Dr. Karl Hofstetter in his capacity as an ALSO Board member is at the same time a member of Schindler's internal auditing committee.

Apart from this, the Board of Directors receives regular internal reports and reports of the examination by the external auditors.

Group Management


1


2

3



4


5

1) Hans Wyss
Born 1958
Present position
Chief Financial Officer of ALSO Group; in this position since 1 March 2005.
Previous positions
Head of Finance & HR of ALSO Schweiz AG, Emmen (Switzerland), Head of Finance & Administration of PMT AG, Zug (Switzerland), Head of Finance & Administration of ESEC SA, Cham (Switzerland), Head of Finance & Administration of Perkin Elmer, Rotkreuz (Switzerland).
Education and qualifications
Degree in Business Administration, HWV Lucerne (Switzerland), Post Graduate Diploma Executive Master of Corporate Finance, Hochschule für Wirtschaft HSW, Lucerne (Switzerland).

2) Peter Zurbrügg
Born 1955
Present position
Chief Information Officer of the ALSO Group; in this position since 1 November 2001.
Previous positions
Chief Executive Officer, Mount 10, Rotkreuz (Switzerland), Head of Operations for decentralized systems with UBS Switzerland, Zurich (Switzerland).
Education and qualifications
Degree in Electrical Engineering, Juventus College, Zurich (Switzerland).

3) Marc Schnyder
Born 1952
Present position
Managing Director of ALSO Schweiz AG, Emmen (Switzerland); in this position since 1 January 1988.
Previous positions
Head of Personnel with ALSO Holding AG, Hergiswil (Switzerland), various teaching positions.
Education and qualifications
Assistant in Nuclear Medicine, IT and commercial training, teacher training.

4) Thomas C. Weissmann
Born 1951
Chairman of the Board of Directors; in this position since 1 July 1988, and Chief Executive Officer of ALSO Group; in this position since 1 October 1988.
(For details of present and previous responsibilities as well as qualifications and education, see page 23.)

5) Michael Dressen
Born 1956
Present position
Managing Director of ALSO Deutschland GmbH, Straubing (Germany); in this position since 1 June 2005.
Previous positions
Managing Director DHI Consulting GmbH, Munich (Germany), CEO AmeriQuest Technologies, Los Angeles (USA), COO Transtec AG, Tübingen (Germany), CEO Computer 2000 Spa, Milan (Italy).
Education and qualifications
IT and commercial training.

Michael Dressen holds German citizenship. All other members of the Group Management hold Swiss citizenship.

Management agreement
The ALSO Group purchases certain management services from the Schindler Group. The details of this arrangement are laid out in a management agreement between Schindler Management AG, Ebikon (Switzerland) and ALSO Holding AG, Emmen (Switzerland).

ALSO entrusts Schindler if needed with the implementation, supervision and management of tax, legal and insurance-related services. Apart from this, ALSO purchases services in the area of treasury, staff planning and recruitment as well as marketing and controlling expertise.

Management fees, calculated at arm's length rates, are based on the actual services provided and the expertise of the staff involved. For the year 2006, management fees totalled TCHF 2 578 (prior year: TCHF 2 153).

The management fees also include the total remuneration package paid to Thomas C. Weissmann by Schindler Management AG and then passed on to ALSO.

5. Remuneration, interests and loans

Method used and determination of remuneration and share participation
The Board of Directors sets the fixed amounts to be paid to its members. These are based on the demands of their duties and individual responsibilities. All work on the Group's behalf which is above and beyond the normal activities of a Board member as well as expenses are reimbursed separately.

The Board decides on the fixed salaries of the members of Group Management as well as bonuses and participation schemes, if any. These are based on the demands of their duties and individual responsibilities.

Remuneration to Members of the Board and Group Management

All figures in CHF 1000

Recipient	Remuneration*	Allocation of shares***	Options****
Executive members of the Board and members of Group Management	2 543	178	61
– Previous year:	2 528	181	145
Non-executive members of the Board	27**	–	–
– Previous year:	27**	–	–

* Salaries, bonuses, flat-rate expenses and contributions to executive pension scheme (where applicable); a variable bonus is determined by previous-year
** paid to an external member of the Board, no remuneration to members employed by Schindler
*** This figure includes shares allocated to the CEO
**** ALSO Group does not have a separate option plan; however the CEO participates in the Schindler options plan (cf. next page)

Members of Group Management are entitled to buy stock under the ALSO Group's employee stock purchase program. This permits each employee to become a shareholder at preferential conditions (50% reduction, see also comment in the notes to the financial statements).

There were no payments to former members of the Group's governing bodies who retired during the previous year or earlier. No payments were made to individuals who retired from their directorial / management duties during the year under review and no other additional remuneration was made. There are no outstanding loans to members of the Board or Group Management.

Share and option holdings as of 31 December

	Number of shares		Number of options	
	2006	**2005**	**2006**	**2005**
Executive Board members and members of Group Management	34 583	35 650	10 965	36 670
Non-executive members of the Board	2 010	2 010	–	–

Highest overall remuneration
The highest overall remuneration during the year under review was TCHF 1 232 (prior year: TCHF 1 370). This sum is equivalent to the total amount charged by Schindler Management AG to ALSO for the salary, bonus, flat-rate expenses and contribution to the executive pension scheme of Thomas C. Weissmann (see management agreement). The Chief Executive Officer did not purchase any stock under the ALSO employee stock scheme because he has a contract of employment with Schindler. In this function he participates in the Schindler Deferred Bonus Plan and Stock Option Plan. He received in the year under review 2 466 shares (prior year: 3 850) and 1 975 options on ALSO shares (prior year: 5 030). All of this is included in the overall remuneration.

Capital participation plan Schindler
Thomas C. Weissmann participates in the capital participation plan Schindler. This has been in existence since 2000. The entitled employees receive a predefined portion of their bonus in the form of shares, which are subject to a restriction period of three years. In addition the group of employees mentioned above can be awarded option rights for the purchase of shares at a predetermined price. The option rights can be exercised for the first time after a restriction period of three years.

In the case of Thomas C. Weissmann he gets compensated in the form of ALSO shares and option rights on ALSO shares. The exercise price for ALSO shares in relation to the granted options amounts to CHF 35.68 (prior year: CHF 33.08). The necessary shares are being provided by Schindler.

6. Participatory rights of shareholders

Limitations of voting rights and shareholder representation
Apart from the restrictions on the registration of shares (see appropriate section above), the statutes make no provision for limitations on shareholders' voting rights. There is no maximum-vote clause.

The rights of shareholders to participate at the General Meeting comply with legal requirements and the company's statutes. Shareholders may be represented by other shareholders, representatives from the Group directorate / management, the independent proxy or security account proxies.

Statutory quorum
Unless the law prescribes a qualified majority, the General Meeting takes its decisions regardless of the number of shareholders present or shares represented on the basis of the majority of votes cast.

In the case of elections, the first vote is decided by an absolute majority, the second by a relative majority. In the event of a tie, the Chairman has the casting vote.

Convening of the General Meeting
Notice of the General Meeting is given by non-registered letter to the shareholder's address recorded in the register and by publication in the Swiss commercial gazette at least twenty days in advance of the date set for the meeting. Although not prescribed by the statutes, it is also normal for the Assembly to be advertised in certain selected Swiss daily newspapers.

Agenda
By decision of the General Meeting of 2006, only 5% of the share capital (previously 15%) is needed to submit items for the agenda.

Entries in the share register
Only shareholders registered as eligible to vote by the deadline for entries in the register are entitled to attend the General Meeting and to exercise their voting rights. The Board of Directors always tries to ensure that this deadline is as close to the date of the General Meeting as possible, i.e. not more than five to ten days in advance. There are no plans to amend the regulations that apply to the fixing of the deadline.

7. Take-over bids and defensive measures

Art. 29 of the statutes contains an opting-out from the requirement to make a public offer to purchase shares under Art. 32 and 52 of the Federal Law on Stock Exchanges and Securities Trading Act. There are no golden parachutes in favour of the Members of the Board or the Members of the Group Management.

8. Auditors

The ALSO Group elects Ernst & Young AG as its external auditors and has done so since the audit of the 1995 financial statements. The person in charge of the mandate took up his duties with the audit for the year 2005.

The Group also obtains tax consultancy and other services from Ernst & Young AG.

Overview of fees

	Fees	
All figures in CHF 1000	**2006**	**2005**
Type of service		
Audit	506	156
Ancillary services	799	46

Monitoring and control of the auditors
Preparations for the annual audit always begin in summer of the year under review. The company and auditors draw up a timetable for the interim and final report as well as a budget. The budget is designed as a ceiling. Any likelihood that costs may exceed this sum must be communicated well in advance. Actual costs are compared with the budget figures continuously.

Ahead of the actual audit, the auditors receive detailed audit instructions from the consolidation department of the main shareholder. Special assignments for the Board of Directors are likewise included in the audit planning. Observations resulting from the audit are summarized in a management letter addressed to the Board of Directors.

9. Information policy

The company publishes key financial figures every quarter. Detailed financial statements are published in the form of half-yearly and annual reports. The financial statements published by the ALSO Group conform to the regulations of Swiss company law, the listing conditions of the Swiss Stock Exchange and International Financial Reporting Standards (IFRS).

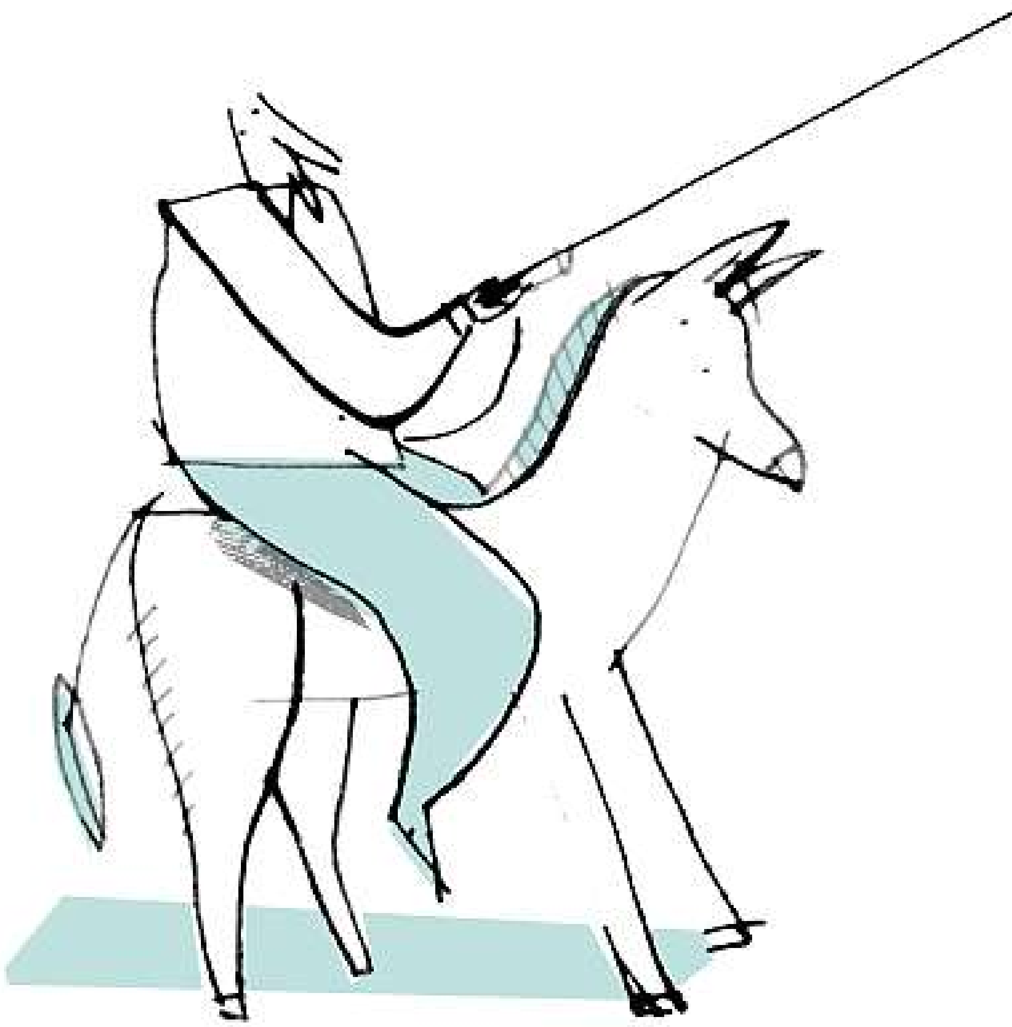
In addition, the ALSO Group presents its financial statements on the occasion of its annual media conference and at the General Meeting.

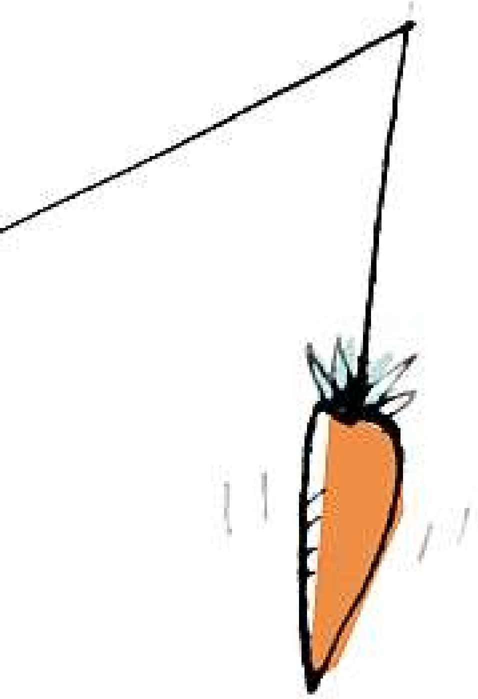
Finally, the ALSO Group reporting complies with the notification duties according to Art. 21 of the Swiss Federal Stock Exchanges and Securities Trading Act and with the ad hoc publicity according to Art. 72 of the Swiss Stock Exchange listing rules.

Our website at www.also.com contains general information about the Group as well as annual reports, press releases and the current stock price.

In addition, every ad hoc release goes online at the same time as it is published and can be accessed for at least two years thereafter. Anyone interested can also request to be included in the ALSO e-mail distribution list and receive information that may be relevant to stock prices directly, free of charge and with very little delay. This service is offered on the website under “News” – “Subscribe”.

Flexibility:
When – if at all – should we
change our present course?





Tenacity:

Are we striving to achieve our overarching goal or are we simply being pig-headed?

Patience:
What is more important –
public opinion or strategic logic?

Financial Report

Consolidated Financial Statements

Financial Statements of ALSO Holding AG

Consolidated Income Statement

CHF 1000	Note	2006		2005	
Revenue from product sales		3 282 812		1 980 010	
Service revenue		24 918		21 740	
Deductions from revenue		–30 598		–21 488	
Total net sales	3.1	**3 277 132**	**100.0 %**	**1 980 262**	**100.0 %**
Cost of goods sold and service expenses		–3 124 253		–1 879 206	
Gross margin		**152 879**	**4.7 %**	**101 056**	**5.1 %**
Personnel expenses	3.2	–85 438		–54 900	
Other operating expenses	3.4	–45 543		–28 581	
Depreciation and amortization	4.5 / 4.6	–7 722		–4 359	
Increase (decrease) in provisions	4.11	690		77	
Other operating income	3.4	14 300		10 120	
Operating profit (EBIT)		**29 166**	**0.9 %**	**23 413**	**1.2 %**
Financial income	3.5	1 591		1 033	
Financial expenses	3.5	–13 621		–4 232	
Income before taxes (EBT)		**17 136**	**0.5 %**	**20 214**	**1.0 %**
Income taxes	3.6	–4 953		–3 086	
Net income		**12 183**	**0.4 %**	**17 128**	**0.9 %**
EBITDA		**36 888**	**1.1 %**	**27 772**	**1.4 %**
Earnings per share in CHF					
Basic	4.14	2.03		2.86	
Diluted	4.14	2.03		2.86	

Consolidated Balance Sheet

Assets

CHF 1000	Note	31.12.06		31.12.05	
Current assets					
Cash	4.1	67 870		43 703	
Accounts receivable	4.2	621 158		224 340	
Inventories	4.3	419 432		127 486	
Accrued income and other receivables	4.4	94 429		24 945	
Total current assets		**1 202 889**	**85 %**	**420 474**	**96 %**
Non-current assets					
Fixed assets	4.5	48 160		12 308	
Intangible assets	4.6	164 949		5 778	
Investments in associates	4.8	92		0	
Financial assets		443		36	
Deferred tax liabilities	3.6	288		0	
Employee retirement benefit plans	3.3	61		0	
Total non-current assets		**213 993**	**15 %**	**18 122**	**4 %**
Total assets		**1 416 882**	**100 %**	**438 596**	**100 %**

Consolidated Balance Sheet

Liabilities

CHF 1000	Note	31.12.06		31.12.05	
Current liabilities					
Financial liabilities	4.9	427 961		17 094	
Accounts payable		390 149		115 747	
Accrued liabilities and other payables	4.10	192 824		68 790	
Tax liabilities		6 153		214	
Provisions	4.11	1 233		554	
Total current liabilities		**1 018 320**	**72 %**	**202 399**	**46 %**
Non-current liabilities					
Financial liabilities	4.9	61 658		39 000	
Deferred conditional purchase price liabilities	4.9	107 124		0	
Provisions	4.11	5 031		320	
Deferred tax liabilities	3.6	22 689		6 075	
Total non-current liabilities		**196 502**	**14 %**	**45 395**	**10 %**
Total liabilities		**1 214 822**	**86 %**	**247 794**	**56 %**
Shareholders' equity					
Share capital		6 038		6 038	
Legal reserves		43 385		43 089	
Treasury shares	4.13	–28		–40	
Cash flow hedge reserve		–1		24	
Translation differences		4 409		1 724	
Retained earnings		148 257		139 967	
Total shareholders' equity		**202 060**	**14 %**	**190 802**	**44 %**
Total liabilities and shareholders' equity		**1 416 882**	**100 %**	**438 596**	**100 %**

Consolidated Cash Flow Statement

CHF 1000	Note	**2006**	**2005**
Net income		12 183	17 128
Depreciation and amortization		7 722	4 359
Increase (decrease) in provisions		–690	–77
Loss (gain) from sale of fixed assets		203	–356
Other non-cash items		962	956
Subtotal		**20 380**	**22 010**
Decrease (increase) in accounts receivable		–171 818	–13 566
Decrease (increase) in inventories		–165 950	–31 557
Decrease (increase) in prepaid expenses and other receivables		–36 340	844
Increase (decrease) in accounts payable		119 148	39 287
Increase (decrease) in accrued liabilities and other payables		90 638	–1 463
Cash flow from operating activities		**–143 942**	**15 555**
Additions to fixed assets		–8 131	–3 587
Additions to intangible assets		–393	–161
Acquisition of subsidiary, net of cash acquired	4.12	–34 894	0
Additions to financial assets		–443	0
Disposals of fixed assets		408	122
Disposals of investment property		0	1 645
Cash flow from investing activities		**–43 453**	**–1 981**
Disposals of treasury shares		308	368
Proceeds from financial liabilities		214 770	500
Repayments of financial liabilities		0	–38 014
Dividend paid by ALSO Holding AG		–4 201	–4 192
Cash flow from financing activities		**210 877**	**–41 338**
Translation differences		**685**	**719**
Change in cash		**24 167**	**–27 045**
Cash at January 1		43 703	70 748
Cash at 31 December		**67 870**	**43 703**
Income taxes paid		1 966	7 596
Interest paid		11 733	4 112
Interest received		1 143	103

Consolidated Statement of Changes in Equity

CHF 1000	Share Capital*	Legal reserves	Treasury shares	Cash flow hedge reserve	Translation differences	Retained Earnings*	Total
31 December 2004	**6 038**	**42 737**	**–56**	**0**	**980**	**126 808**	**176 507**
Translation differences	0	0	0	0	744	0	744
Fair value adjustments on cash flow hedges	0	0	0	30	0	0	30
Tax effects of changes in items recognized directly in equity	0	0	0	–6	0	0	–6
Total gains/losses recognized directly in equity	**0**	**0**	**0**	**24**	**744**	**0**	**768**
Net income	0	0	0	0	0	17 128	17 128
Total gains and losses	**0**	**0**	**0**	**24**	**744**	**17 128**	**17 896**
Treasury shares	0	352	16	0	0	0	368
Employee shares/options**	0	0	0	0	0	223	223
Dividend paid	0	0	0	0	0	–4 192	–4 192
31 December 2005	**6 038**	**43 089**	**–40**	**24**	**1 724**	**139 967**	**190 802**
Translation differences	0	0	0	0	2 685	0	2 685
Transferred to income statement	0	0	0	–24	0	0	–24
Fair value adjustments on cash flow hedges	0	0	0	–1	0	0	–1
Total gains/losses recognized directly in equity	**0**	**0**	**0**	**–25**	**2 685**	**0**	**2 660**
Net income	0	0	0	0	0	12 183	12 183
Total gains and losses	**0**	**0**	**0**	**–25**	**2 685**	**12 183**	**14 843**
Treasury shares	0	296	12	0	0	0	308
Employee shares/options**	0	0	0	0	0	308	308
Dividend paid	0	0	0	0	0	–4 201	–4 201
31 December 2006	**6 038**	**43 385**	**–28**	**–1**	**4 409**	**148 257**	**202 060**

* See note 4.13

** The Chief Executive's employee shares and options are transacted via the principal shareholder and have no net effect on equity (see note 6.1)

Notes to the Consolidated Financial Statements

1. Overview business activities

The ALSO Group is a leading wholesale and logistics company in the information and communications technology and consumer electronics sector. The company is active in Switzerland, Germany and, since 1 September 2006, in Scandinavia, Poland and the Baltic States.

The ALSO Group is active in the field of IT logistics. It distributes the products of leading hardware and software manufacturers as well as computer consumables to the IT trade and retailers. The Group also offers high-end technology for networks and servers as well as comprehensive logistics services (logistics consultancy, packaging, e-logistics, webshop fulfillment and logistics outsourcing solutions).

2. Consolidation principles

2.1 General principles

The ALSO Group's Consolidated Financial Statements are based on historic costs with the exception of certain financial assets and liabilities, which are shown at fair value. They are drawn up in accordance with the requirements of Swiss Company Law and International Financial Reporting Standards (IFRS), and with the accounting and valuation principles listed below.

During the year under review ALSO has not yet applied the following published standards and interpretations:

- IFRS 7 "Financial Instruments Disclosures": This standard replaces the disclosure requirements of IAS 32 and has no influence on valuation. However, it does require additional analysis of the sensitivity of various significant financial risks. ALSO will apply IFRS 7 for the first time in 2007 with a comparison of the relevant figures for the previous year.

- IFRS 8 "Operating Segments" will replace IAS 14 "Segment Reporting with effect" from 1 January 2009. This standard will have no material impact but requires other disclosure standards for segment reporting.

No material impact will be generated by the various new IFRIC interpretations to be applied from 2007 (IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", IFRIC 10 "Interim Financial Reporting and Impairment", IFRIC 11 "IFRS 2 Group and Treasury Share Transactions", IFRIC 12 "Service Concession Arrangements"). The amendments made to IAS 1 "Amendment – Capital disclosures" will have no practical significance.

2.2 Key assumptions and estimates

Drawing up the financial statements in accordance with IFRS required Management to make certain assumptions and estimates that influence the reported figures in the present report. Actual results may differ from the estimates. The key assumptions are set out below:

Impairment of goodwill:
ALSO assesses the value of goodwill at least once every year. This requires an assessment of the value in use of the underlying cash-generating unit (cf. also note 2.17 Impairment). The factors estimated here, such as volumes, sales prices, sales growth, gross margin, operating expenses as well as investments, market conditions and other economic factors, are based on assumptions that Management considers reasonable.

Notes to the Consolidated Financial Statements

Acquisitions
Under IFRS 3 all assets, liabilities and contingent liabilities are shown at fair value. Calculating fair value necessitates making assumptions about interest rates, sales, discounting factors, tax rates etc. that are subject to a certain unpredictability.

Purchase obligations relating to minority interests:
Calculations of the value of purchase obligations relating to minority interests (arising from options' contracts) are based on estimates of future expected results for the companies in question, which are then discounted on balance sheet date at 31 December. The effective results may well differ from the estimated and discounted figures. Further information on this topic can be found in note 4.12.

2.3 Changes in the accounting and valuation principles
The standards revised and amended as of 1 January 2006 have no influence on the assessments made in these statements. The amendments and/or new interpretations in question are as follows:

- IAS 19 – Amendments in "Employee Benefits"
- IAS 21 – Amendments in "Foreign Exchange Rates"
- IAS 39 – Amendments in "Financial Instruments"
  (cash flow hedges on intragroup transactions, fair value option, financial guarantee contracts)
- IFRIC 4 – "Determining whether an arrangement contains a lease"

Other new standards, IFRS 6 "Exploration for and Evaluation of Mineral Resources", IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" and IFRIC 6 "Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment" are of no practical significance for ALSO.

2.4 Scope of consolidation
The consolidated financial statements include the annual accounts of ALSO Holding AG, Hergiswil, Switzerland on 31 December and the main affiliated companies in which ALSO Holding AG has a direct or indirect controlling interest through a voting majority or otherwise. A list of the Group's main subsidiaries can be found under note 6.

During the course of the year, the following companies joined those consolidated in the Group's accounts:

With effect from 31 August 2006, ALSO acquired a majority interest of 50.1 % in the Finnish GNT Group, headquartered in Tampere (Finland). Call and on the other hand put options were agreed on the remaining 49.9 % of the Group. Therefore the GNT Group is fully consolidated without minority interests (see note 4.12).

2.5 Consolidation method
The consolidated financial statements are based on the annual accounts prepared by the individual Group companies, applying uniform valuation and reporting principles throughout.

Assets and liabilities as well as income and expenses are included at their full amounts, and minority interests in the shareholders' equity and net income are shown separately.

Intragroup transactions (expenses, income, assets and liabilities) and significant intercompany profits are eliminated.

Investments in associated companies with a voting right share between 20 percent and 50 percent are classified as "Investments in associated companies" and accounted for using the equity method. All other non-consolidated investments are shown at fair value.

Notes to the Consolidated Financial Statements

2.6 Acquisitions and goodwill
In the case of all mergers, the identifiable assets, liabilities and contingent liabilities of the company acquired are assessed at market value at the time of the takeover and the difference between the purchase price and the net assets acquired at market values shown as goodwill. Using push-down accounting, this goodwill is then transferred to the business units that are expected to profit from the acquisition and/or to generate future cash flows. The figures are shown in the appropriate functional currency.

Existing provisions for restructuring are taken over on the date of acquisition and any new provisions necessary shown under assets. Contingent liabilities that are taken over with the acquisition, i.e. which are not part of the seller's guarantee and whose market value can be reliably assessed are shown under liabilities in the acquisition balance sheet.

If, as part of an acquisition or independently of one, the remaining minority shareholders are given the right to sell their stock to ALSO Holding AG or one of its consolidated subsidiaries, this obligation is shown at the cash value of the expected exercise price without minority interests. The effects of any change in the expected exercise prices are charged, or credited, to goodwill.

The results of the acquired companies are shown from the time when the Group assumed control. When companies are no longer consolidated, the difference between the selling price and the net assets plus accumulated translation differences at the time when the Group relinquished control are shown as operating profit.

2.7 Foreign currencies
Transactions in foreign currencies are converted at the current rate of exchange at the time of the transaction. Exchange gains and losses arising from transactions in foreign currencies and from the translation of balance sheet positions at balance sheet date are charged or credited to the income statement. The annual financial statements of foreign subsidiaries in foreign currency are converted to Swiss francs as follows:

- Assets and liabilities at year-end rates
- Income statement at average annual rates
- Cash flow statement at average annual rates

Currency translation differences arising from calculating the Group result at average and year-end exchange rates or from equity transactions are included in the consolidated equity and, in the event of the company's being sold, are shown under net income. Foreign currency resulting from specific equity-like loans, which form part of the net investment in a company, are likewise recorded directly under equity if there is no plan or intention to repay these loans in the near future. These differences are shown under net income when the loans are repaid.

Income Statement
The ALSO Consolidated Income Statement is prepared in accordance with the full cost method. Revenue from product sales and services is compared with the cost of goods and services (excluding personnel expenses).

			Year-end rate		Average rate	
Exchange rates against CHF			**2006**	**2005**	**2006**	**2005**
USA	USD	1	1.22	1.32	1.25	1.24
Euro-nations	EUR	1	1.61	1.56	1.58	1.55
Sweden	SEK	100	17.76	16.55	17.02	16.70
Norway	NOK	100	19.44	19.44	19.58	19.30

Notes to the Consolidated Financial Statements

2.8 Revenue from product sales and services
Revenue from product sales and services is made up of deliveries of goods and services, as well as sundry operating income.

Revenue from sale of goods is recognized when the title and risk of loss for the products are transferred to the buyer. Provisions for rebates and discounts granted to wholesalers and other customers are recorded as a reduction of the revenue at the time the related revenue is recorded or when incentives are offered. They are calculated on the basis of historical experiences and the specific terms in the individual agreements. Service revenue is recorded in the income statement as soon as the service is performed and it becomes probable that ALSO will receive an economic gain.

2.9 Personnel expenses / Employee retirement benefit plan
Apart from remuneration for services rendered (wages, salaries and bonuses), personnel expenses also include ancillary personnel costs and social welfare contributions. Long-service gifts are likewise booked under personnel expenses over the service period in question and provisions made accordingly.

In addition to legally required social insurance contributions, the companies in the ALSO Group run a variety of employee benefit plans that comply with local regulations and practices in the countries in question. These are financed either through contributions to legally independent foundations and schemes or shown under employee benefit obligations in the financial statements of the companies in question.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10 % of the value of plan assets or 10 % of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

2.10 Employee stock and option plan
On January 1, 2001, a stock purchase program was introduced for the employees of the ALSO Group. This gives all employees of the Group the possibility of becoming shareholders at preferential conditions and therefore the possibility of participating in the success of ALSO Holding AG.

The following parameters apply to the stock purchase program:

Duration of the program:	until further notice
Max. purchase amount/year:	2.5 percent of the annual gross salary
Basis for purchase price:	average closing share price April 1–15
Price reduction:	50 percent
Restriction period:	2 years

The Board of Directors can at any time change the regulations and the parameters of the stock purchase program.

Notes to the Consolidated Financial Statements

The 50-percent price reduction and related social charges are charged to personnel expenses in the income statement.

In addition, the Board of Directors can decide on an annual basis whether, and to what extent, the Chief Executive Officer should be granted option rights for the purchase of shares in ALSO Holding AG at a predetermined price. This plan, which will be renewed each year, has a lifetime of six years, and the option rights can only be exercised after a waiting period of three years. To hedge this obligation, the main shareholder mostly holds the necessary number of shares until the options are exercised or expire. All options entitle the holder only to the purchase of shares and cannot be taken in cash.

The fair value of the option premiums from the capital participation plan (see note 6.1), determined by means of the Hull-White model, is recorded via the management fees of Schindler Management AG and charged to personnel expenses over the vesting period of three years.

Balance Sheet

2.11 Cash

In addition to cash and current account balances, cash also includes time deposits with an original term up to a maximum of three months.

2.12 Accounts receivable

Accounts receivable from product sales and services are shown at nominal value, minus the economically necessary valuation adjustments.

2.13 Inventories

Inventories are valued at the lower of cost or market value, or at the realizable lower net sales value. The valuation is carried out using the first-in-first-out method. Provisions are made for inventories with a lower market value or which are slow-moving. Unsaleable inventory is fully written off.

2.14 Fixed assets / investment property

Fixed assets and investment property are valued at acquisition cost, minus economically necessary depreciation. Interest on capital as well as maintenance and repair costs that do not increase the value are not capitalized. Significant investments are broken down into the constituent parts if the estimated useful lives of the asset components differ.

Non-operational properties are reported under "Investment property" and accounted for and amortized in accordance with the same criteria as operational facilities. The definition covers properties (land and/or buildings or parts of same) that are held for value-creating or rental-income purposes and/or for a future use still to be specified.

Depreciation is calculated by the straight-line method over the estimated useful life of the asset. Impairments are recognized under "Depreciation" and shown separately in the Notes. The depreciation method, estimated residual value and useful lives are verified annually.

- Land Not subject to depreciation
- Buildings Useful life 20 – 50 years
- Equipment Useful life 2 – 10 years
- Motor vehicles Useful life 3 – 5 years

Notes to the Consolidated Financial Statements

2.15 Non-current assets arising from finance leases
Leasing agreements which, from an economic point of view, represent purchases of equipment with the necessary finance, are classified as financial leasing. Equipment financed by means of such leasing agreements is shown in the balance sheet at current market value or the net cash value of the future leasing instalments, if lower. Non-current assets arising from financial leases are written down over their estimated useful life or the period of the agreement, if shorter. Outstanding liabilities arising from finance leases are shown under short-term and long-term financial liabilities.

Leasing agreements in which not all significant risks and opportunities pertaining to ownership of the asset are transferred are classified as operative leasing agreements and shown in the income statement.

2.16 Intangible assets
Intangible assets include goodwill as well as licenses, patents and similar rights acquired from third parties, customer and supply contracts, brand names and software. Amortization of intangible assets with definite useful lives is calculated by the straight-line method over the estimated useful life of the asset. Impairment losses are recognized under amortization and shown separately in the Notes. Intangible assets with indefinite useful lives are not amortized. With the exception of goodwill and one brand name, no intangible assets with indefinite useful lives are capitalized.

► Software	Useful life 2–4 years
► Customer and supplier agreements	Useful life 7–14 years
► Brand names	Indefinite useful life
► Goodwill	Indefinite useful life

2.17 Impairment
Goodwill items are subject to an annual impairment test (see note 4.7). This requires an evaluation of the fair value or value in use of the underlying company unit. To calculate this, the future cash flows are estimated on the basis of budgeted figures over a maximum of five years, applying an appropriate discount rate. Impairment losses are recognized in the Income Statement and not reversed in the following periods.

The brand name addition is GNT, which was acquired in the course of 2006. This brand has an indefinite useful life. Its value is not amortized but it is subject to an impairment test annually or more frequently if necessary. Its classification as an asset with an indefinite useful life is likewise subject to annual review.

The value of the other assets is reviewed whenever events or changes of circumstance indicate a possible impairment. If there are any indications of a substantial loss in value, an impairment test will be performed on the basis of estimates of future cash flows expected to result from the use or eventual disposal of the asset. If the book value exceeds the expected recoverable value, the asset will be written down to the value that appears to be recoverable on the basis of the discounted future cash flows expected. This special write-down (impairment) is reported separately in the Notes. Reversals are possible if, at a later date, an impairment test confirms that the loss in value no longer pertains.

Notes to the Consolidated Financial Statements

2.18 Provisions
Provisions for commitments and contingencies are recognized if the Group has a present obligation from a past event which may lead to a probable negative cash flow and if a reasonable estimate of that obligation can be made.

Restructuring charges are accrued against operating income in the period in which management has committed to a plan and in which the liability has incurred and the amount can be reasonably estimated.

The provisions are not discounted as a major part of the payments are usually due within 24 months or the interest expense component of the individual provisions is not substantial.

2.19 Taxes
Taxes on income are accrued in the same periods as the revenue and expenses to which they relate and are shown as tax liabilities. The deferred taxes include the income tax effects of temporary differences between the values of assets and liabilities in the group consolidated financial statements and those in the local tax accounts (comprehensive liability method). With this method, deferred taxes are created for all temporary differences. The deferred taxes are adjusted annually for any changes occurring in local tax legislation. Tax loss carry-forwards are reported as deferred tax assets only when it is sufficiently likely that taxable future profits will be adequate to compensate the loss carry-forward (see note 3.6).

Potential taxes in relation to a pay out of retained earnings are not accrued for unless such a pay out is foreseen in the near future.

2.20 Equity
The Group's capital reserves consist of payments made by shareholders over par value. Gains or losses resulting from the sale of treasury shares are likewise shown under capital reserves.

Dividends are charged to equity in the period in which they are decided.

2.21 Financial assets and liabilities
ALSO distinguishes between the following categories of financial assets and liabilities:
- Loans and receivables.
- Held-to-maturity investments, i.e. assets with a fixed period, which the Group is willing and able to hold until maturity.
- Financial liabilities comprise mainly long-term financial debts, which are valued at amortized cost.
- Assets and liabilities arising out of trading activities and derivative financial instruments are valued at market value. Financial assets designated at fair value through profit or loss at inception are also valued at fair value.

The financial assets are initially valued at cost, including transaction costs. Purchases and sales are booked on trade date. Held-to-maturity investments as well as loans and receivables are valued using the amortized cost method. Financial assets, available for sale are valued at market value, whereby the changes in market value (after taxes) are booked against equity. At the time of sale, impairment or other disposal, the accumulated changes in market value are transferred from equity to the financial result of the current period. Long-term financial debt is recognised initially at fair value, net of transaction cots incurred. Long-term financial debt is subsequently stated at amortised cost.

Derivative financial instruments are valued the first time at cost, excluding transaction costs. Purchases and sales are booked on trade date and are valued later at market value.

Notes to the Consolidated Financial Statements

The method of recognizing the resulting gain or loss is dependent on whether the derivative contract is designed to hedge a specific risk and qualifies for hedge accounting. On the date a derivative contract is entered into, the Group designates derivatives which qualify as hedges for accounting purposes as either a) a hedge of the fair value of a recognized asset or liability (fair value hedge), or b) a hedge of a forecasted transaction or firm commitment (cash flow hedge).

Changes in the fair value of derivatives which are fair value hedges and that are highly effective are recognized in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. Fluctuations in value of items held for the purpose of hedging future cash flows are recorded in shareholders' equity. When the hedged asset or liability or the respective expense or income is recorded for the first time, the fluctuations in value recorded in shareholders' equity are included in the underlying transactions, taken out of equity and included in the profit and loss statement. Fluctuations in the value of items that do not fulfil the requirements for hedges are recorded in the financial result directly.

The purpose of hedge accounting is to match the impact of the hedged item and the hedging instrument in the income statement. To qualify for hedge accounting, the hedging relationship must meet several requirements regarding documentation, probability of occurrence, effectiveness and reliability of measurement. The Group therefore documents its assessment, both at the hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2.22 Financial risk management

Group accounting guidelines regulate all affiliates' management of liquidity as well as the procurement of short- and long-term financing. In order to optimize the Group's financing requirements, the management of non-operating liquidity as well as long-term group financing is centralized and carried out in cooperation with the treasury department of the majority shareholder.

Interest rate risks

Interest rate risks result from changes in interest rates that could negatively affect the capital or income of the Group. Fluctuations in interest rates cause changes in the interest income and expense in respect of the interest-bearing assets and liabilities. Long-term interest rate risks are managed centrally in cooperation with the majority shareholder. As a rule, local, short-term interest rate risks are not hedged by the Group companies.

Foreign exchange risks

A significant portion of the cash flows within the Group takes place in foreign currencies, which explains why it is exposed to foreign exchange risks. Purchases from manufacturers are paid for in either local currency or in EUR / USD, whereas sales take place in local currency. Exchange rate risks are hedged as far as possible.

Credit loss risks

The Group limits its credit loss risks by subjecting its customers to ongoing creditworthiness controls and setting credit limits. The Group classifies the credit loss risk inherent in accounts receivable as limited because, on the one hand, it is covered by credit insurances and, on the other, minimized by the large number of customer accounts and their broad geographical diversification. The necessary adjustments are made by the Group companies on the basis of standardized Group guidelines and then checked by the parent company.

Notes to the Consolidated Financial Statements

Derivative financial transactions
The financing strategy of the ALSO Group focuses on minimization of risk, which limits the negative effects from unhedged money market positions. The transactions are restricted and closely monitored. In addition, the necessary liquidity for the daily business must be available at all times. Derivative financial transactions are entered into only with creditworthy counterparties. In order to monitor risks, off-balance-sheet transactions are regularly evaluated.

3. Notes to the consolidated income statement

3.1 Reporting by segment

By geographical market	Switzerland		Germany		Northern/Eastern Europe		Group	
CHF 1000	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Product revenue, external customers	978 207	967 910	1 349 361	990 612	924 646	0	3 252 214	1 958 522
Service revenue, external customers	22 631	21 265	637	475	1 650	0	24 918	21 740
Total net sales	**1 000 838**	**989 175**	**1 349 998**	**991 087**	**926 296**	**0**	**3 277 132**	**1 980 262**
Assets	210 533	207 069	320 994	231 527	885 355	0	1 416 882	438 596
Investments								
– in fixed assets	1 354	3 099	3 527	518	3 250	0	8 131	3 617
– in intangible assets	34	120	43	25	316	0	393	145

The ALSO Group is active in IT logistics. It supplies IT retailers and resellers with the products of leading hard- and software manufacturers as well as IT consumables. There is no primary segmentation.

The Group's geographical segmentation consists of its two main markets to date, Switzerland and Germany, together with the newly acquired sales territory in Northern and Eastern Europe.

Revenue is allocated to the geographic regions on the basis of the place of invoicing. The assets comprise all balance sheet items that can be directly allocated to a region. Investments include costs for the acquisition of fixed assets, investment property and intangible assets.

All transactions between ALSO Group companies are carried out according to the arm's-length principle. Intercompany charges have been included in the individual values.

Notes to the Consolidated Financial Statements

3.2 Personnel expenses and headcount

CHF 1000	2006	2005
Wages and salaries	–70 851	–46 752
Social security contributions	–12 644	–5 306
Employee related costs	–1 431	–2 320
Employee shares / options	–512	–522
Total personnel expenses	**–85 438**	**–54 900**

Included in the position wages and salaries are management fees amounting to TCHF 2 578 (prior year: TCHF 2 153), which have been paid to Schindler Management AG for the use of central services.

	Average headcount		Changes	Year-end headcount		Changes
	2006	**2005**		**2006**	**2005**	
Switzerland	383	380	0.8 %	404	403	0.2 %
Germany	249	213	16.9 %	277	220	25.9 %
Northern/Eastern Europe	[1] 434	0		1 366	0	
Total	**1 066**	**593**	79.8 %	**2 047**	**623**	228.6 %

The following definitions apply to the headcount:
- Average headcount on the basis of equivalent full-time employees incl. temporary employees.
- Year-end headcount on the basis of equivalent full-time employees incl. temporary employees.

[1] Only September – December, calculated as average p.a.

Employee stock purchase program

For the purpose of making available the necessary shares for this program, the 2001 General Assembly authorized conditional capital in the nominal amount of TCHF 243, respectively 242 500 shares. In prior years, 91 090 shares were issued. In the year under review the shares issued (2006: 11 363; 2005: 14 160) were taken from treasury stock. The purchase price in 2006 after a discount of 50 percent was CHF 27.10 per share.

The price reduction of 50 percent and the related social security contributions are charged as personnel expenses to the Income Statement.

Notes to the Consolidated Financial Statements

3.3 Employee retirement benefit plans

The employee retirement benefit plans of the ALSO Group are in accordance with the legal requirements of each respective country. In Switzerland and Norway there are defined benefit plans.

Defined benefit plan

CHF 1000		**2006**	**2005**
Fair value of plan asset		51 502	42 885
Defined benefit obligation		–52 380	–41 409
Surplus (deficit)		**–878**	**1 476**
Unrecognised (gains) losses from revaluations		0	–483
Unrecognised actuarial (gains) losses		939	0
Assets not recognised		0	–993
Total net book value		**61**	**0**
Reported in the balance sheet as	– Employee benefit asset	61	0
	– Employee benefit liability	0	0

Net employee retirement benefit expenses for defined benefit plans

CHF 1000	**2006**	**2005**
Current service cost	–2 247	–2 076
Interest cost	–1 497	–1 401
Expected return on plan assets	1 991	1 624
Actuarial gains (losses) recognised	–1 367	0
Changes in assets not recognised	993	–97
Net employee retirement benefit expenses	**–2 127**	**–1 950**
Actual return on plan assets	4.8 %	13.1 %

Notes to the Consolidated Financial Statements

Change in fair value of plan assets

CHF 1000	2006	2005
Book value January 1	42 885	34 409
Expected return on plan assets	1 991	1 624
Actuarial gains (losses)	–2 756	3 501
Employee contributions	1 351	1 297
Employer contributions	2 127	1 950
Net benefits (paid) received	2 544	104
Change in scope of consolidation	3 370	0
Currency translation differences	–10	0
Book value 31 December	**51 502**	**42 885**

The expected employer contributions for 2007 equal TCHF 2 480.

Change in defined benefit obligation

CHF 1000	2006	2005
Book value January 1	41 409	33 513
Current service cost	2 247	2 076
Interest cost	1 497	1 401
Actuarial gains (losses)	28	3 018
Employee contributions	1 351	1 297
Net benefits (paid) received	2 544	104
Change in scope of consolidation	3 314	0
Currency translation differences	–10	0
Book value 31 December	**52 380**	**41 409**

Investment structure of plan assets	2006	2005
Equity instruments	21.8 %	28.4 %
Bonds	52.2 %	60.7 %
Real Estate	11.8 %	10.5 %
Other assets	14.2 %	0.4 %
Total	**100 %**	**100 %**

Notes to the Consolidated Financial Statements

Principal actuarial assumptions (Weighted averages)	**2006**	**2005**
Technical interest rate	3.6 %	3.5 %
Expected return on plan assets	4.6 %	4.5 %
Future salary increases	2.6 %	2.5 %
Future pension increases	0.7 %	0.5 %
Fluctuation rate	15.0 %	15.0 %

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Long-term comparison

CHF 1000	**2006**	**2005**	**2004**	**2003**	**2002**
Fair value of plan assets	51 502	42 885	34 409	64 502	64 210
Defined benefit obligation	52 380	41 409	33 513	67 419	68 410
Surplus (deficit)	**–878**	**1 476**	**896**	**–2 917**	**–4 200**

Net pension cost for defined benefit plans

CHF 1000	**2006**	**2005**
Employee contributions	1 747	0

3.4 Other operating expenses / income

Other operating expenses

CHF 1000	**2006**	**2005**
Rent, leasing, maintenance and repair expenses	–17 323	–10 583
Marketing and administrative expenses	–19 149	–10 234
Insurance, consulting and other operating expenses	–9 071	–7 764
Total operating expenses	**–45 543**	**–28 581**

Other operating income

CHF 1000	**2006**	**2005**
Gains from the sale of fixed assets	509	356
Other operating income	13 791	9 764
Total other operating income	**14 300**	**10 120**

Other operating income includes mainly rental income as well as contributions to advertising costs from suppliers.

Notes to the Consolidated Financial Statements

3.5 Financial results

Financial income

CHF 1000	2006	2005
Interest income	1 065	299
Interest income from related parties	86	41
Exchange rate gains	440	693
Total financial income	**1 591**	**1 033**

Financial expenses

CHF 1000	2006	2005
Interest expenses	–12 643	–4 086
Interest expenses to related parties	–141	–28
Exchange rate losses	–837	–118
Total financial expenses	**–13 621**	**–4 232**
Financial result	**–12 030**	**–3 199**

3.6 Income taxes

The main elements contributing to the difference between the Group's overall expected tax rate and the effective tax rate are:

CHF 1000	2006	2005
Current income tax	–3 988	–2 413
Income tax effect from prior periods	181	60
Deferred tax	–1 146	–733
Total income taxes	**–4 953**	**–3 086**

Notes to the Consolidated Financial Statements

Analysis of tax expenses

CHF 1000	**2006**	**2005**
Income before tax	17 136	20 214
Expected tax rate (weighted)	**26.2%**	**28.0%**
Expected income tax on earnings	–4 489	–5 660
Utilisation of previously unrecognized tax losses	2 076	1 299
Income tax losses not recognized	–4 084	0
Income not subject to tax / non-deductible expenses	1 394	1 152
Change in income tax rate	0	89
Tax effect from prior periods	181	60
Other factors	–31	–26
Income tax expense	**–4 953**	**–3 086**
Applicable income tax rate	**28.9%**	**15.3%**

The weighted income tax rate is calculated from the anticipated applicable rates for the income taxes of the individual Group companies in their respective tax jurisdictions and amounts to 26.2 percent in the reporting year.

Current and deferred income tax expense

CHF 1000	**2006**	**2005**
Current income tax expense	–3 807	–2 353
Deferred income tax expense	–1 146	–733
Total income tax expense	**–4 953**	**–3 086**

Tax effects of changes in items recognized directly in equity

Fair value adjustments on cash flow hedges	0	–6
Total tax effects in equity	**0**	**–6**

Deferred taxes

CHF 1000		**2006**	**2005**
Temporary differences	– Current assets	–6 957	–5 813
	– Fixed assets	–843	0
	– Intangible assets	–14 708	0
	– Provisions	–181	–262
	– Other temporary differences	288	0
Total net book value deferred taxes		**–22 401**	**–6 075**
Of which:	– Deferred tax liabilities	–22 689	–6 075
	– Deferred tax assets	288	0

Notes to the Consolidated Financial Statements

Movements

CHF 1000	2006	2005
1 January	–6 075	–5 336
Changes in scope of consolidation	–14 899	0
Movement in temporary differences	–1 146	–739
Currency translation differences	–281	0
31 December	**–22 401**	**–6 075**

Tax loss carry-forwards

CHF 1000		2006	2005
Total tax loss carry-forwards		**72 814**	**21 351**
Recognized as deferred tax asset		0	0
Total not considered as deferred tax asset		**72 814**	**21 351**
To be recovered in:	– in two to five years	0	18
	– more than five years	72 814	21 333
Tax effect on unrecognised tax loss carry-forwards		**21 915**	**8 217**

The existing tax loss carry-forwards are mainly from Germany, Sweden and Norway.
The tax loss carry-forwards are not recognised as deferred tax assets as it is unlikely that the related tax benefit can be realised through future taxable profits.

On 31 December 2006, there were no deferred tax liabilities for retained income amounting to TCHF 5 784 with subsidiaries which, in the case of a dividend payout, are liable to tax. There are no plans for a payout in the foreseeable future in these cases.

4. Notes to the consolidated balance sheet as at 31 December

4.1 Cash

CHF 1000	2006	2005
Cash at bank and on hand	67 870	31 043
Short-term cash deposits with related parties	0	12 660
Total cash	**67 870**	**43 703**

Cash includes cash, postal check account, bank accounts and time deposits up to maximum three months. Short-term cash deposits with the majority shareholder can be called at any time.

Notes to the Consolidated Financial Statements

4.2 Accounts receivable

CHF 1000	2006	2005
Accounts receivable from third parties	628 339	227 860
Accounts receivable from related parties	5	62
Provision for bad debts	–7 186	–3 582
Total accounts receivable	**621 158**	**224 340**

Bad debt risks are mainly covered by credit insurance.

At year-end, derecognised receivables (with full risk transfer) totalled TCHF 117 530 (previous year TCHF 56 160).

4.3 Inventories

CHF 1000	2006	2005
Goods assigned to projects	8 968	14 486
Trading stock	419 773	114 017
Subtotal inventories	**428 741**	**128 503**
Down payments to suppliers	1 180	579
Valuation adjustment	–10 489	– 1 596
Total inventories	**419 432**	**127 486**

The gross value of the value-adjusted goods is TCHF 29 783 (prior year: TCHF 13 871).

Goods assigned to projects are covered by purchase obligations from customers. For most of the trading stock, the suppliers provide price decline protection, at least for a limited period. The ALSO companies usually purchase goods in local currency. Local companies purchase only small amounts in foreign currency, if necessary hedging these through forward exchange contracts (see also note 5.2 Financial instruments). Recognizable loss of value due to lower inventory turnover, over-reaching etc. is taken into account by appropriate valuation adjustments against the inventory items. In the reporting year, sales discounting, inventory differences and valuation adjustments on inventories totalling TCHF 4 516 (previous year: TCHF 2 244) were charged to the Income Statement.

4.4 Accrued income and other receivables

CHF 1000	2006	2005
Various tax receivables	1 594	931
Other receivables	8 616	95
Other receivables	**10 210**	**1 026**
Accrued income	84 219	23 919
Total accrued income and other receivables	**94 429**	**24 945**

Accrued income mainly consists of accrued vendor receivables.

Notes to the Consolidated Financial Statements

4.5 Fixed assets

CHF 1000	Land and buildings	Equipment	Other property, plant and equipment	Total
Net book amount at 1 January 2006	**7 115**	**2 587**	**2 606**	**12 308**
Additions	669	3 737	3 725	8 131
Change in scope of consolidation (note 4.12)	18 161	13 408	1 565	33 134
Disposals	–176	–236	–199	–611
Depreciation	–1 433	–1 822	–2 266	–5 521
Translation differences	373	261	85	719
Net book amount at 31 December 2006	**24 709**	**17 935**	**5 516**	**48 160**
At 1 January 2006				
Cost	13 441	11 175	16 750	41 366
Accumulated depreciation and impairment	–6 326	–8 588	–14 144	–29 058
Net book amount at 1 January 2006	**7 115**	**2 587**	**2 606**	**12 308**
At 31 December 2006				
Cost	32 329	28 106	18 097	78 532
Accumulated depreciation and impairment	–7 620	–10 171	–12 581	–30 372
Net book amount at 31 December 2006	**24 709**	**17 935**	**5 516**	**48 160**
Of which financial leasing	3 867	12 551	0	16 418

CHF 1000	Land and buildings	Equipment	Other property, plant and equipment	Total
Net book amount at 1 January 2005	**7 277**	**2 518**	**2 699**	**12 494**
Additions	774	906	1 907	3 587
Disposals	0	–58	–10	–68
Depreciation	–947	–806	–1 977	–3 730
Translation differences	11	27	–13	25
Net book amount at 31 December 2005	**7 115**	**2 587**	**2 606**	**12 308**
At 1 January 2005				
Cost	12 613	11 516	15 375	39 504
Accumulated depreciation and impairment	–5 336	–8 998	–12 676	–27 010
Net book amount at 1 January 2005	**7 277**	**2 518**	**2 699**	**12 494**
At 31 December 2005				
Cost	13 441	11 175	16 750	41 366
Accumulated depreciation and impairment	–6 326	–8 588	–14 144	–29 058
Net book amount at 31 December 2005	**7 115**	**2 587**	**2 606**	**12 308**
Of which financial leasing	0	0	0	0

Notes to the Consolidated Financial Statements

Fixed assets are insured for a total of TCHF 70 582 (previous year: TCHF 37 950).

The item land and buildings includes land, buildings and leasehold improvements. The item equipment mainly consists of machines and installations, furnishings and equipment. The remaining property, plant and equipment comprises IT and communications systems together with vehicles.

Gains and losses from the sale of fixed assets are recorded in other operating income and amount to TCHF 509 (previous year: TCHF 356).

4.6 Intangible assets

CHF 1000	Goodwill	Contracts with suppliers/ customers	Brand name GNT	Other intangible assets	Total
Net book amount at 1 January 2006	**4 852**	**0**	**0**	**926**	**5 778**
Additions	0	0	0	393	393
Change in scope of consolidation (note 4.12)	90 232	39 895	26 979	938	158 044
Disposals	0	0	0	0	0
Amortisation	0	–1 269	0	–932	–2 201
Translation differences	1 676	735	513	11	2 935
Net book amount at 31 December 2006	**96 760**	**39 361**	**27 492**	**1 336**	**164 949**
At 1 January 2006					
Cost	4 852	0	0	5 709	10 561
Accumulated amortisation and impairment	0	0	0	–4 783	–4 783
Net book amount at 1 January 2006	**4 852**	**0**	**0**	**926**	**5 778**
At 31 December 2005					
Cost	96 760	40 652	27 492	6 965	171 869
Accumulated amortisation and impairment	0	–1 291	0	–5 629	–6 920
Net book amount at 31 December 2006	**96 760**	**39 361**	**27 492**	**1 336**	**164 949**

Notes to the Consolidated Financial Statements

CHF 1000	Goodwill	Contracts with suppliers/ customers	Brand name GNT	Other intangible assets	Total
Net carrying amount at 1 January 2005	**6 402**	**0**	**0**	**1 389**	**7 791**
Additions	0	0	0	145	145
Disposals	0	0	0	16	16
Adjustment deferred purchase price	–1 550	0	0	0	–1 550
Amortisation	0	0	0	–629	–629
Translation differences	0	0	0	5	5
Net book amount at 31 December 2005	**4 852**	**0**	**0**	**926**	**5 778**
At 1 January 2005					
Cost	6 402	0	0	5 558	11 960
Accumulated amortisation and impairment	0	0	0	–4 169	–4 169
Net book amount at 1 January 2005	**6 402**	**0**	**0**	**1 389**	**7 791**
At 31 December 2005					
Cost	4 852	0	0	5 709	10 561
Accumulated amortisation and impairment	0	0	0	–4 783	–4 783
Net book amount at 31 December 2005	**4 852**	**0**	**0**	**926**	**5 778**

Customer and supplier agreements and the GNT brand name include identified intangible assets in connection with the GNT Group acquisition. Other intangible assets consist of application software and licences for Group companies.

With the exception of goodwill and the GNT brand name, no intangible assets with indefinite useful lives are capitalized.

Notes to the Consolidated Financial Statements

4.7 Impairment-Test Goodwill

Goodwill and the brand name can be assigned to the following cash-generating units (CGUs):

	2006		
CHF 1000	**GNT**	**ACS Trading AG**	**Total**
Carrying value of goodwill	91 908	4 852	96 760
Carrying value of brand name with unlimited useful life	27 492	0	27 492
	119 400	**4 852**	**124 252**
Discount rate goodwill	12.4 %	8.9 %	
Discount rate brand name	15.4 %	0 %	
Average sales growth rate	10.4 %	8.1 %	

The impairment tests for goodwill in each CGU are based on value in use calculations. The value in use is equivalent to the value of the discounted cash flow. This is based on planning assumptions over a maximum period of five years plus residual value, all of which have been approved by Management. The residual value predicates a growth rate of 0 % (ACS) and 2 % (GNT). The pre-tax discount rates applied and the average growth rate for each CGU can be found in the table above.

The brand value was calculated on the basis of discounted cash flows for the next five years and the residual value beyond this period, assuming a growth rate of 2 %. The pre-tax discount rates applied and the average growth rate can be found in the table above.

In the case of the GNT Group, the value in use is practically equivalent to net assets. This means that even a small change in assumptions or forecasts could lead to an unplanned amortization.

4.8 Investments in associated companies

The European Wholesale Group GmbH (EWG) was founded in Hergiswil (CH) in 2002. ALSO Holding AG has a direct 18.4 % interest and, through its acquisition of the GNT Group on 31 August 2006, indirectly acquired a further 18.4 %, making a total of 36.8 %. The carrying value of TCHF 92 indicates the pro-rata shareholders' equity on 31 December 2006.

Aggregate values of associated companies

CHF 1000	**2006**	**2005**
Net revenue from products and services	499	412
Share of net income	2	1
Balance sheet figures		
Current assets	289	344
Non-current assets	0	0
Current liabilities	39	98
Non-current liabilities	0	0
Shareholders' equity	250	246

Notes to the Consolidated Financial Statements

4.9 Current and non-current financial liabilities

CHF 1000	2006		2005	
	Carrying amount	Interest rate	Carrying amount	Interest rate
Current financial liabilities				
Amounts owed to banks and third-party loans	12 060	Euribor +0.7 to 1.2 %	0	–
Financial liabilities towards main shareholder	32 982	2.5 %	0	–
Financial leasing	2 585	3.7 to 4.5 %	0	–
Receivables selling program	380 334	Euribor +0.5 to 1.2 %	17 094	Euribor +0.5 %
Total current financial liabilities	**427 961**		**17 094**	
Non-current financial liabilities				
Bank loan and private placement	41 513	4.6 %	39 000	4.6 %
Financial leasing	11 051	3.7 to 5.6 %	0	–
Mortgages	9 094	Euribor +1.1 %	0	–
Total non-current financial liabilities	**61 658**		**39 000**	
Deferred conditional purchase price liabilities	107 124	3.5 %	0	–
Total financial liabilities	**596 743**		**56 094**	

The increase compared with last year is largely due to the increased scope of consolidation to include the GNT Group.

For financing purposes the ALSO Group sells receivables to independent banks. The receivables thus sold remain in the balance sheet, and the pre-financing is shown under financial liabilities as long as the default risk remains with ALSO.

Covenants

Certain financial liabilities are subject to covenant clauses, which means that specific financial targets have to be met. One Group company failed to achieve the minimum balance sheet equity ratio required for a credit facility under the receivables selling program. The affected credit line is CHF 180.0 million of which CHF 126.7 million was in use on 31 December 2006.

The bank therefore has the right to demand premature repayment of the loan. As soon as it seemed probable that the terms of the covenant would be breached, Management opened negotiations with the bank. On 2 February 2007, the bank has waived the terms of the covenant and confirmed that no early repayment is requested. It is expected that a new credit agreement will be signed in 2007.

Due dates	Carrying amount	
CHF 1000	**2006**	**2005**
In one year	427 961	17 094
In two to five years	156 229	39 000
In more than five years	12 553	0
Total current and non-current financial liabilities	**596 743**	**56 094**

Notes to the Consolidated Financial Statements

4.10 Accrued liabilities and other payables

CHF 1000	2006	2005
Accrued liabilities	**139 901**	**43 641**
Tax payables	39 587	14 111
Other payables to third parties	12 215	10 223
Other payables to related parties	1 121	815
Other liabilities	**52 923**	**25 149**
Total accrued liabilities and other payables	**192 824**	**68 790**

Accrued liabilities are shown in the balance sheet at nominal value. They comprise short-term expense accruals and deferred income as well as accruals for goods received that have not yet been invoiced. Tax payables include value added tax liabilities as well as income tax and other taxes payable.

4.11 Provisions

CHF 1000	Warranties, returned goods, complaints	Restructuring costs	Legal claims	Other provisions	Total
Total on 31 December 2004	**316**	**190**	**0**	**440**	**946**
Income statement			0		
– Creation	0	233	0	0	233
– Use	0	–40	0	–120	–160
– Release	0	–150	0	0	–150
Currency translation differences	4	1	0	0	5
Total on 31 December 2005	**320**	**234**	**0**	**320**	**874**
Income statement					
– Change in scope of consolidation	127	850	4 516	474	5 967
– Creation	70	0	0	110	180
– Use	–61	–335	0	–474	–870
– Release	0	0	0	0	0
Currency translation differences	13	15	85	0	113
Total on 31 December 2006	**469**	**764**	**4 601**	**430**	**6 264**
Current provisions	469	764	0	0	1 233
Non-current provisions	0	0	4 601	430	5 031
Total 2006	**469**	**764**	**4 601**	**430**	**6 264**

Notes to the Consolidated Financial Statements

Restructuring provisions include provisions for terminated rental contracts no longer in use. They also include severance payments, which are only shown in the balance sheet when a redundancy program is imminent and has been announced to the employees affected. Dissolution takes place simultaneously with the payment of the expenses in question, which normally become due within a year. Reimbursement rights totalling TCHF 764 were counted in connection with the acquisition of the GNT Group with its deferred conditional purchase price commitment.

Guarantee provisions cover expensed not yet incurred costs, which can be expected before the end of the guarantee period.

The provision for litigation risk includes a legal dispute concerning copyright payments. The Board of Directors believes the existing provision is sufficient. A higher liability that may arise in connection with the acquisition of the GNT Group is covered by a reimbursement right. In this case the ALSO Group has no risk. Reimbursement rights totalling TCHF 4601 were covered by the deferred conditional purchase price commitment.

Other provisions include allowances for onerous contracts, deferred receivables and other risks. Generally speaking, these are dissolved within five years.

4.12 Additions to Group companies

On 31 August 2006, ALSO Holding AG acquired a 50.1 percent interest in the GNT Group, headquartered in Tampere, at a basic purchase price of EUR 32.2 million (excluding transaction costs). Regarding the remaining 49.9 percent of the company, the parties agreed on a combination of call options and put options, the first tranche of which can be exercised in 2008 and the second in 2010. The price of these options will be determined by the profits generated by the company acquired and by ALSO Holding AG's price/earnings ratio, the maximum applicable P/E ratio being 13. Furthermore, the seller's put option is governed by the condition that the GNT Group generates a specified minimum profit.

ALSO has reported the liability expected to arise from these options at cash value and therefore consolidated the GNT Group 100 percent; this is because, economically speaking, the call/put option structure chosen is equivalent to a futures' transaction. Any changes will be reported as an adjustment in the purchase price. The goodwill was also shown to 100 percent in the balance sheet and represents the residual value (purchase price minus acquired net assets). Essentially, this represents the expected synergy effects. The purchase price allocation had not been finalized by 31 December 2006 because the conditions listed in the purchase agreement did not allow a definitive assessment.

Since its initial consolidation on 1 September 2006, GNT Group has contributed to the Group result with sales of CHF 926.3 million and a loss of CHF 11.6 million. If ALSO had purchased the GNT Group on 1 January 2006, GNT would have contributed to the Group result with sales of CHF 2 259.2 million and a loss of CHF 21.8 million.

Notes to the Consolidated Financial Statements

The following assets and liabilities of the GNT Group were consolidated at current market value on 31 August 2006:

CHF 1000	Carrying values	Current market values
Cash and securities	20 644	20 644
Other current assets	384 525	384 525
Fixed assets	27 604	33 134
Intangible assets (excluding goodwill)	1 341	67 812
Other non-current assets	659	659
Current liabilities	–391 638	–391 638
Non-current liabilities	–23 471	–28 026
Deferred tax liabilities	–	–15 427
Net assets	**19 664**	**71 683**
Goodwill		90 232
Total purchase consideration		**161 915**
Cash acquired		–20 644
Deferred conditional purchase price liabilities		–106 377
Funds used		**34 894**

The transaction costs of TCHF 1 962 are included in Goodwill.

4.13 Shareholders' equity
The number of outstanding shares on 31 December 2006 totalled 6 038 590 at CHF 1 nominal value per share.

There was no change in nominal capital compared with 2005.

Treasury stock	Number	Value
		CHF 1000
31 December 2004	**5 061**	**56**
Retirements for employee participation plan	–1 416	–16
31 December 2005	**3 645**	**40**
Split 1:10	36 450	40
Retirements for employee participation plan	–11 363	–12
Additions	10	0
31 December 2006	**25 097**	**28**

Treasury stock is not reserved for the retirements for employee participation plan.

Notes to the Consolidated Financial Statements

Main shareholders	**31.12.06**	**31.12.05**
– Schindler Holding AG, Hergiswil (Switzerland)	64.0 %	64.5 %
– Bestinver Gestion, S.G.I.I.C., S.A., Madrid (Spain)	5.0 %	5.0 %
– SaraSelect Anlagefonds, Basel (Switzerland)	5.0 %	–
– SUVA, Schweizerische Unfallversicherungsanstalt Luzern (Switzerland)	–	5.6 %

(according to share holder register)

During the year under review a notification according to Art. 20 of the Swiss Federal Stock Exchanges and Securities Trading Act was received indicating an excess over the limit of 5 % (Santander). According to a Board decision, only 5 % of the voting rights held by Santander Investment Services SA and by Bestinver Gestion were entered in the share register. By its own account, Santander holds further ALSO shares.

Bestinver Gestion S.G.I.I.C., S.A., Madrid holds 8.4 % and SaraSelect Anlagefonds, Basel 5.3 % of the ALSO shares.

Regulations regarding the restricted transferability of shares
The Articles of Incorporation contain a 5-percent limitation on registration and voting rights.

Retained earnings
Retained earnings are distributable only with limitations:
- Special reserves of ALSO Holding AG according to a resolution of the General Meeting to this effect
- Reserves of subsidiaries to the parent company first and subject according to local tax and legal regulations

Opting out
There is an opting out provision in the Articles of Incorporation.

4.14 Earnings per share / Dividends per share
(all figures after the 10-for-1 share split of 23 March 2006)

		2006	**2005**
Net income	CHF	12 183 000	17 128 000
Shares issued	number	6 038 590	6 038 590
Less treasury shares (weighted)	number	–29 827	–42 350
Shares issued (weighted) for calculation	number	6 008 763	5 996 240
Basic earnings per share	**CHF**	**2.03**	**2.86**
Diluted net income	CHF	12 183 000	17 128 000
Shares issued (weighted) for calculation	number	6 008 763	5 996 240
Adjustment dilution from options	number	2 409	30
Diluted shares	number	6 011 172	5 996 270
Diluted earnings per share	**CHF**	**2.03**	**2.86**

The company has 25 097 treasury shares in its portfolio. In the above table, these treasury shares are deducted from the total of issued shares. The diluted figures show the effect of the option program in accordance with IFRS 2.

The proposal of the Board of Directors to the General Meeting is that a dividend of TCHF 5 412 (previous year: TCHF 4 209) be paid for the reporting year 2006 (per registered share: CHF 0.70/previous year: CHF 0.70).

Notes to the Consolidated Financial Statements

5. Further information to the consolidated financial statements

5.1 Contingent liabilities

There are no sureties and no guarantees in favour of third parties.

5.2 Financial instruments

Hedging transactions

CHF 1000	Contract value	Fair value positive	Fair value negative	Risk	Hedging instruments
Fair Value Hedge	110 690	346	756	Foreign exchange	Forward exchange contacts
Cash Flow Hedge	3 660	6	4	Foreign exchange	Forward exchange contacts
Fair Value Hedge	22 210	89	11	Interest	Interest rate swap
Total 31 December 2006	**136 560**	**441**	**771**		
Fair Value Hedge	61 959	312	188	Foreign exchange	Forward exchange contacts
Cash Flow Hedge	5 280	30	0	Foreign exchange	Forward exchange contacts
Total 31 December 2005	**67 239**	**342**	**188**		

Forward exchange transactions are taken out for a maximum three-month period and are used to hedge currency risks. Cash flow hedging transactions affecting foreign exchange are for periods of up to a year. The interest rate swaps run until 2014.

Fair value of the financial instruments	**2006**	**2006**	**2005**	**2005**
CHF 1000	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	67 870	67 870	43 703	43 703
Accounts receivable	621 158	621 158	224 340	224 340
Financial assets	443	443	36	36
Financial liabilities				
Financial liabilities	596 743	596 743	56 094	56 094
Other liabilities	443 072	443 072	140 896	140 896

Wherever possible, the market value is determined on the basis of available market prices or in the case of OTC transactions, on the basis of the company's own calculations.

Notes to the Consolidated Financial Statements

5.3 Pledged or assigned assets serving as collateral for own liabilities

CHF 1000	2006	2005
Receivables	424 448	23 410
Inventories	112 539	0
Property, plant and equipment	30 268	0
Total assets pledged	**567 255**	**23 410**

The above assets have been pledged as collateral for existing financial liabilities.

5.4 Rent and leasing commitments

Operating lease

CHF 1000	2006	2005
Due in 1st year	14 553	7 498
Due in 2nd – 5th year	51 538	25 770
Due from the 6th year onwards	44 082	25 104

Payments in respect of fixed-period contracts refer mainly to rental agreements for the two logistics buildings in Germany and Switzerland. During the year under review, the cost charged to the income statement totalled TCHF 10 233.

Financial lease

CHF 1000	2006	2005
Due in 1st year	3 042	0
Due in 2nd – 5th year	11 563	0
Due from the 6th year onwards	305	0
	14 910	**0**
Minus interest expense component	–1 274	0
Total financial debt from financial lease	**13 636**	**0**
Of which short-term	2 585	0
Of which long-term	11 051	0

5.5 Events occurring after the balance sheet date

No relevant events have occurred after the balance sheet date.

Notes to the Consolidated Financial Statements

6. Subsidiaries

Country	Head office	Company	Percentage interest 31.12.06		Percentage interest 31.12.05	Share capital in 000s	Currency	
Switzerland	Hergiswil	ALSO Holding AG				6038	CHF	S
	Emmen	ALSO Schweiz AG	100.0%		100.0%	100	CHF	D
	Dietikon	ACS Trading AG	100.0%		100.0%	100	CHF	D
	Hergiswil	ALSO Comedia-Verlags AG	100.0%		100.0%	100	CHF	S
	Hergiswil	European Wholesale Group GmbH	36.8%		18.4%	196	CHF	D
Germany	Straubing	ALSO Deutschland GmbH	100.0%		100.0%	103	EUR	D
Finland	Helsinki	ALSO Nordic Holding Oy	100.0%		–	10000	EUR	S
	Tampere	GNT Holding Oy	50.1%	1)	–	887	EUR	S
	Tampere	GNT Finland Oy	50.1%	1)	–	841	EUR	D
Sweden	Upplands Väsby	GNT Sweden AB	50.1%	1)	–	5000	SEK	D
Norway	Sandefjord	GNT Norway AS	50.1%	1)	–	11063	NOK	S
Estonia	Tallinn	GNT Eesti AS	50.1%	1)	–	3000	EEK	D
Latvia	Marupe	GNT LATVIA SIA	50.1%	1)	–	842	LVL	D
Lithuania	Kaunas	UAB GNT Lietuva	50.1%	1)	–	6500	LTL	D
Poland	Wroclaw	GNT Polska Sp. z o.o.	50.1%	1)	–	3000	PLN	D

D = Distribution
S = Service/holding company

1) In view of deferred purchase price liabilities, the company was fully consolidated without minorities (no disclosure of minorities, see note 4.12).

Notes to the Consolidated Financial Statements

6.1 Transactions with related parties
The members of the Board of Directors are entitled to a fee of TCHF 27 (previous year: TCHF 27).

All transactions with related companies and persons are conducted at arm's length. Existing assets and liabilities on the balance sheet date are unsecured, interest-free and payable in cash. No provisions for bad debts were necessary. Nor were there any guarantees, sureties or other contingent liabilities in favour of related companies and persons. The following transactions, with respective volumes, were conducted with related companies and persons:

Transactions with the Schindler Group (principal shareholder)

CHF 1000	2006	2005
Net sales	318	513
Management fees	2 578	2 153
Interest income	86	41
Interest expense	141	28
Short term cash deposits (note 4.1)	0	12 660
Current financial liabilities (note 4.9)	32 982	0
Accounts receivable (note 4.2)	5	62
Other liabilities (note 4.10)	1 121	815
Transactions with ALSO pension fund		
Other liabilities (outstanding contributions)	270	261

Transactions with related parties (ALSO Group Management and Board of Directors)
There were no transactions with related parties in the reporting year or in 2005.

Remuneration for key management (ALSO Group Management and Board of Directors)

CHF 1000	2006	2005
Salaries*	2 581	2 674
Contributions to pension plans	312	293
Anniversary bonuses and other special payments	1	3
Retirement bonuses	0	0
Employee stock / option program	239	326
Total remuneration to key management	**3 133**	**3 296**

* Salaries, bonuses, flat-rate expenses, Board fees, employer contributions for social security and other, non-monetary benefits/reductions

The Chief Executive Officer is included in the above figures even though he has a contract of employment with Schindler. His total remuneration for the reporting year is charged via Management fees by Schindler Management AG to ALSO Holding AG.

Notes to the Consolidated Financial Statements

Option conditions
(all figures after the 10-for-1 share split of 23 March 2006)

Year of issue	Right to	Exercise period	Exercise price then applicable in CHF	Open on 31.12.06 Number
2004	Shares	May 1, 07 to April 30, 10	33.47	3960
2005	Shares	May 1, 08 to April 30, 11	33.08	5030
2006	Shares	May 1, 09 to April 30, 12	35.68	1975

An option entitles the holder to purchase one ALSO Holding AG share. All 27680 options (number after stock split) dating from 2003 were exercised during the year under review.

The options are valued using the Hull-White model, which explicitly takes account of the effects of the restriction period and of early exercise. The following parameters were applied:

	2006	**2005**
Rate	58.00	39.80
Strike	35.68	33.08
Volatility	37.6%	52.9%
Risk-free interest rate	2.7%	1.9%
Dividend rate	1.6%	1.4%
Exit rate	5.0%	5.0%

The volatility was determined on the basis of the historical volatility of the share price over a time horizon of six years from the date of valuation.

The fair value of the options is recognized in the income statement, with one-third (3-year vesting period) of the amount, i.e. TCHF 61 (previous year TCHF 145) being charged to personnel expenses.

6.2 Approval of the ALSO Group consolidated financial statement
The consolidated financial statements were released for publication by the ALSO Holding AG Board of Directors on 5 February 2007 and will be submitted to the General Assembly for approval on 14 March 2007.

Report of the Group Auditors

Report of the Group Auditors to the General Meeting of ALSO Holding AG, Hergiswil

As auditors of the Group, we have audited the consolidated financial statements (Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and Notes) shown on pages 41 to 76 of ALSO Holding AG, Hergiswil (Switzerland), for the year ended December 31, 2006.

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

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

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

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

Lucerne, 5 February 2007

Ernst & Young AG

Roland Ruprecht Certified accountant (in charge of the audit)	Christoph Michel Certified accountant

Income Statement of ALSO Holding AG

CHF 1000	2006	2005
Service revenue	5 790	5 109
Income from investments	10 000	15 000
Other operating income	212	800
Interest income	5 614	3 792
Gain from sale of fixed assets	0	303
Total income	**21 616**	**25 004**
Service expenses	–2 578	–2 152
Personnel expenses	–2 280	–1 909
Other operating expenses	–1 384	–1 096
Interest expenses	–2 460	–1 694
Taxes	–250	–43
Total expenses	**–8 952**	**–6 894**
Net income	**12 664**	**18 110**

Balance Sheet of ALSO Holding AG

Assets

CHF 1000		31.12.06	31.12.05
Cash		40	42
Securities		28	40
Accounts receivable	– from third parties	56	21
	– from Group companies	65 263	58 976
	– from major shareholder	0	12 660
Prepaid expenses		814	994
Total current assets		**66 201**	**72 733**
Land and buildings		2 905	2 905
Intangible assets		56	64
Investments		53 362	53 362
Receivables from Group companies		53 696	0
Total non-current assets		**110 019**	**56 331**
Total assets		**176 220**	**129 064**

Liabilities

CHF 1000		31.12.06	31.12.05
Accounts payable	– to third parties	64	80
	– to Group companies	4 915	0
	– to major shareholder	34 058	768
Accrued liabilities		1 960	1 455
Total liabilities		**40 997**	**2 303**
Share capital		6 038	6 038
Legal reserves	– General legal reserve	1 100	1 100
	– Reserve for treasury shares	44	64
	– Share premium reserves	41 878	41 878
Special reserves		60 000	50 000
Available earnings	– Balance brought forward	13 499	9 571
	– Net income	12 664	18 110
Total equity		**135 223**	**126 761**
Total liabilities and equity		**176 220**	**129 064**

Notes to the Financial Statements of ALSO Holding AG

The Notes to the parent company financial statements of ALSO Holding AG include only comments on those positions which do not form part of the consolidation, vary considerably or are of particular importance. For other details, please refer to the Notes to the consolidated financial statements.

Shareholders' equity

With reference to the treasury shares kept by ALSO Holding AG, major shareholders as well as to the amount of the conditional capital increase, refer to notes 3.2 and 4.13 to the Consolidated Financial Statements.

Contingent liabilities

CHF 1000	31.12.06	31.12.05
Sureties	109 403	120 236
Guarantees	129 426	91 872
Total	**238 829**	**212 108**

The sureties and guarantees entered into are in favour of Group companies.

Fire insurance value of fixed assets

CHF 1000	31.12.06	31.12.05
Equipment, furniture, EDP (global insurance of ALSO Group)	28 388	25 470
Total	**28 388**	**25 470**

Proposal of the Board of Directors for the appropriation of the available earnings 2006

CHF 1000	2006	2005
Balance brought forward	13 480	9 546
Transfer from reserves for treasury shares	19	25
Net income	12 664	18 110
Total available earnings as of 31 December	**26 163**	**27 681**
Dividends	–4 209	–4 201
Allocation to special reserves	–10 000	–10 000
Earnings carried forward	**11 954**	**13 480**

Report of the Statutory Auditors

Report of the Statutory Auditors to the General Meeting of ALSO Holding AG, Hergiswil

As Statutory Auditors, we have audited the accounts and the financial statements (Income Statement, Balance Sheet and Notes) shown on pages 78 to 80 of ALSO Holding AG, Hergiswil (Switzerland), for the year ended 31 December 2006.

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

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

In our opinion, the accounts, the financial statements and the proposed appropriation of profits comply with Swiss law and with the company's Articles of Incorporation.

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

Lucerne, 5 February 2007

Ernst & Young AG

Roland Ruprecht Certified Accountant (in charge of the audit)	Christoph Michel Certified Accountant

Important addresses

Headoffice

ALSO Holding AG
Seestrasse 55
CH-6052 Hergiswil

Tel. +41 (0) 41 630 37 37
Fax +41 (0) 41 266 18 70
www.also.com

Switzerland

ALSO Schweiz AG
Meierhofstrasse 5
CH-6032 Emmen

Tel. +41 (0) 41 266 11 11
Fax +41 (0) 41 266 11 22
www.also.ch

ALSO Schweiz AG
Logistic-Center
Längenbold 7
CH-6037 Root

Tel. +41 (0) 41 266 11 11
Fax +41 (0) 41 266 19 50
www.also.ch

ACS Trading AG
Lerzenstrasse 10
CH-8953 Dietikon

Tel. +41 (0) 44 743 49 99
Fax +41 (0) 44 743 49 98
www.acs-trading.ch

Germany

ALSO Deutschland GmbH
Ernst-Heinkel-Strasse 4
D-94315 Straubing

Tel. +49 (0) 9421 93 3000
Fax +49 (0) 9421 93 3991
www.also.de

ALSO Deutschland GmbH
Logistic-Center Braunschweig
Christian-Pommer-Strasse 35
D-38112 Braunschweig

Tel. +49 (0) 531 2900 100
Fax +49 (0) 531 2900 143
www.also.de

North-/Eastern Europe

Finland

ALSO Nordic Holding Oy
Keskuskatu 7 a
FIN-00100 Helsinki

Tel. +358 (0) 20 506 6000
Fax +358 (0) 20 506 6100

GNT Finland Oy
Hatanpään valtatie 48
FIN-33900 Tampere

Tel. +358 (0) 3 213 6100
Fax +358 (0) 3 213 6122
www.gnt.fi

Estonia

GNT Eesti AS
Kalmistu tee 26F
EST-11216 Tallinn

Tel. +372 (0) 6504 900
Fax +372 (0) 6504 916
www.gnt.ee

Latvia

GNT Latvia SIA
Liliju iela 29, Mārupe,
Mārupes pag.
LV-2167 Rīgas raj.

Tel. +371 (0) 7018300
Fax +371 (0) 701 8301
www.gnt.lv

Lithuania

UAB "GNT Lietuva"
Verslo street 6,
Kumpiu km. Domeikava
Kaunas District
LT-54311, Lithuania

Tel. +370 (0) 37 757550
Fax +370 (0) 37 757541
www.gnt.lt

Norway

GNT Norway AS
Østre Kullerød 2
NO-3241 Sandefjord

Tel. +47 (0) 33 44 95 00
Fax +47 (0) 33 47 04 30
www.gnt.no

Poland

GNT Polska Sp. z o.o.
ul. Braci Gierymskich 158
PL-51-640 Wrocław,

Tel: +48 (0)71 3773303
Fax: +48 (0)71 3773302
www.gnt.pl

Sweden

GNT Sweden AB
Box 747, Jupitervägen 10
SE-194 27 Upplands Väsby

Tel. +46 (0) 8 587 771 00
Fax.+46 (0) 8 587 773 14
www.gnt.se

Allianz EWG

European Wholesale Group GmbH
Seestrasse 55
CH - 6052 Hergiswil

Tel. +41 (0) 41 630 37 37
Fax +41 (0) 41 266 18 70
www.ewg-group.com

For further information please contact:

ALSO Holding AG
Maya von Krannichfeldt
Head of Corporate Communications
Meierhofstrasse 5
CH-6032 Emmen

Tel. +41 (0) 41 266 18 00
Fax +41 (0) 41 266 18 70

Imprint

Concept / Editing

ALSO Holding AG
Corporate Communications
CH-6052 Hergiswil
www.also.com

Design

Quint AG
Marketing and Communication
CH-6330 Cham
www.quint.ag

Illustration

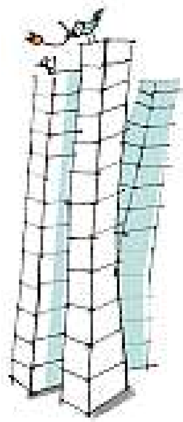
Stefanie Clemen
DE-22589 Hamburg
www.stefanieclemen.de

Photographer

Matthias Studer
CH-8934 Knonau
www.matthiasstuder.ch

Printing

Sticher Printing AG
CH-6020 Emmenbrücke
www.sticher.ch



ALSO

more than distribution