ALSO
more than distribution

Letter to Shareholders

Half-Year 2005

Letter to Shareholders regarding the first half 2005

Hergiswil (Switzerland), August 11, 2005

Dear Shareholder

This half-yearly report provides you with information on the state of business and results for the first half of 2005 and on the outlook for the current year.

Market share gains in subdued demand

After three months of weak performance, the IT market stabilized during the second quarter. Demand in the consumer electronics sector was likewise subdued. Despite this, the ALSO Group increased sales by 9% to CHF 909.5 million (2004: CHF 838.1 million). After putting away reserves for non-recurring special costs amounting to CHF 2.9 million, operating profit stood at CHF 9.1 million (2005: CHF 15.6 million) and consolidated net profit at CHF 6.4 million (2004: 10.8 million). The equity ratio on June 30, 2005, was 49% (December 31, 2004: 42%). On balance sheet date, ALSO employed 574 persons (2004: 574).

Non-recurring special costs

In its half-yearly accounts, ALSO has made a provision for a legal disagreement with a supplier. This has had the effect of reducing operating profit (EBIT) by CHF 2.9 million and net income by CHF 2.3 million. At present, it can be assumed that no additional costs will be incurred.

Distribution Switzerland

The Swiss company consolidated its leading market position during the first half of 2005 even as subdued demand pushed sales down slightly by 8% to CHF 476.1 million (2004: CHF 518.3 million). The company also succeeded in largely offsetting the decline in prices in certain categories by switching the emphasis to higher-value products. As a result of lower sales and pressure on margins, operating profit was down on last year's figure. The company reported encouraging double-digit growth in its supply business, and logistics services operations remained at the same high level as the previous year.

Distribution Germany

Despite a virtually stagnant market, the German company reported a 36% increase in sales to CHF 433.4 million (2004: CHF 319.8 million). It widened its customer base and reported another substantial increase in market shares. At the same time, it achieved a considerably higher operating profit than the previous year.

ALSO anticipates net income of CHF 15 to 17 million for 2005

Assuming that the second half of the year follows the usual seasonality pattern and taking the provisions for the non-recurring special costs into account, ALSO – excluding unforeseen events – expects a net income of CHF 15 to 17 million for 2005.

Sincerely yours,

ALSO Holding AG

Thomas C. Weissmann
Chairman of the Board

Prof. Dr. Rudolf Marty
Member of the Board

Half-Yearly Financial Summary

Consolidated Profit and Loss Statement (CHF 1 000)	1st half 2004		1st half 2005		Change
Continuing operations					
Revenues from product sales	840 483		911 165		8,4%
Service revenues	11 185		9 944		–11,1%
Deductions from revenues	–13 568		11 626		–14,3%
Total Net Sales	**838 100**	**100,0%**	**909 483**	**100,0%**	**8,5%**
Cost of goods sold and service expenses	–786 541		–860 696		9,4%
Gross Profit	**51 559**	**6,2%**	**48 787**	**5,4%**	**–5,4%**
Operating expenses	–35 913	–4,3%	–39 706	–4,4%	10,6%
Operating Profit (EBIT)	**15 646**	**1,9%**	**9 081**	**1,0%**	**–42,0%**
Net financial and investment income	–2 035	–0,2%	–1 427	–0,2%	–29,9%
Income before taxes	**13 611**	**1,6%**	**7 654**	**0,8%**	**–43,8%**
Taxes	–2 858	–0,3%	–1 227	–0,1%	–57,1%
Net Income continuing operations	**10 753**	**1,3%**	**6 427**	**0,7%**	**–40,2%**
Discontinued operations					
Net Income discontinued operations	0	0,0%	0	0,0%	
Net Income	**10 753**	**1,3%**	**6 427**	**0,7%**	**–40,2%**

Half-Year Earnings per Share	1st half 2004	1st half 2005	Change
Undiluted per-share information			
Number of shares issued (./. treasury shares)	597 329	599 235	
Half-year earnings per share (CHF)	**18.00**	**10.73**	**–40,4%**
*Diluted per-share information**			
Number of shares issued (./. treasury shares)	604 899	606 805	
Half-year earnings per share (CHF)	**17.78**	**10.59**	**–40,4%**

*The diluted figures show the effects of the conditional capital reserved for the stock purchase program.

Headcount	30.06.2004	30.06.2005	Change
Total*	574	574	0,0%

*Headcount at the reporting date on the basis of equivalent full-time employees

Consolidated Balance Sheet (CHF 1 000)	31.12.2004		30.06.2005		Change
Cash	70 748	16,7%	29 588	8,0%	–58,2%
Other current assets	332 463	78,2%	319 290	86,4%	–4,0%
Non-current assets	21 664	5,1%	20 823	5,6%	–3,9%
Total Assets	**424 875**	**100,0%**	**369 701**	**100,0%**	**–13,0%**
Current liabilities	204 192	48,1%	145 744	39,4%	–28,6%
Non-current liabilities	44 176	10,4%	44 426	12,0%	0,6%
Shareholders' equity	176 507	41,5%	179 531	48,6%	1,7%
Total Liabilities and Shareholders' Equity	**424 875**	**100,0%**	**369 701**	**100,0%**	**–13,0%**

Consolidated Cash Flow Statement (CHF 1 000)	1st half 2004	1st half 2005
Net income	10 753	6 427
Depreciation	2 490	1 972
Increase (decrease) in provisions	–91	2 735
Other positions with no effect on cash	–253	208
(Increase) decrease in net working capital	29 605	2 096
Cash Flow from Operating Activities	**42 504**	**13 438**
Net investments in fixed assets	–581	–1 074
Net investments in intangible assets	–1 638	–27
Divestment of participations in affiliates	252	0
Cash Flow from Investment Activities	**–1 967**	**–1 101**
Free Cash Flow	**40 537**	**12 337**
(Increase) decrease treasury shares	276	368
Increase (decrease) in sold accounts receivables	–14 611	–50 109
Increase (decrease) non-current financial liabilities	–1 790	250
Dividend paid	–2 985	–4 192
Cash Flow from Financing Activities	**–19 110**	**–53 683**
Translation Differences	**–450**	**186**
Increase (decrease) cash	**20 977**	**–41 160**
Cash at January 1	61 542	70 748
Cash at June 30	82 519	29 588

Consolidated Group Capital and Reserves (CHF 1 000)

	Share capital	Additional paid-in capital	Treasury shares	Translation differences	Retained earnings	Total
January 1, 2004	**6 038**	**42 478**	**–75**	**1 333**	**108 567**	**158 341**
Change in treasury shares		558	18			576
Dividend paid					–2 985	–2 985
Net income					10 753	10 753
Translation differences				–502		–502
June 30, 2004	**6 038**	**43 036**	**–57**	**831**	**116 335**	**166 183**
January 1, 2005	**6 038**	**43 037**	**–56**	**980**	**126 508**	**176 507**
Change in treasury shares		575	16			591
Dividend paid					–4 192	–4 192
Net income					6 427	6 427
Translation differences				198		198
June 30, 2005	**6 038**	**43 612**	**–40**	**1 178**	**128 743**	**179 531**

General principles

These unaudited half-yearly financial statements to June 30, 2005, were drawn up in accordance with International Accounting Standard 34 on interim financial reporting.

Accounting and valuation principles

With the exception of the new regulations listed below, ALSO has used the same accounting and valuation principles in its half-yearly statements as in the Annual Report for 2004.

Since January 1, 2005, ALSO has applied all modifications from the IASB improvement project that are relevant to the Group. Appropriate reclassifications and revaluations have also been made for the periods with which figures are compared. This resulted in additional costs totalling CHF 0.3 million for the first half of last year. Essentially, the modifications apply to the following points:

- IFRS 2 (Share-based Payment) has a direct influence on ALSO's net income because the related costs have to be newly booked out of the employee stock purchase program. This involved an additional burden of CHF 0.2 million (previous year: CHF 0.3 million) on the income statement during the first half of the year.
- IFRS 3 (Business Combinations) is applied to all acquisitions with an agreement date after March 31, 2004. According to this standard, intangible assets that arise from contractual or other legal rights, or are separable from the business, and whose fair value can be measured reliably, can be deducted from goodwill (value added that has been paid for) and shown separately in the balance sheet. The remaining goodwill is no longer amortized but tested annually for impairment.
- Goodwill shown from earlier business combinations is not handled in accordance with IFRS 3 until financial 2005. This means scheduled depreciation does not take place and the sum of CHF 0.3 million does not affect the half-year results for June 30, 2005, compared with the previous year.
- On the strength of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), the relevant items from the Systems Business division, which was sold with effect from February 5, 2004, have been reclassified in the income statement for the same period last year and summarized under results from discontinued operations.
- In order to obtain financing, the ALSO Group is selling its accounts receivable to an independent bank. The receivables sold so far have been deducted directly from the total. In keeping with the new regulations, these receivables will no longer be deducted from the total amount but shown gross. This also means that the advance financing will be shown under liabilities. The total assets at December 31, 2004, has therefore been retrospectively increased by CHF 50.1 million.

Essentially, all other adjustments affect reclassifications in the balance sheet and will have no material influence on Group equity or net income.

The half-yearly financial statements drawn up on the basis of IFRS contains assumptions and estimates that have an influence on the figures shown in this interim report. Actual results may vary from these estimates.

Consolidation scope

The interim financial report for June 30, 2005, contains no changes in the consolidation scope compared with December 31, 2004.

The Systems Business division was sold with effect from February 5, 2004. Reporting on primary segment is thus no longer relevant because there is now only one division, Distribution.

Discontinued operations

The ALSO Group sold its interest in the Systems Business division with effect from February 5, 2004. The proportionate loss arising from Systems Business in 2004 was offset by a profit from affiliated companies amounting to the same figure. The discontinued operation thus had no influence on net income 2004.

The following table shows the influence of the discontinued operations:

Discontinued Operations

Income statement (CHF 1000)	1st half 2004	2nd half 2005
Total net sales	4 859	0
Operating expenses	–4 366	0
Operating profit	**–490**	**0**
Income before taxes	–483	0
Income taxes	0	0
Loss from discontinued operations	**–483**	**0**
Net revenue from sale of Systems Business	483	0
Income from discontinued operations	**0**	**0**

Geographical markets

(CHF 1000)	Switzerland		Germany		Total	
	1st half 2004	1st half 2005	1st half 2004	1st half 2005	1st half 2004	1st half 2005
Total net sales	518 334	476 074	319 766	433 409	838 100	909 483
Assets	235 399	167 859	152 882	201 842	388 281	369 701
Investments	3 597	955	342	171	3 939	1 126

Foreign currencies

Exchange rates for currencies with a bearing on the ALSO Group's operations moved as follows:

	Average rate		Rate at end of period		
	1st half 2004	1st half 2005	30.06.04	31.12.04	30.06.05
EUR	1.55	1.54	1.53	1.54	1.55
USD	1.26	1.20	1.26	1.13	1.28

Financial liabilities

Financial liabilities remained unchanged compared with the financial statements at December 31, 2004, and comprise the following:

- 5,2% fixed advance, payable August 2, 2005, book value CHF 5 million.
- 4,6% certificate of indebtedness, 2003 bis 2008, book value EUR 25 million.

Dividend

In accordance with a resolution made by the General Meeting on March 15, 2005, the dividend for financial 2004 was CHF 7.00 per registered share (previous year CHF 5.00).

Non-recurring special costs

In its half yearly accounts, ALSO has made a provision for a legal disagreement with a supplier. This has had the effect of reducing operating profit (EBIT) by CHF 2.9 million and net income by CHF 2.3 million.

Contingent liabilities

There has been no significant change in contingent liabilities compared with December 31, 2004.

Events since balance sheet date

No events of any significance have occurred since balance sheet date.

ALSO Holding AG
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