Annual Report 2005

ALSO

more than distribution

ALSO in brief

The ALSO Group is a leading wholesale and logistics company in the information and communications technology and consumer electronics sector. In 2005, ALSO generated net sales of CHF 1 980.3 million with 593 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.

ALSO's operations are covered by the following companies:

- ALSO Schweiz AG
- ACS Trading AG
- ALSO Deutschland GmbH

ALSO Holding AG has overall responsibility for management of the ALSO Group.

Core competencies
ALSO specializes in IT distribution and logistics services, and has operations in Switzerland and Germany.

As part of its IT distribution activities, ALSO works with the leading manufacturers of hardware and software, and provides additional services in value-added sectors such as high-end servers, storage, security and networks. In addition ALSO 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 four companies in the alliance – ALSO Holding AG (CH), Copaco N.V. (NL), Esprinet S.p.A. (I) and GNT-Group (FIN) – in 2005 posted consolidated net sales well over EUR 5.0 billion, making EWG the third-largest distributor in Europe. The strategic alliance offers leading hardware and software manufacturers a best-in-class platform to reach more than 50 000 dealers in 14 countries. Together, the four companies in the alliance employ a staff of more than 2 700.

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. To achieve this goal, we drive our daily business with the philosophy expressed in 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.

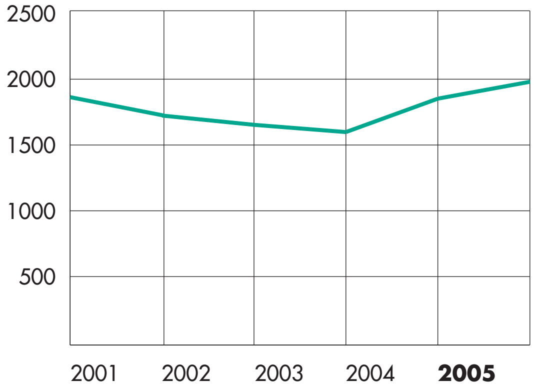
ALSO at a glance

Income Statement (Mio. CHF)	2005	2004	2003	2002	2001
Net sales	1 980.3	1 852.2	1 598.3	1 653.3	1 723.7
Gross Profit	101.1	107.9	155.2	177.7	206.8
Operating profit (EBIT)	23.4	30.6	15.7	30.7	19.9
Net income	17.1	20.9	1.8	19.7	11.1
Cash flow statement (Mio. CHF)					
Cashflow	22.0	25.2	21.3	30.9	20.3
Investments in fixed assets	3.6	4.3	2.2	3.3	7.9
Balance sheet (Mio. CHF)					
Total assets	438.6	424.9	369.6	350.1	395.3
Total shareholders' equity	190.8	176.5	158.3	158.6	142.1
Key figures					
Gross Margin	5.1%	5.8%	9.7%	10.7%	12.0%
Operating Margin	1.2%	1.7%	1.0%	1.9%	1.2%
Return on sales	0.9%	1.1%	0.1%	1.2%	0.6%
ROIC (Return on invested capital) [1]	8.0%	10.3%	5.4%	11.7%	6.1%
ROA (Return on assets) [2]	4.9%	6.5%	2.0%	6.5%	4.1%
Sales-to-assets ratio [3]	4.6	4.7	4.4	4.4	4.0
Number of registered shares at CHF 10	603 859	603 859	603 859	599 970	597 680
Dividende per registered share (CHF) [4]	7.00	7.00	5.00	7.00	5.00
Equity per registered share (CHF)	316	292	262	264	238
Share price, high (CHF)	444	375	329	435	769
Share price, low (CHF)	320	291	190	288	255
Market Capitalization at 31 Dec (Mio. CHF)	241.5	194.4	183.6	180.0	215.2
Personnel at 31 Dec [5]	623	602	974	1 112	1 355
Average personnel during year [5]	593	613	1 040	1 177	1 477

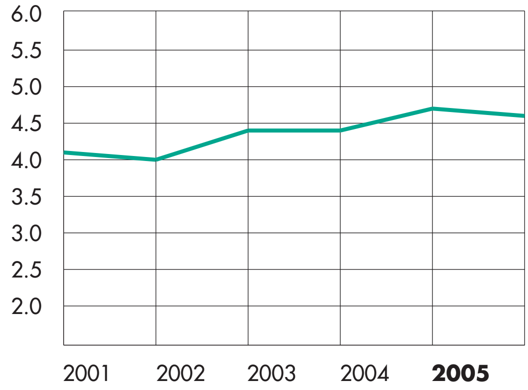
[1] NOPAT / capital employed
[2] Net income + interest / average total assets
[3] Net sales / average total assets
[4] Board of Director's proposal
[5] Basis: equivalent full-time employees including temporary employees

Shareholders' Information

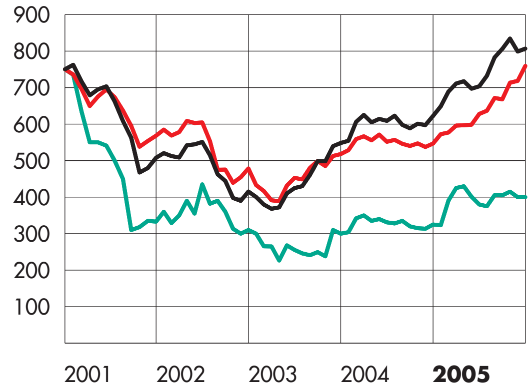
Sales
CHF million



Asset productivity
Sales-to-asset ratio

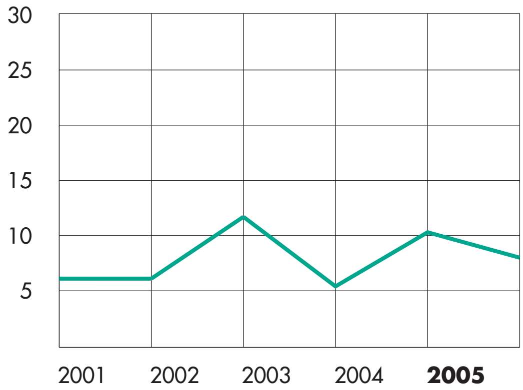


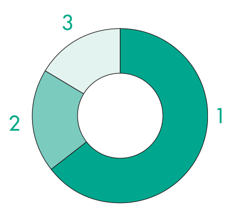
Share price
CHF (adjusted)



ALSO Holding NA (adj.)
Swiss Performance Index – (SPI)
Vontobel small cos. – price index (VSC)
(Quelle: Datastream)

Return on invested capital (ROIC)
percent





Shareholder structure

1 Schindler Holding AG	64.5 %
2 Institutional Investors	19.3 %
3 Diverse smaller portfolios	16.2 %

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

Important dates

Annual General Meeting:	March 14, 2006
Quarterly report:	April 25, 2006
First-half report:	July 25, 2006
Quarterly report:	October 24, 2006
Annual results media conference:	February 19, 2007

Contents

In Focus

Changes in the market call for increasingly frequent modifications of strategy. Copying other business models is rarely successful. It is far more important to understand customers, cost drivers and core competencies.

The Prussian General Carl von Clausewitz once stated that strategy may be simple but not easy. Because, he argued, it takes great strength of will not to be dissuaded from the defined strategy, even if there are a thousand reasons for doing so. But how do we react if a new competitor appears completely out of the blue? What do we do if he plays by a completely different set of rules from the ones we are used to?

New competitors are surprising the markets with increasing frequency, at every possible geographical level. DELL has sent shudders through the traditional PC industry with its direct model and internet-based approach. Budget airlines have caused massive upheavals in the European air travel industry in no time. The appearance of ALDI and Lidl on the Swiss market represents a serious threat to domestic retail chains.

The answer of the challenged incumbents is often simple: PC manufacturers adopt a direct sales approach and enhance their websites. Airlines reduce services and lower their prices to those of the competition. Swiss retailers launch cheaper product lines.

These reactions all have one thing in common. They are an attempt to beat the opponent at his own game, and for that reason are usually ineffective. As a rule, the challenger's success is based on a fundamentally new and – for part of the market superior – business model. DELL has perfected its business model over the years. Budget airlines have fundamentally different cost structures than network carriers (most European airlines). ALDI and Lidl apply a rigorous low-cost strategy that simply cannot be matched by traditional structures. The result is therefore often predictable. The incumbents become less and less profitable while the challengers continue to grow inexorably.

This is where we need to proceed cautiously. Instead of jettisoning our own strategy and imitating the competition, we first need to answer three decisive questions:

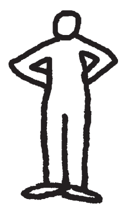
Customer needs: What benefits do we offer our customers? Which other customers with the same needs do we, as yet, not address? What do we offer that clearly has no benefit to customers?

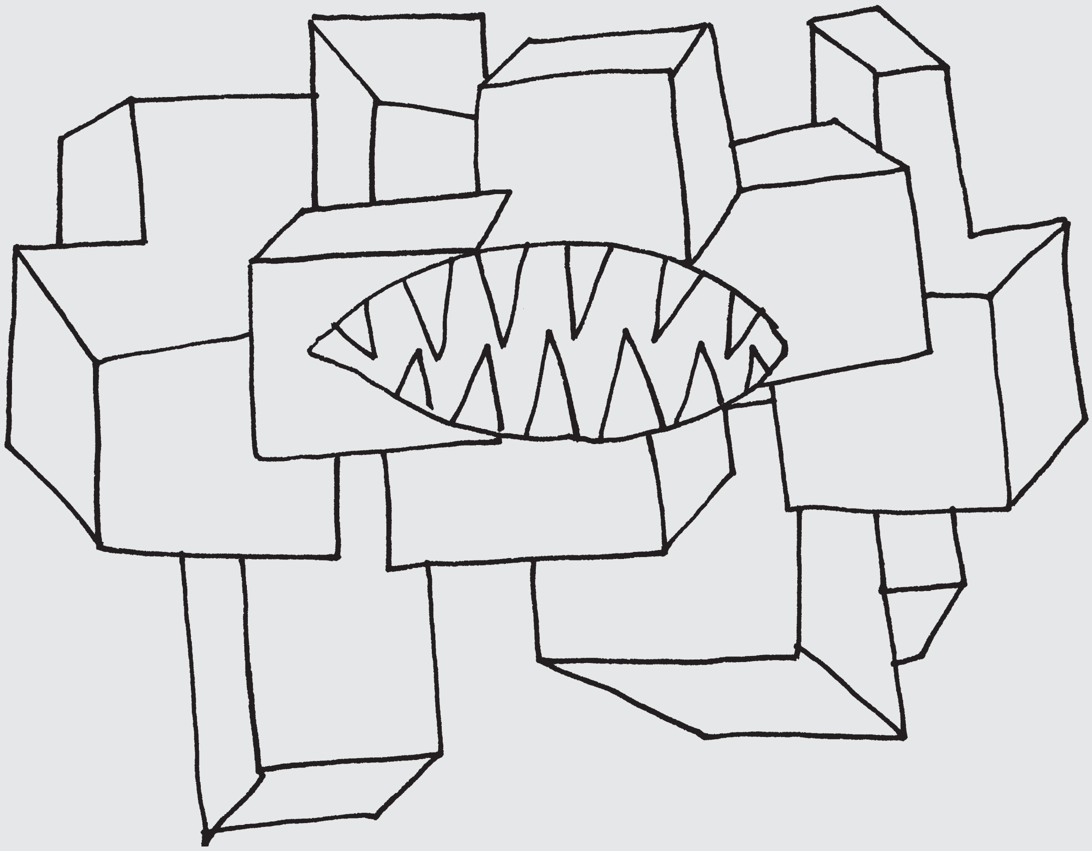
Cost drivers: Any business model has its own cost dynamics. Do we know what our cost drivers are? Are we aware of how large our cost advantage is, and do we exploit it?

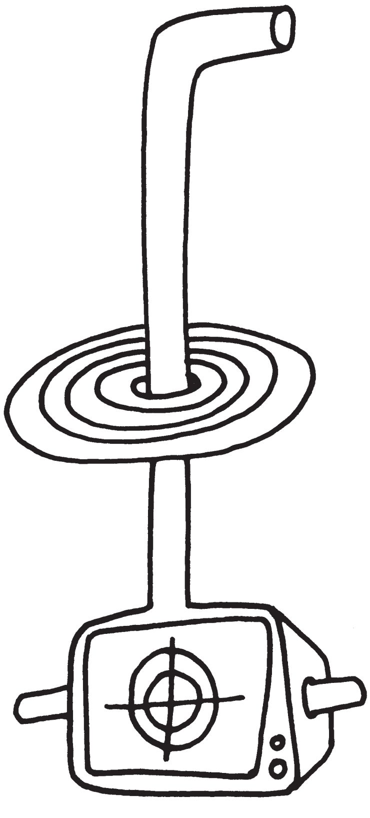
Core competencies: What are our core competencies and how can we use them against the competition?

After this, it is a question of adapting our own strategy to changed market conditions without compromising our strengths. In an employee survey conducted by the Swiss business magazine CASH, ALSO scored above-average marks for strategy and response to changes in the market. For us, this is an incentive to go on reacting swiftly and flexibly to changes of all kinds without losing sight of our strategy.

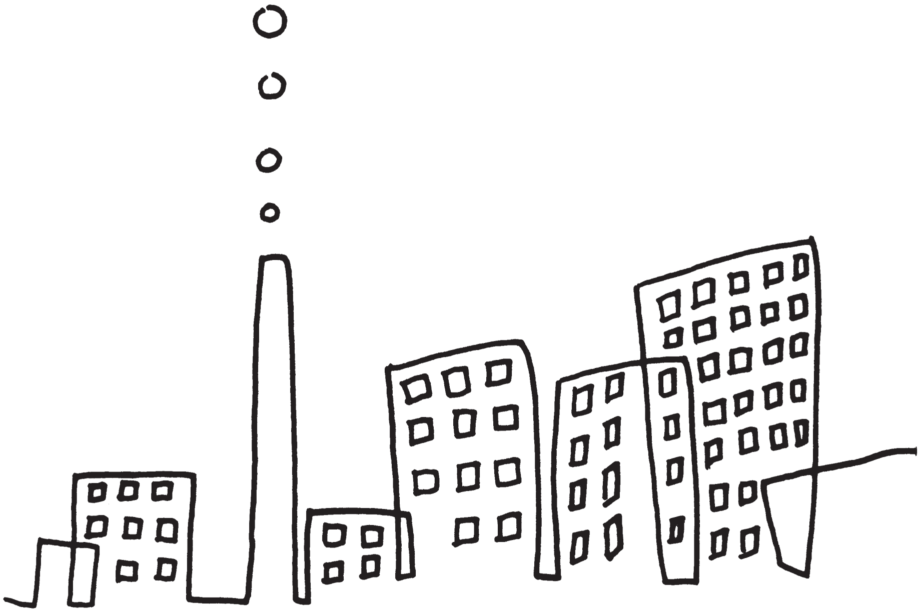
“New competitors are surprising the markets with increasing frequency.”

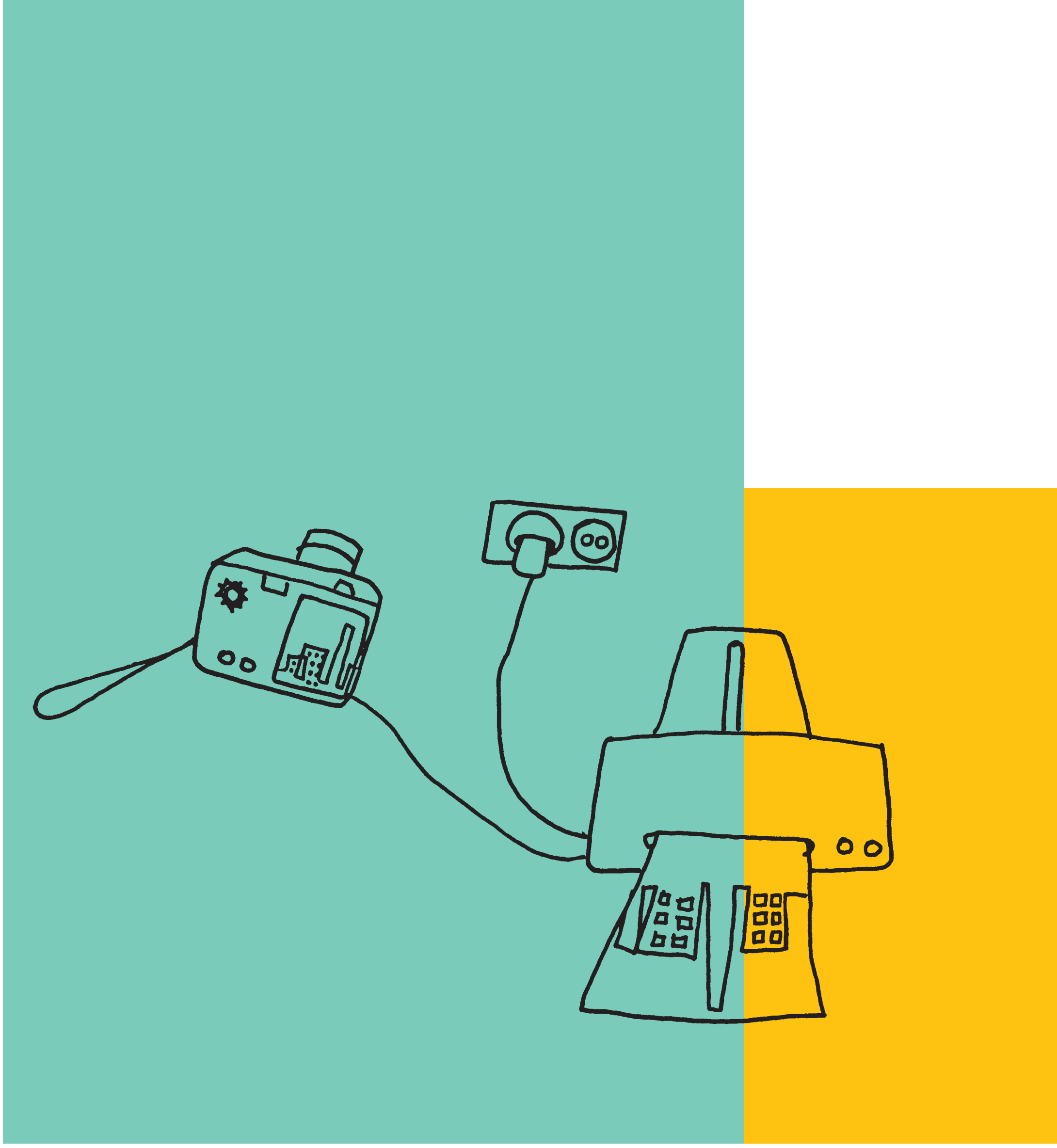




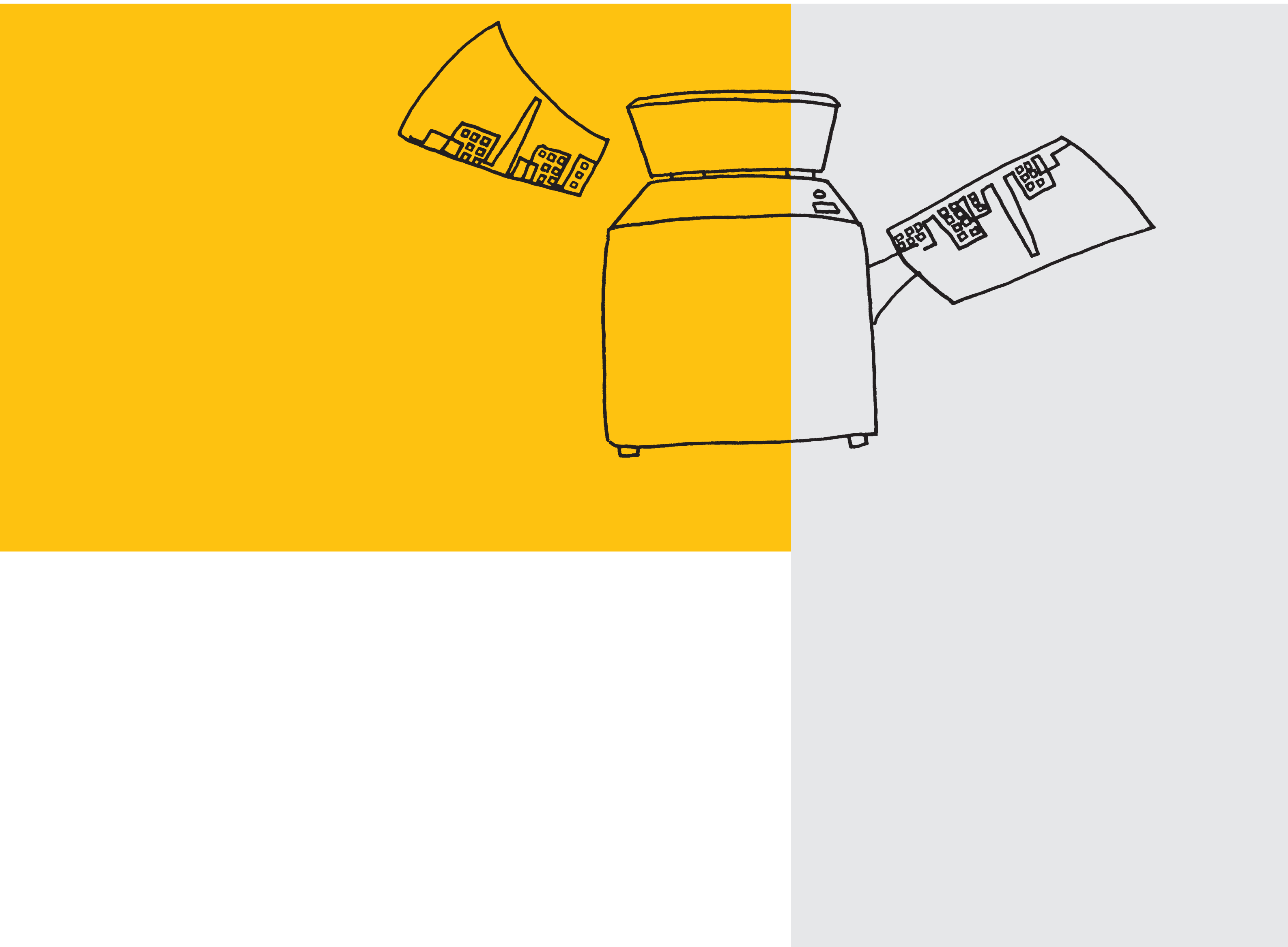


"But how do we react
if a new competitor appears
completely out of the blue?"





"Copying other business models
is rarely successful."



Board of Directors' Report

ALSO has further strengthened its market position and should profit disproportionately from an economic upturn. The Board of Directors has defined targets for sustainable value creation. Despite difficult market conditions, ALSO remains optimistic about the future.

For the IT industry, 2005 was a difficult year. While unit volume was up by about 15% in Switzerland and just 10% in Germany, the substantial fall in average prices has caused both the Swiss and the German market to decline in value terms. The situation was aggravated by the decision of various manufacturers to modify their conditions and bonus arrangements to the disadvantage of all distributors in Europe. However, most distributors chose not to increase their prices for fear of losing market shares. The resulting profit shortfall and the continuing decline in average prices depressed profitability with most European distributors.

Net income down substantially on 2004

In light of the difficult market conditions ALSO decided at the beginning of 2005 to strengthen its market position in order to profit accordingly from any subsequent upturn in the market. This goal has been achieved. During the year under review, ALSO sold 8% more units than in 2004 and increased its sales by 7% to CHF 1 980.3 million (2004: CHF 1 852.2 million). Operating profit, however was down 24% to CHF 23.4 million (2004: CHF 30.6 million), primarily due to non-recurring special costs, bonus cuts applied to all distributors throughout Europe by various manufacturers, and to lower sales at the Swiss subsidiary. At CHF 17.1 million, net income was likewise down on 2004 (CHF 20.9 million).

At 44%, the equity ratio remains unchanged from the previous year and is above the target of 25–35%. This comfortable equity level gives ALSO additional room for strategic manoeuvre. On December 31, 2005, ALSO employed 623 people (2004: 602).

At the Annual General Meeting on March 14, 2006, the Board of Directors will propose a dividend for the financial year 2005 of CHF 7.00 (2004: CHF 7.00).

Non-recurring special costs
As a result of a legal disagreement with a supplier, the financial statements include non-recurring special costs which reduced operating profit by CHF 2.9 million and net income by CHF 2.3 million. The disagreement has been settled.

Market position improved in both countries
In the year under review the Swiss market declined in value. In this context the Swiss subsidiary managed to slightly increase its market share and thus consolidate its position as a leading IT distributor; despite the fact that sales were down by 6% to CHF 989.2 million (2004: CHF 1 053.4 million). Revenues from logistics services remained at the same high level as in 2004. Overall, however, falling average prices, the downturn in sales and the pressure on margins resulted in a lower operating profit than the previous year.

The German subsidiary reported another year of vigorous growth pushing sales up by 24% to CHF 991.1 million (2004: CHF 798.8 million) and winning substantial market shares. ALSO Germany thus followed an excellent year in 2004 with another encouraging one. Operating profit was slightly above that of 2004 and made a significant contribution towards the Group's EBIT.

In 2005, ALSO received again various awards. Both the Swiss and German subsidiaries were voted the best distributors of the year. In the Swiss Logistics Award, the "Hybrid Logistics" model developed by ALSO's Logistics Services, which eliminates an entire stage in the logistics process, took second place as an excellent and innovative improvement. And in a survey for the best employer in Switzerland conducted by the business newspaper CASH, the Swiss subsidiary took eighth position at first attempt.

EWG alliance continues to expand
The European Wholesale Group (EWG), a strategic alliance founded in 2002 by ALSO and a number of other leading national distributors, increased overall sales considerably in 2005, taking them to well over EUR 5.0 billion (2004: 4.4 billion). After HP and FSC, the alliance also succeeded in finalizing a European cooperation agreement with Canon, another leading strategic manufacturer. Today, EWG is the third-largest distributor in Europe and has operations in 14 countries.

Board of Directors redefines objectives
At its annual strategy meeting, the Board of Directors reviewed the Group's existing targets and objectives. With a single exception (2005), ALSO has achieved the profitability target for its distribution business (1.5%–2.5% EBIT) every year. The long-term goal for net income (CHF 50–80 million) has not been achieved so far because the prerequisites for this had changed. For example, although the Group has evaluated various options over the past few years, it has not yet taken steps to expand internationally.

For the future, the Board of Directors has decided on the following objectives, which should contribute to sustainable value creation:

(1) ALSO aims to generate a return (ROIC) on invested capital (equity plus interest-bearing liabilities) in excess of its weighted average cost of capital (WACC). To the Board of Directors, this seems to be a more sensible objective than the previously used return on equity, which is influenced by the Group's leverage and thus is of limited significance.

(2) ALSO continues to aim for an operation margin (EBIT) of 1.5%–2.5%.

(3) The ratio of equity to total assets should continue to lie between 25% and 35%. The Board of Directors is well aware that the Group's current equity is well above this target figure but considers it sensible if the Group is to implement its strategy of international expansion.

(4) In future, under normal circumstances the payout ratio should lie between 25% and 35% of net income (hitherto 20% to 25%).

Into the future with optimism

In the years ahead, the IT market in Switzerland and Germany will not increase significantly in value terms. In 2006, therefore, ALSO expects, at best, single digit market growth. Nevertheless, the Group has further strengthened its market position and laid the foundation to profit disproportionately from an upturn in the economy. ALSO is thus confident that it can achieve sustainable growth in both sales and income in the future.

The ALSO Group's success is dependent not only on external political and economic conditions. It also stands or falls with the quality of its employees. Without their efforts and commitment, for which the Board of Directors wishes to offer its sincere thanks, it would be impossible to achieve the set goals. However, the Board of Directors extends its gratitude above all to its customers for their loyalty, to its business associates for their constructive cooperation and to its shareholders for their trust and confidence in our company.

Thomas C. Weissmann
Chairman of the Board

Market report

ALSO consolidated its position in both countries and is well equipped for further growth in the current business year: ALSO Switzerland in new growth sectors, ALSO Germany by strengthening its position with strategically important vendors and by broadening its product portfolio.

For the IT industry, 2005 was a difficult year. On one hand the number of PCs and servers sold in Switzerland was up by around 15% and in Germany by just under 10%. The demand for notebooks and monitors was particularly high but more reserved for desktops, servers and printers. On the other hand, prices in the main product groups – desktops, notebooks, servers, printers and monitors – were down again some 15–25%. In value terms the Swiss and German markets have decreased. To make matters worse, various vendors modified their purchasing conditions and bonus arrangements to the disadvantage of all distributors throughout Europe. Against this difficult backdrop, ALSO succeeded in strengthening its market position, as projected.

ALSO wins further market share

In the year under review, ALSO sold 8% more units than in 2004 and posted a 7% increase in net sales to 1 980.3 million (2004: CHF 1 852.2 million). By contrast, operating profit was down 24% to CHF 23.4 million (2004: CHF 30.6 million). Of the reduction, CHF 2.9 million were ascribable to non-recurring special costs arising from a legal disagreement with a supplier. The rest was mainly due to the bonus cuts applied to all distributors throughout Europe by various vendors and to the drop in sales of the Swiss subsidiary.

Logistics capacity boosted in both countries

In order to handle its projected growth, ALSO has substantially increased its logistics capacity in both countries.

In the course of the year under review, ALSO Switzerland increased its logistics capacity by around 60%. In September 2005, the company rented additional warehousing space for its IT distribution-related logistics activities in Root in the canton of Lucerne. The logistics for IT consumables and logistics services remain in Emmen. The two logistics centres in Switzerland – Emmen and Root – each have four storeys, providing a total of 44 000 sq.m of space (previously 28 000 sq.m) and a total volume of 290 000 cu.m (previously 160 000 cu.m).

In mid-2006, the German warehouse facilities in Straubing and Braunschweig are to be consolidated in a newly built logistics centre in Braunschweig with double the previous capacity. Handling orders from one single location will be more efficient and cost-effective. Compared with the two existing storage facilities in Braunschweig and Straubing, which have total space of 16 100 sq.m, the new logistics centre will have 21 000 sq.m. Automated conveyor technology and an optimized layout will enable the facility to ship twice as many deliveries as in the past.

ALSO receives more accolades
In the annual survey conducted by the trade magazine IT Reseller, Swiss resellers voted ALSO the best distributor for the fifth time in six years. When it came to quality criteria such as sales, logistics, technical service and customer loyalty, ALSO Switzerland emerged undisputed leader. There were also awards from various vendors: Microsoft named ALSO Switzerland "Distributor of the Year" and commended it for "Operational Excellence"; and for the third time in succession, Cisco voted ALSO "Swiss Distribution Partner of the Year". In the survey carried out by a Swiss business newspaper CASH, to find the country's best employer, ALSO took eighth place at first attempt. A total of 44 500 staff from 76 companies evaluated the quality of their respective employers. In a special section entitled "Adaptability" – rapid reaction to customer needs and market changes – ALSO even emerged top. And in the Swiss Logistics Award, ALSO with its "Hybrid" model was rewarded with second place.

For the sixth time in succession, the German subsidiary was one of the top distributors in a quality survey conducted by the trade magazine Computer Reseller News. It was the only one of five broadline distributors to obtain the title of "Excellent Distributor". More particularly, resellers singled out the company's logistics for special praise. Apart from this, ALSO Germany was awarded top marks for its electronic information and ordering system. In a reseller survey carried out by the trade magazine Computer Partner, ALSO received the accolade "Preferred Distributor". Akcent, an influential German reseller cooperative with more than 700 affiliated companies, voted ALSO Germany best distributor. Finally, ALSO for the second consecutive time won the award "Best Distributor of the Year" from its strategic partner Acer.

State-of-art logistics solution patented
With its "Hybrid Logistics" model, patented in 2005, ALSO has created an innovative and forward-looking logistics solution for the IT and communications technology industries as well as for consumer electronics. Hybrid logistics avoids SKU (stock keeping units) redundancy and eliminates an entire step in the logistics chain. Identical SKUs belonging to different owners are stored in one place and managed as if they were a single stock item. The conveyance of title to their various owners is carried out without any physical movement of the items and is entirely electronic. As a result, logistics tasks such as goods out, transport and goods in can be eliminated from the logistics chain. Initial assessments have shown that the handling cost of an order using hybrid logistics is reduced by around 70 %. Through this logistics service, ALSO offers its partners a significant competitive advantage.

ALSO Switzerland – position consolidated
In Switzerland, demand for IT products during the first half of the year was weak, the market only picking up towards the end of the third quarter. While unit demand rose by around 15 %, falling prices have caused the market to decline in value terms. During the year under review, ALSO Switzerland consolidated its leading market position by increasing its market shares with strategic vendors. However, in view of falling average prices, net sales of CHF 989.2 million remained below those of 2004 (CHF 1 053.4 million). The revenue decline, higher logistics costs due to the increase in capacity and the reduced bonuses paid by vendors to distributors throughout Europe together caused operating profit to be lower than in 2004.

In the growth areas identified by ALSO Switzerland, the company further consolidated its position. IT consumables sales were up by 13 % during the year under review. The company's high-end storage business likewise developed positively. The convergence of home electronics and IT products proceeded in 2005 more slowly than expected. Nevertheless, ALSO increased its retail sales by 7 % compared with the previous year, mainly due to more extensive partnerships with Sony, Acer and Philips, as well as a new distribution agreement with BenQ. All these vendors make products for the IT and home electronics markets. The demand for logistics services remained at the same high level as in 2004.

In order to meet the needs of its customers more selectively and efficiently in the future, ALSO

Switzerland has reorganized its operations into five different areas:

- Volume Distribution
- Value Added Distribution
- Business Development
- Supply Distribution
- Logistics Services

Volume Distribution handles "self-explanatory" products where the customer requires little or no advice and places his order directly online. Today, no fewer than 70% of all orders placed with ALSO Switzerland are handled electronically. Value Added Distribution sells products where the customer attaches importance to advice and direct cooperation. Business Development addresses new customer segments and sales channels in the home electronics market and is responsible for retail business. Supply Distribution and Logistics Services have already been independent areas in the past.

These five business-oriented areas are complemented by three functional responsibilities: Operations & Logistics, Finance and IT.

ALSO Germany – profitable growth

The German subsidiary followed a successful 2004 with another encouraging year. In a declining market, it managed to grow by 24% compared with the previous year. ALSO Germany sold 31% more units than in 2004 and increased its sales to CHF 991.1 million (2004: CHF 798.8 million). As number four on the German market, it thus continues to reduce the gap between itself and the competitors still ahead of it. Operating profit was slightly above that of 2004 and made a sizeable contribution towards the Group's operating result. Ever since 1997, the second full year of operations after its founding, ALSO Germany has reported an operating profit every year.

In 2005, ALSO Germany showed impressive double-digit growth in all areas in which it is active: HP resellers, other Resellers and Retail. While the HP resellers division put up a 14% increase, business with other Resellers grew by a massive 29%. The most striking result here was growth in peripherals, followed by Acer and FSC. ALSO Germany thus succeeded in IT winning market share with all the leading vendors and improved its position again significantly during the year under review. The profitable Retail business rose by no less than 39% and made a creditable contribution towards the substantialgrowth.

In the year under review, ALSO Germany appointed Michael Dressen, an experienced distribution specialist, as Managing Director. He took over at the helm of the German subsidiary on June 1, 2005 from ALSO CEO Thomas C. Weissmann, who had held this responsibility on an interim basis since the beginning of 2004.

Successful year for the EWG alliance

The strategic alliance, European Wholesale Group (EWG), co-founded by ALSO in 2002, can look back on an extremely successful year. The alliance's member companies consolidated their market position during the year under review and once again generated very profitable organic growth.

In early November 2005, after its successes with HP and Fujitsu Siemens Corporation, EWG succeeded in finalizing another big strategic partnership at European level with Canon Europe. Canon already has been the local partner of all EWG companies in individual markets. Also in November 2005, EWG cofounder Esprinet took over another EWG partner company, MemorySet. This step further strengthens the alliance's coherence and will facilitate the consistent implementation of joint projects. Finally, in early December 2005, EWG partner GNT announced that it had acquired the operations of the Scandinavian Santech Micro Group (SMG) in Finland, Norway and Sweden.

Altogether, the four members of the alliance – ALSO (CH), Copaco (NL), Esprinet (I) and GNT (FIN) – have operations in 14 European countries and their 2 700 staff looks after the needs of more than 50 000 resellers. Including newly acquired SMG operations EWG's consolidated net sales for 2005 amounted to well over EUR 5.0 billion (2004: EUR 4.4 billion). As Europe's third-largest distributor, EWG has thus considerably reduced the distance between itself and the few larger competitors.

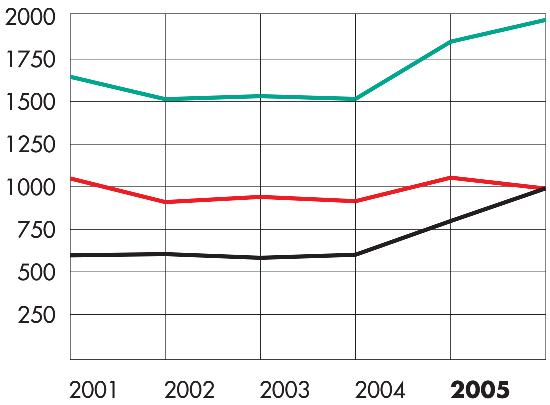
Into the future with confidence

ALSO looks to the future with confidence, even if market conditions seem set to remain difficult. In the years ahead, growth in Switzerland and Germany will probably slow in terms of units sold, and ALSO expects that average prices of IT and home electronics products will continue to fall. In value terms, then, the market in Switzerland and Germany is hardly likely to grow in 2006, but will probably contract slightly. Because of this, the situation will remain stiffly competitive. The convergence between the IT and home electronics markets will continue unbroken during the current year. By the end of 2005, demand from consumers for integrated products for the digital home entertainment world had already begun to rise. Here, a sharp rise in growth in the LCD TV market is expected during the run-up to football's World Cup. The main topics for consideration in the business world will be IT replacements, mobility and the data security requirements the latter entails.

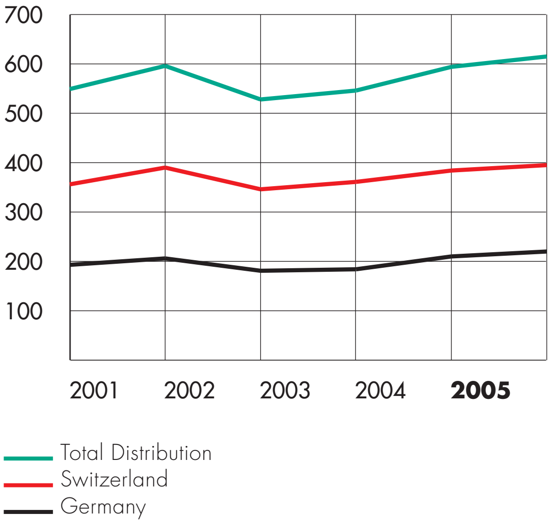
In Switzerland, ALSO aims to further strengthen its position in growth markets such as IT consumables, high-end storage and home electronics. The Swiss subsidiary is also expecting further growth from the demand for logistics outsourcing. ALSO Germany aims to strengthen its position with all strategically important vendors and will be including more new products in its portfolio. The increase in the German VAT scheduled to come into force in 2007 could well have a positive influence on consumer behaviour in 2006 and add further muscle to the projected growth in the retail sector. In 2006, then, the German subsidiary is expecting substantial further growth.

After opening up new growth areas and strengthening its position in Germany, ALSO is well equipped to surmount these challenges and should benefit disproportionately from any economic upturn. In the long term, ALSO is therefore expecting sustained increase not only in sales but also in net income.

Sales
CHF million



Year-end headcount



Corporate Governance

ALSO is totally committed to the principles of sound corporate management and control. Our aim is to protect the interests of our shareholders and to generate added value for all the Group's stakeholders. The goal of corporate governance is to strike a balance between corporate management, control and transparency.

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 2005 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.

Effective as of February 21, 2005 the names of the following operating companies have been changed:

- ALSO Schweiz AG (new)
  formerly ALSO ABC TRADING AG (old)
- ALSO Deutschland GmbH (new)
  formerly ALSO ABC TRADING GmbH (old)

1. Group structure and shareholders

Group structure

All Group companies are directly owned 100 percent by ALSO Holding AG in Hergiswil (Switzerland). The Group also has a substantial 18.4 percent share in the equity of the European Wholesale Group GmbH in Hergiswil (Switzerland).

For an overview of the Group's interests, including details such as the company name, domicile, share capital and percentage stake, please see section 6 in the notes to the consolidated financial statements.

Major shareholders

	31.12.2005	**31.12.2004**
– Schindler Holding AG, Hergiswil (Switzerland)	64.5%	64.5%
– SUVA, Schweizerische Unfallversicherungsanstalt Luzern (Switzerland)	5.6%	5.1%
– Santander Investment Services SA Madrid (Spain)	5.0%	–

(according to share register)

During the year under review one 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 Investment Services SA. According to a Board decision, only 5% of the voting rights held by Santander Investment Services SA as a full shareholder were entered in the share register. By it's own account, Santander holds further ALSO shares.

The other shareholders are entered in the share register with their entire holding.

Cross-ownership

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

2. Capital structure

Capital structure as per 31.12.2005

Capital	Total	Number of shares	Par value per share
Ordinary share capital	CHF 6 038 590	603 859 registered shares	CHF 10
Approved capital	–	–	–
Conditional capital	CHF 151 410	15 141 registered shares	CHF 10

The market capitalization of the ALSO Group on December 31, 2005, stood at CHF 241.5 million.
The ALSO shares are listed on the Swiss SWX Stock Exchange since 1986 (Symbol: ALSN, Security No.: 155 143).

At the end of 2005 the ALSO Holding AG had conditional capital at its disposal amounting to CHF 151 410. 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 15 141 fully paid up registered shares with a par value of CHF 10 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	Registered shares, par value CHF 10 Number of shares	Total par value in CHF 1000
Share capital as per 31.12.2002	**599 970**	**6 000**
Capital increase as per 15.12.2003	3 889	39
Share capital as per 31.12.2003	**603 859**	**6 039**
Capital increase 2004	–	–
Share capital as of 31.12.2004	**603 859**	**6 039**
Capital increase 2005	–	–
Share capital as of 31.12.2005	**603 859**	**6 039**

The capital changes of earlier years have resulted from the participation of employees in the company's stock purchase scheme (see also comment in the notes to the financial statements). In the year under review the issued shares in connection with the stock purchase scheme (1 416 shares) have been taken from the treasury shares.

On December 31, 2005 the ALSO Holding AG had ordinary share capital of CHF 6 038 590, consisting of 603 859 registered shares with a par value of CHF 10. 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.

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 percent of the voting rights. The voting rights of shareholders with interests in common 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 a decision were compatible with the company's interests. The Board of Directors may present its decision regarding registration to the General Meeting (GM). In 2005 Santander Investment Services SA, Madrid (Spain), was registered as full shareholder exceeding with 5 %.

There are no special rulings regarding the registration of nominees in the statutes.

Board of Directors

Rudolf Marty Thomas C. Weissmann Karl Hofstetter

3. Board of Directors

Prof. Dr. Rudolf Marty
Born 1949

Member since June 15, 1993, elected until GM in 2006.

Present position
Managing partner of "itopia – corporate information technology" in Zurich (Switzerland).

Other activities and interests
Professor of Information Technology at the University of Zurich (Switzerland), President of Gebert Rüf Foundation, Basel (Switzerland)

Previous positions
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).

Thomas C. Weissmann
Born 1951

Chairman of the Board of Directors and Chief Executive Officer, Member since July 1, 1988, elected until GM in 2006.

Present position
Chief Executive Officer of the ALSO Group.

All members of the Board of Directors hold Swiss citizenship.

There are no conflicting interests with the Boards of other listed companies.

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).

Prof. Dr. Karl Hofstetter
Born 1956

Member since April 22, 1996, elected until GM in 2006.

Present position
Member of Executive Management of the Schindler Group and, in this capacity, responsible for legal matters, taxation, mergers and acquisitions, and compliance.

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 Board of Directors of Venture Incubator AG in Zug (Switzerland), Chairman of the Federation of Swiss Industrial Holding Companies, Berne (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).

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.

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 the 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 for 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

4. Group Management

Peter Zurbrügg
Born 1955

Present position
Chief Information Officer of the ALSO Group; in this position since November 1, 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).

Hans Wyss
Born 1958

Present position
Chief Financial Officer of ALSO Group; in this position since March 1, 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).

Thomas C. Weissmann
Born 1951

Chairman of the Board of Directors and Chief Executive Officer.

(For details of present and previous responsibilities as well as qualifications and education, see page 22.)

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

Michael Dressen
Born 1956

Present position
Managing Director of ALSO Deutschland GmbH, Straubing (Germany); in this position since June 1, 2005. Michael Dressen became a Member of Group Management as per July 1, 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

Marc Schnyder
Born 1952

Present position
Managing Director of ALSO Schweiz AG, Emmen (Switzerland); in this position since January 1, 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.

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 in Ebikon (Switzerland) and ALSO Holding AG in 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 as at arm's length rates, are based on the actual services provided and the expertise of the staff involved. For the year 2005, management fees totalled TCHF 2 153 (prior year: TCHF 2 234).

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 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

Recipient	Remuneration*	Allocation of shares during*** year under review	Options****
Executive members of the Board and members of Group Management	TCHF 2 528	TCHF 181	TCHF 145
– Prior year:	TCHF 2 390	TCHF 89	TCHF 113
Non-executive members of the Board	TCHF 27**	–	–
– Prior year	TCHF 33	–	–

* Salaries, bonuses, flat-rate expenses and contribution to executive pension scheme (where applicable); variable bonuses are related to the previous year
** aid to external member of the Board, no remuneration to members employed by Schindler
*** including the shares to the CEO
**** ALSO Group does not have a separate option plan, but in the case of the CEO, he participates in the option plan of Schindler

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 percent 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 either 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 optionholdings as per December 31

	Number of shares		Number of options	
	2005	**2004**	**2005**	**2004**
Executive Board of Directors members and members of Group Management	3 565	3 218	3 667	3 164
Non-executive Board of Directors members	201	201	–	–

Highest overall remuneration
The highest overall remuneration during the year under review was TCHF 1 370 (prior year: TCHF 1 003). 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 385 shares (prior year: 189) and 503 options on ALSO shares (prior year: 396). 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 and has a lifetime of six years. 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 opiton rights can be excercised 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 330.78 (prior year: CHF 334.65). The necessary shares are created out of the conditional captial or the treasury shares of the ALSO Holding AG or are reserved in the case of option rights. ALSO is getting compensated accordingly by the majority shareholder.

6. Participatory rights of shareholders

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 Assembly 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.

Important decisions (as defined by Art. 704 of the Swiss Code of Obligations) require the agreement of at least two-thirds of the votes represented and an absolute majority of the shares represented.

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
The submission of items for the agenda is subject to the terms of Swiss company law.

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

CHF 100	Fees	
	2005	**2004**
Type of service		
Audit	156	170
Ancillary services	23	38
Tax consultancy	23	73

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 planing.

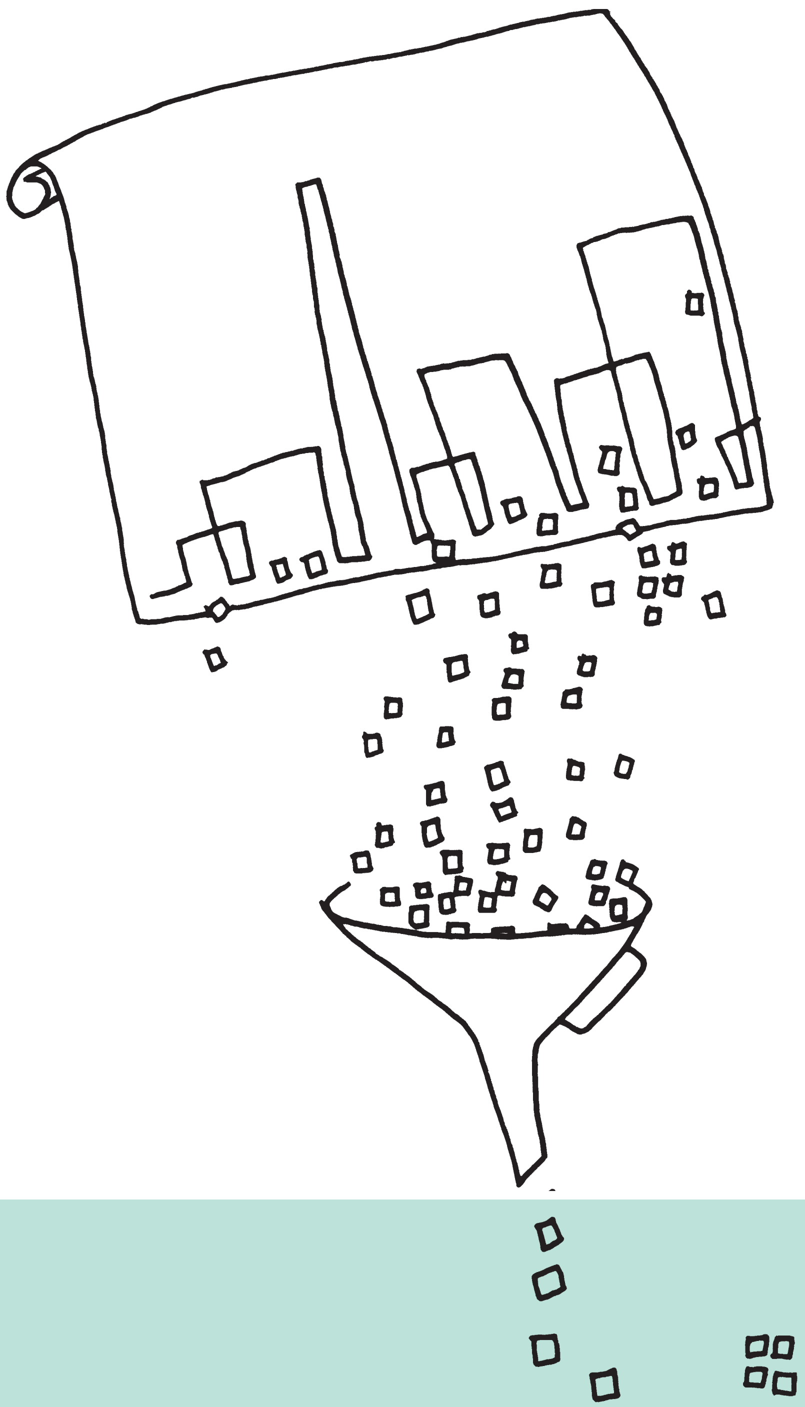
Observations resulting from the audit are summarized in a management letter addressed to the Board of Directors.

9. Information policy

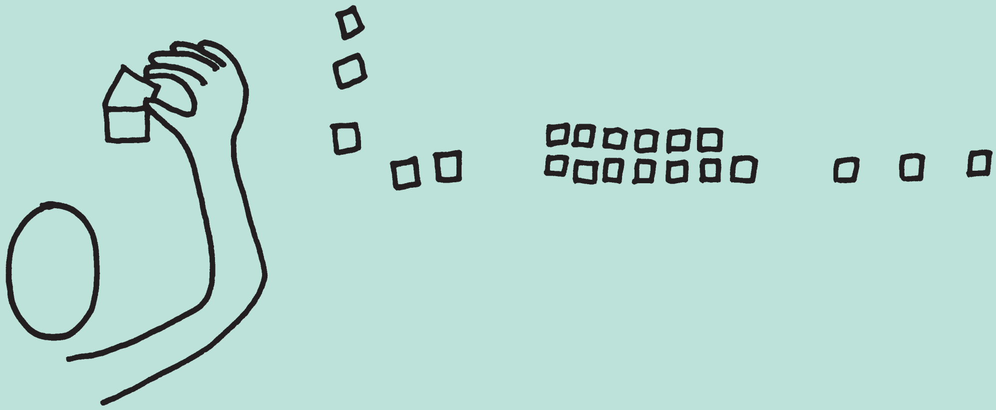
The company publishes key financial figures every quarter. Detailed financial statements are published in the form of half-yearly and annual reports. The financial statements published by the ALSO Group conform to the regulations of Swiss company law, the listing conditions of the Swiss Stock Exchange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

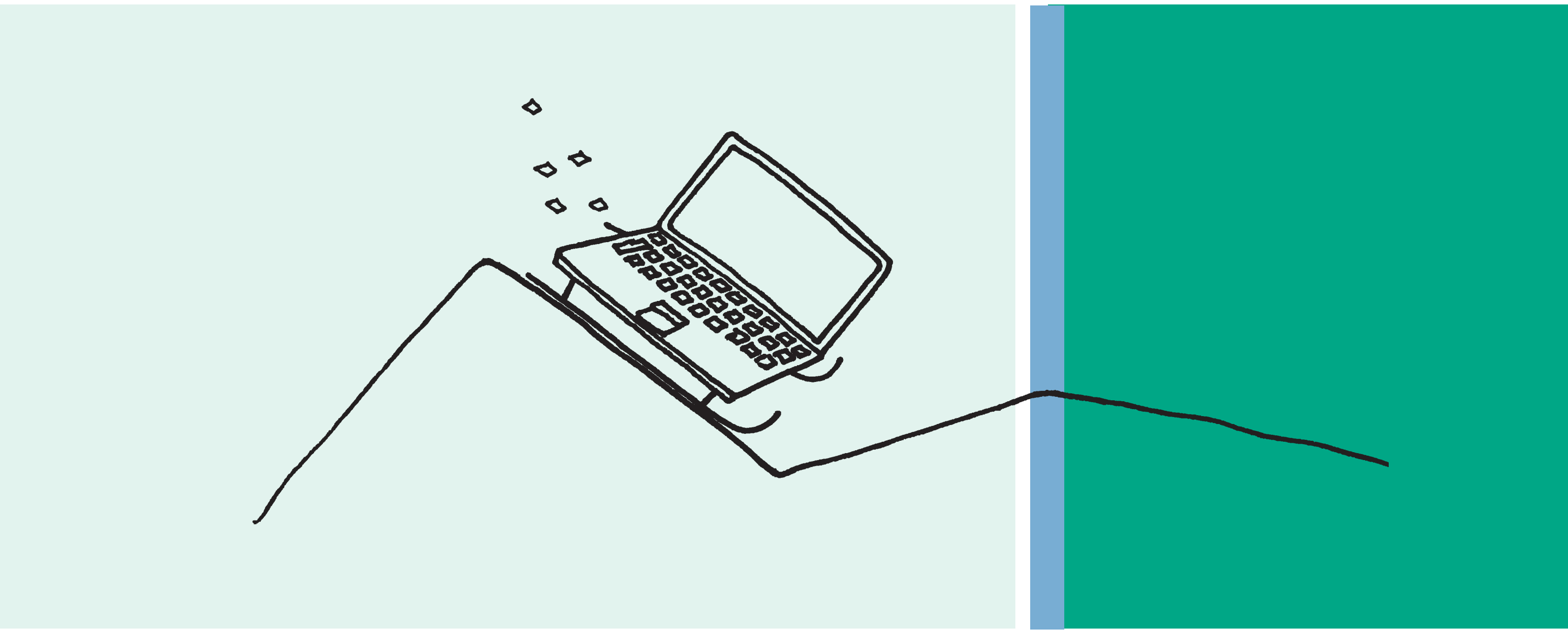
In addition, the ALSO Group presents its financial statements on the occasion of its annual media conference and at the General Meeting.

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.



"It's a question of adapting our own strategy to changed market conditions."





"Reacting swiftly and flexibly to changes of all kinds
without losing sight of our strategy."

"It is important to understand customers, …

… cost drivers and core competencies.”

Financial Report

Consolidated Financial Statements

Financial Statements of ALSO Holding AG

Consolidated Income Statement

CHF 1 000	Note	2005		2004	
Continuing operations					
Revenues from product sales		1 980 010		1 859 136	
Service revenues		21 740		22 645	
Deductions from revenues		–21 488		–29 549	
Total Net Sales	3.1	**1 980 262**	**100.0%**	**1 852 232**	**100.0%**
Cost of goods sold and service expenses		–1 879 206		–1 744 318	
Gross Margin		**101 056**	**5.1%**	**107 914**	**5.8%**
Personnel expenses	3.3	–54 900		–54 329	
Other operating expenses	3.4	–28 581		–25 068	
Depreciation and amortization	4.5 / 4.7	–4 359		–5 650	
Increase (decrease) in provisions	4.13	77		1	
Other operating income	3.4	10 120		7 773	
Operating Profit (EBIT)		**23 413**	**1.2%**	**30 641**	**1.7%**
Financial income	3.5	1 033		848	
Financial expenses	3.5	–4 232		–5 379	
Income before taxes (EBT)		**20 214**	**1.0%**	**26 110**	**1.4%**
Income taxes	3.6	–3 086		–5 184	
Income from continuing operations		**17 128**	**0.9%**	**20 926**	**1.1%**
Discontinued operations					
Income from discontinued operations	3.2	0		0	
Net income		**17 128**	**0.9%**	**20 926**	**1.1%**
EBITDA		**27 772**	**1.4%**	**36 291**	**2.0%**
Earnings per share in CHF					
Undiluted earnings per share	4.15	28.56		34.99	
Diluted earnings per share	4.15	28.56		34.99	

The undiluted and diluted earnings per share from continuing operations is identical with the undiluted and diluted earnings per share in total.

Figures in the annual financial statements of the previous year have been retrospectively adjusted to take account of revised and new IAS/IFRS standards (see Note 2.3 pages 47 to 48).

Consolidated Balance Sheet

Assets

CHF 1000	Note	**31.12.05**		**31.12.04**	
Current Assets					
Cash	4.1	43 703		70 748	
Accounts receivable	4.2	224 340		210 774	
Inventories	4.3	127 486		95 929	
Prepaid expenses and other receivables	4.4	24 945		25 759	
Total Current Assets		**420 474**	**96%**	**403 210**	**95%**
Non-current Assets					
Fixed assets	4.5	12 308		12 494	
Investment property	4.6	0		1 343	
Intangible assets	4.7	5 778		7 791	
Financial assets	4.9	36		36	
Total Non-current Assets		**18 122**	**4%**	**21 664**	**5%**
Total Assets		**438 596**	**100%**	**424 874**	**100%**

Consolidated Balance Sheet

Liabilities

CHF 1000	Note	31.12.05		31.12.04	
Current Liabilities					
Financial liabilities	4.10	17 094		55 108	
Accounts payable	4.11	115 747		76 460	
Accrued liabilities and other payables	4.12	68 790		66 671	
Tax liabilities		214		5 346	
Provisions	4.13	554		606	
Total Current Liabilities		**202 399**	**46%**	**204 191**	**48%**
Non-current Liabilities					
Financial liabilities	4.10	39 000		38 500	
Provisions	4.13	320		340	
Deferred tax liabilities	3.6	6 075		5 336	
Total Non-current Liabilities		**45 395**	**10%**	**44 176**	**10%**
Total Liabilities		**247 794**	**56%**	**248 367**	**58%**
Shareholders' Equity					
Share capital		6 038		6 038	
Additional paid-in capital		43 612		43 037	
Treasury shares		–40		–56	
Value fluctuations on financial instruments		24		0	
Translation differences		1 724		980	
Retained earnings		139 444		126 508	
Total Shareholders' Equity	4.14	**190 802**	**44%**	**176 507**	**42%**
Total Liabilities and Shareholders' Equity		**438 596**	**100%**	**424 874**	**100%**

Consolidated Cash Flow Statement

CHF 1000	Note	2005	2004
Net income		17 128	20 926
Depreciation and Amortization		4 359	5 661
Increase (decrease) in provisions		–77	–31
Loss (gain) from sale of fixed assets		–356	–688
Other positions with no effect on liquidity		956	–656
Subtotal		**22 010**	**25 212**
Decrease (increase) accounts receivable		–13 566	–25 425
Decrease (increase) inventories		–31 557	–12 763
Decrease (increase) prepaid		844	–1 366
Increase (decrease) accounts payable		39 287	14 960
Increase (decrease) accrued liabilities and other payables		–1 463	12 203
Cash Flow from Operating Activities		**15 555**	**12 821**
Disposals of fixed assets		122	27
Acquisitions of fixed assets		–3 587	–4 312
Disposals on investment property		1 645	1 720
Disposals of intangible assets		–16	29
Acquisitions of intangible assets		–145	–3 533
Divestment of investments in affiliates	4.16	0	252
Cash Flow from Investment Activities		**–1 981**	**–5 817**
Disposal in treasury shares		368	278
Increase (decrease) current financial liabilities		–38 014	35 497
Increase (decrease) non-current financial liabilities		500	–30 268
Dividend paid ALSO Holding AG		–4 192	–2 985
Cash Flow from Financing Activities		**–41 338**	**2 522**
Translation Differences		**719**	**–320**
Change in cash		**–27 045**	**9 206**
Cash at January 1		70 748	61 542
Cash at December 31		**43 703**	**70 748**
Income taxes paid		7 596	5 705
Interest paid		4 112	7 680
Interest received		103	235

Consolidated Statement of Changes in Equity

CHF 1000	Share Capital*	Paid-in capital	Treasury shares**	Value fluctuations on financial instruments	Translation differences	Retained Earnings*	Total
December 31, 2003	**6038**	**42478**	**–75**	**0**	**1333**	**108567**	**158341**
Translation differences	0	0	0	0	–353	0	–353
Total gains/losses recognized directly in equity	**0**	**0**	**0**	**0**	**–353**	**0**	**–353**
Net income	0	0	0	0	0	20926	20926
Total gains and losses	**0**	**0**	**0**	**0**	**–353**	**20926**	**20573**
Treasury shares	0	259	19	0	0	0	278
Employee shares / options ***	0	0	0	0	0	300	300
Dividend paid	0	0	0	0	0	–2985	–2985
December 31, 2004	**6038**	**42737**	**–56**	**0**	**980**	**126808**	**176507**
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	17128	17128
Total gains and losses	**0**	**0**	**0**	**24**	**744**	**17128**	**17896**
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	–4192	–4192
December 31, 2005	**6038**	**43089**	**–40**	**24**	**1724**	**139967**	**190802**

* See note 4.14 in the Notes
** Acquisition cost of treasury shares is shown as a deduction from shareholders' equity
*** The Chief Executive's employee shares and options are transacted via the principal shareholder and have no net effect on equity (see note 6.2)

Notes to the Consolidated Financial Statements

1. Overview business activities

The ALSO Group is a leading wholesaler and logistics supplier for information and communications technology as well as consumer electronics in Switzerland and Germany. In 2005, ALSO had 593 employees and generated net sales of CHF 1980.3 million.

Operations are carried out by the following companies:

- ALSO Schweiz AG (formerly ALSO ABC TRADING AG; renamed as of February 21, 2005) (CH)
- ACS Trading AG (CH)
- ALSO Deutschland GmbH (formerly ALSO ABC TRADING GmbH; renamed as of February 21, 2005) (D)

ALSO Holding AG is the management company of the ALSO Group.

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 in Switzerland and Germany. 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).

Notes to the Consolidated Financial Statements

2. Consolidation principles

2.1 General principles

The consolidated financial statements of the ALSO Group are based on historical costs, with the exception of fair value adjustments on certain financial assets and liabilities. It is drawn up in accordance with the provisions of Swiss company law, the listing regulations of the Swiss stock exchange and the International Financial Reporting Standards (IFRS), as well as the accounting and valuation principles set out below. A number of new IFRS standards, not yet applicable, were issued on the balance sheet date. These set out the following changes:

- IFRS 7 "Financial Instruments: Disclosures": This standard replaces the disclosure rules of IAS 32 and has no influence on the valuation. However, it will require additional sensitivity analyses of key financial risks. ALSO will apply IFRS 7 for the first time to the 2007 statements, with comparative figures from previous years.
- IAS 39 "Financial Instruments: Recognition and Measurement (from 2006)": There are changes in the area of the so-called fair value option, which permits companies to value certain financial instruments voluntarily by designation at fair value, as well as in the area of cash flow hedging. As far as we can judge today, no changes are likely to result from either of the new rules. It is possible, however, that ALSO will make some prospective adjustments, though these cannot be quantified at present as decisions are still pending.
- The other changes will have no impact – or only a marginal one – on ALSO's 2006 consolidated financial statements: IFRS 4 – Insurance Contracts, IFRS 6 – Exploration for and Evaluation of Mineral Resources, IAS 1 – Presentation of Financial Statements, IAS 16 – Property, Plant and Equipment, IAS 19 – Employee Benefits, IAS 21 – The Effects of Changes in Foreign Exchange Rates, IAS 24 – Related Party Disclosures, IAS 38 – Intangible Assets, IFRIC 4 – Determining whether an Arrangement contains a Lease, IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment, and IFRIC 7 – Applying the Restatement Approach in IAS 29 Financial Reporting in Hyperinflationary Economies.

2.2 Key assumptions and estimates

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

- Impairment of Goodwill: ALSO reviews the value of capitalized assets at least once a year. This requires an evaluation of the value in use of the underlying company unit (see also note 2.18). Estimated factors such as volumes, sales prices, sales growth, operating expenses, as well as investments, market conditions and other economic factors, are based on assumptions that we consider appropriate.

2.3 Changes in accounting and valuation methods

All changes relevant to ALSO arising from the IASB's "Improvements project" have been applied since January 1, 2005. In accordance with IAS 8 (revised), the corresponding reclassification and revaluation have been applied retrospectively, also in regard to the comparison period. An additional CHF 0.3 million overall was charged to the previous year.

The main changes comprise the following new or revised standards:

- IFRS 2 "Share-based payment" has a direct influence on the ALSO net income, since the corresponding expenses are booked from the Employee Stock Purchase Program. This resulted in an additional CHF 0.2 million (previous year: CHF 0.3 million) being charged to the Income Statement.

- IFRS 3 "Business Combination": IFRS 3 is applied to all acquisitions with an agreement date after March 31, 2004. In accordance with this standard, intangible assets which either arise from a contractual or statutory right or can be separated from the business and whose current market value can be reliably determined are deducted from goodwill and separately valued as intangible assets. The application of this standard in conjunction with IAS 38 will result in future acquisitions giving rise to increased intangible values and lower goodwill.

Notes to the Consolidated Financial Statements

- IAS 36 "Impairment of Assets" (revised): In accordance with this revised standard, goodwill will no longer be amortized, but subject to an annual impairment test. Goodwill arising from previous business combinations is subject to IAS 36 (revised) only as of fiscal 2005. Accordingly, goodwill has not been amortized in the reporting year and the corresponding charge, which amounted to CHF 0.5 million in fiscal 2004, is not applicable to net income at December 31, 2005.

- IAS 38 "Intangible Assets" (revised): Intangible assets will in future be individually defined, irrespective of whether the useful life of the asset is finite or indefinite. Indefinite intangible assets will no longer be amortized, but subject to an annual impairment test.

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": On the basis of this new standard, the relevant items arising from the sale of the Systems Business division on February 5, 2004, have been reclassified. The resulting impact on sales is CHF 4.9 million. Expenses also amounted to CHF 4.9 million, resulting in a zero-sum balance for "Income from discontinued operations".

- IAS 39 "Financial Instruments" (revised): For the purpose of financing and risk minimization, the ALSO Group sells accounts receivable to two independent financial institutes. Previously, these sold receivables were always deducted directly from net receivables. Under the new regulations, these accounts receivable will be deducted from net receivables only if it has been possible to transfer all the risks attaching to those receivables to the purchaser. In cases where significant risks remain with ALSO, the receivables are not deducted and the pre-financing is shown as a liability. The Balance Sheet has accordingly been adjusted retrospectively by CHF 50.1 million as of December 31, 2004.

- The other adjustments relate mainly to formal reclassifications or extensions of the Balance Sheet, Income Statement and Notes, and have no influence on Group equity and/or net income. In the Income Statement, book gains and losses from the sale of fixed assets will no longer be accounted for under depreciation, but under operating expenses as other operating income. Contributions to marketing costs are also shown under other operating income. Following the general trend, the funds shown in the Cash Flow Statement are now defined as "cash" (without deduction of the current accounts). All these changes are retrospective.

2.4 Scope of consolidation

Included in the consolidated financial statements are the year-end accounts, as of December 31, of ALSO Holding AG, Hergiswil (Switzerland), and those significant investments (essential subsidiaries, see note 6), which ALSO Holding AG controls either directly or indirectly through a majority of the voting rights, or through other means. Compared with December 31, 2004, there were no changes in the scope of consolidation.

Acquisitions and divestments 2004

As of February 5, 2004, the Systems Business division was sold to the German Bechtle Group (see note 3.2 Discontinued operations). As of June 28, 2004, ALSO Schweiz AG acquired the Hewlett Packard Enterprise Storage activities of Datastore AG in the form of an asset deal.

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.

Consolidation of equity is done according to the Anglo-Saxon purchase method, i.e., the identifiable assets, liabilities and contingent liabilities of the acquired company are valued at the current market value at time of acquisition, and the difference between the purchase price and the net assets acquired at the current market value is capitalized as goodwill. This goodwill will be transferred from January 1, 2005, in accordance with the principle of "push-down accounting" in those company units which can be expected to profit from the acquisition and/or generate future cash flows. The valuation is in the corresponding functional currency.

Notes to the Consolidated Financial Statements

Existing restructuring provisions are taken over as of the date of acquisition; any new provisions formed affect the operating result. Contingent liabilities acquired along with acquisitions, i.e. which are not subject to the warranties of the seller, and whose current market value can be reliably determined, are entered on the liabilities side of the acquired balance sheet.

The results of the acquired companies are reported from the time of the acquisition. When a company leaves the scope of consolidation, exclusion from the consolidation affects the operating result from the time of sale.

Transactions within the Group (expenses, income, assets and liabilities) and significant intercompany profits are eliminated in the consolidation.

Investments in associated companies with voting rights between 20 and 50 percent are classified for as "investments in associated companies" according to the equity method. All other unconsolidated investments are included at fair value.

2.6 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

Translation differences resulting from changes in foreign exchange rates compared with the previous year and relating to equity and to long-term financial transactions between Group companies in connection with net investments in foreign subsidiaries, as well as differences arising from translation of revenues, are taken to shareholders' equity. The exchange rates used for the major currencies are as follows:

	Year-end rate			Avergate rate	
Conversion rates into CHF	**2005**	**2004**		**2005**	**2004**
USD	1.32	1.13		1.24	1.24
EUR	1.56	1.54		1.55	1.55

Notes to the Consolidated Financial Statements

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

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

Revenues from sale of goods are 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 revenues are recorded or when incentives are offered. They are calculated on the basis of historical experiences and the specific terms in the individual agreements. Services revenues are recorded in the income statement as soon as the service is fulfilled and it becomes probable that ALSO will receive an economic gain.

2.8 Personnel expenses / Employee retirement benefit plan
In addition to wages and salaries, personnel expenses include employee-related costs and social security contributions.

For employee benefit plans based on defined benefits principles, the costs for each period are determined through actuarial valuations using the projected unit credit method, and are prepared at least every three years. Actuarial gains and losses arising from the periodic valuation are mainly the result of changes in actuarial assumptions and of differences in relation to actual outcomes. Actuarial adjustments or consequences arising from plan changes are credited to the employee retirement benefit expense at the longest over the average remaining service period of the insured employees or debited if they exceed the defined corridor of 10 percent. Assets from surpluses arising under defined benefit plans are limited to the amount of the maximum future savings, through premium reductions or refunds, liabilities, on the other hand, are fully provided for.

2.9 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 a shareholder 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.

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 Group for the most part holds the necessary number of shares until the options are exercised or expire. The fair value of the option premiums from the capital participation plan (see note 6.2), 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.

2.10 Other operating expenses
Other operating expenses essentially cover expenses for rent, leasing, maintenance and repairs, insurance premiums, fees, marketing and general operating expenses.

Notes to the Consolidated Financial Statements

2.11 Other operating income
Other operating income is essentially composed of book gains arising from the sale of fixed assets and supplier contributions to marketing costs.

Balance Sheet
2.12 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.

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

2.14 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.

2.15 Assets held for sale and related liabilities
Non-current assets held for sale and liabilities of discontinued operations are reported under this item. It includes all those assets of a business unit which are linked to the discontinuation of whole lines of business, or balance-sheet items which are to be realized through disposal and no longer through continuing utilization. The reclassification is only affected when the management has decided to sell and begun the search for potential buyers. The asset or disposal group must be sellable and the sale be likely to occur within a year. Non-current assets or disposal groups which are shown as "for sale" will no longer be amortized.

Revenues and expenses from "discontinued operations" are separated from the ordinary income and expenses in the income statement of the reporting period and of the comparative period of the previous year as far as the "Net income" level. The resulting gain is summarized under "Income from discontinued operations".

2.16 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. Investments which exceed CHF 2 000 or its equivalent in foreign currency are 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. The market value of investment property is based on estimates and/or assumptions (external valuations, income value analysis or comparison with the capitalized earnings value of similar facilities).

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

2.17 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 limited useful lives is calculated by the straight-line method over the estimated useful life of the asset. Impairments are recognized under amortization and shown separately in the Notes. Intangible assets with unlimited useful lives are not amortized. With the exception of goodwill, no intangible assets with unlimited useful lives are capitalized.
- Software Useful life 2 – 4 years
- Goodwill Not subject to depreciation, annual impairment test

Notes to the Consolidated Financial Statements

2.18 Impairment
Goodwill items are subject to an annual impairment test (see note 4.8). 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 value of the other assets is reviewed whenever events or changes of circumstance indicate a possible overvaluation of book values. 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.

2.19 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 cash drain 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 been 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.

2.20 Taxes
Taxes on income are accrued in the same periods as the revenues 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 the 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.

2.21 Treasury shares
The acquisition cost of the treasury shares within the equity is shown as a deduction from the shareholders' equity. Gains or losses from the disposal of treasury shares are shown as changes in the additional paid-in capital.

2.22 Financial assets and liabilities
ALSO distinguishes between the following categories of financial assets and financial liabilities:
- granted financing by the Group includes loans and advances granted
- held-to-maturity investments, i.e. assets with a fixed period which the Group is willing and able to hold until maturity.
- all other financial assets are allocated to the «available for sale» category
- the financial liabilities comprise primarily the long-term financial debts, which are valued at (discounted) cost.
- assets and liabilities arising out of trading activities and derivative financial instruments are valued at market value

The financial assets are valued the first time at cost, including transaction costs. Purchases and sales are booked on trade date. Held-to-maturity investments and granted financing are valued using the discounted cost method. Financial assets available for sale

Notes to the Consolidated Financial Statements

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.

The valuation of the long-term financial debt is based on the effective interest method. Thus, apart from the effective interest payments, the annual discount accretion premium amortization and the pro rata transaction costs are included in the interest expense.

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

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 value of items which do not fulfill 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.

2.23 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 which 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. The management of long-term interest rate risks is done centrally in cooperation with the majority shareholder. Presently, the Group's long-term financing is at fixed interest rates (see note 4.10).

Foreign exchange risks

The Group is active in Switzerland and Germany. Expenditures with suppliers arise in local currency (CHF/EUR) or in foreign currency (EUR/USD). Revenues are in the respective local currency. The entire transaction rate risk of the Group amounts to approx. 11 percent of the costs of goods sold. Transaction rate risks are generally hedged.

Credit loss risks

Credit risks arise from the possibility that the counterparty to a transaction is unable or unwilling to fulfill its obligations and that the Group thereby suffers financial damage. Counterparty risks are minimized on the one hand by credit risk insurance (business unit: Distribution) and on the other hand by supervision and by restricting our relationships to first-class business partners. Based on consistent Group accounting guidelines, the necessary valuation adjustments are made locally and reviewed by Group management.

Notes to the Consolidated Financial Statements

Derivative financial transactions

The financing strategy of the ALSO Group focuses on minimalization 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.

Notes to the Consolidated Financial Statements

3. Notes to the consolidated income statement

3.1 Reporting by segment

By geographical market	Switzerland		Foreign countries		Total	
CHF 1000	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Product revenues, external customers	967 910	1 036 694	990 612	797 752	1 958 522	1 834 446
Service revenues, external customers	21 265	21 583	475	1 062	21 740	22 645
Less revenues, discontinued operations	0	–4 859	0	0	0	–4 859
Total net sales	**989 175**	**1 053 418**	**991 087**	**798 814**	**1 980 262**	**1 852 232**
Intercompany revenues	12 217	13 507	3	124	12 220	13 631
Total revenues	**1 001 392**	**1 066 925**	**991 090**	**798 938**	**1 992 482**	**1 865 863**
Assets	207 069	206 838	231 527	218 036	438 596	424 874
Investments	3 219	7 033	543	812	3 762	7 845

Following the sale of the Systems Business on February 5, 2004, primary segment reporting is no longer applicable. The only remaining division since the divestment is Distribution (distribution of hard- and software, IT consumables, high-end technology for networks and servers and logistics services).

Revenues are 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 Discontinued operations
On February 5, 2004, the ALSO Group sold its Systems Business division to the German Bechtle Group. The pro rata losses of the Systems Division in 2004, amounting to TCHF 483, were offset by a profit on the divestment. The discontinued operation therefore has no influence on the 2004 net income.

The table below shows certain key figures of the balance sheet, income statement and cash flow statement for the continuing and the discontinued operations.

	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
CHF 1000			**2005**			**2004**
Income statement						
Total net sales	1 980 262	0	1 980 262	1 852 232	4 859	1 857 091
Operation expenses	–77 643	0	–77 643	–77 273	–4 366	–81 639
Operating profit	23 413	0	23 413	30 641	–490	30 151
Earnings before taxes	20 214	0	20 214	26 110	–483	25 627
Income taxes	–3 086	0	–3 086	–5 184	0	–5 184
Income	17 128	0	17 128	20 926	–483	20 443
Profit on divestment	0	0	0	0	483	483
Net profit	**17 128**	**0**	**17 128**	**20 926**	**0**	**20 926**
Balance Sheet						
Assets	438 596	0	438 596	424 874	0	424 874
Liabilities	247 794	0	247 794	248 367	0	248 367
Cash flow statement						
Cash flow from operating activities	15 555	0	15 555	13 117	–296	12 821
Cash flow from investment activities	–1 981	0	–1 981	–6 098	281	–5 817
Cash flow from financing activities	–41 338	0	–41 338	2 522	0	2 522

Notes to the Consolidated Financial Statements

3.3 Personnel expenses and headcount / Employee retirement benefit plan

CHF 1000	**2005**	**2004**
Wages and salaries	–46 752	–49 098
Social security contributions	–5 306	–5 216
Employee related costs	–2 320	–3 171
Employee shares / options	–522	–477
Total Personnel Expenses	**–54 900**	**–57 962**
Less personnel expenses discontinued operations	0	3 633
Total personnel expenses continuing operations	**–54 900**	**–54 329**

Included in the position wages and salaries are management fees in the amount of TCHF 2 153 (prior year: TCHF 2 234), which have been paid to Schindler Management AG for the use of central services.

	Average headcount		Changes	Year-end headcount		Changes
	2005	**2004**		**2005**	**2004**	
Switzerland	380	421	–9.7%	403	393	2.5%
Foreign countries	213	192	10.9%	220	209	5.3%
Total	**593**	**613**	**–3.3%**	**623**	**602**	**3.5%**

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.

Employee stock purchase program
For the purpose of making available the necessary shares for this program, the general assembly 2001 authorized a conditional capital in the amount of TCHF 243 nominal, respectively 24 250 shares. In prior years 9 109 shares were issued. In the year under review the issued shares (2005: 1 416 shares; 2004: 1 738 shares) have been taken from the treasury shares. The 2005 purchase price, after the price reduction of 50 percent, amounted to CHF 215 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

Employee retirement benefit plans
The employee retirement benefit plans of the ALSO Group are in accordance with the legal requirements of each respective country. As of the beginning of 2002 the employee retirement benefit plans of the ALSO companies in Switzerland were integrated into a semi-autonomous pension scheme. In the previous year, the employees of the October 2003 acquisition of ACS Trading AG were still attached to a collective pension scheme. In 2005 they were integrated into the ALSO pension scheme with effect from January 1, 2005.

Defined benefit plan

CHF 1000		2005	2004
Net assets at market value		42 885	34 409
Net present value of future benefits		–41 409	–33 513
Financial surplus/shortfall		1 476	896
Unamortized actuarial gains and losses		–483	0
Assets not shown in the balance sheet		–993	–896
Total net book value		**0**	**0**
Reported in the balance sheet as	– Employee benefits under the assets	0	0
	– Employee benefits under the liabilities	0	0

Net employee retirement benefit expenses for defined benefit plan

CHF 1000	2005	2004
Service expense for the current period	–3 373	–3 558
Interest cost for the benefit obligation	–1 401	–1 294
Expected income from assets	1 624	1 548
Minus employee contributions	1 297	2 240
Changes in assets not shown in the balance sheet	–97	–2 296
Net employee retirement benefit expenses	**–1 950**	**–3 360**
Actual return on plan assets	13.1 %	4.9 %

Notes to the Consolidated Financial Statements

Change in net assets at market value

CHF 1000	2005	2004
Book value Jan 1	34 409	30 961
Expected income from assets	1 624	1 548
Actuarial gains (losses)	3 501	0
Employee contributions paid	1 297	2 240
Employer Contributions	1 950	3 360
Benefits paid	104	–3 700
Book value Dec 31	**42 885**	**34 409**

Change in net present value of future benefits

CHF 1000	2005	2004
Book value Jan 1	33 513	32 361
Service expense	2 076	1 318
Interest cost	1 401	1 294
Actuarial gains (losses)	3 018	0
Employee Contributions paid	1 297	2 240
Benefits paid	104	–3 700
Book value Dec 31	**41 409**	**33 513**

Investment structure of net assets

Equity instruments	28.4%	27.0%
Credit instruments	60.7%	61.1%
Fixed assets	10.5%	11.5%
Other assets	0.4%	0.4%
Total	**100%**	**100%**

Calculation basis (Weighted averages)	2005	2004
Technical interest rate	3.5%	4.0%
Expected returns on investments	4.5%	5.0%
Development of wages and salaries	2.5%	2.5%
Development of annuities	0.5%	0.5%
Fluctuation rate	15.0%	15.0%

Notes to the Consolidated Financial Statements

3.4 Other operating expenses / revenues

Other Operating Expenses

CHF 1000	2005	2004
Rent, leasing, maintenance and repair expenses	–10 583	–10 162
Marketing and administrative expenses	–10 234	–10 762
Insurance, consulting and other operating expenses	–7 764	–4 896
Total Other Operating Expenses	**–28 581**	**–25 820**
Less discontinued operations	0	752
Total Continuing Expenses	**–28 581**	**–25 068**

Other operating income

CHF 1000	2005	2004
Gains from the sale of fixed assets	356	688
Other operating income	9 764	7 085
Total other operating income	**10 120**	**7 773**

Other operating income consists mainly of contributions to advertising costs as well as a payment from short-time work carried out by ALSO Comsyt AG and pending since 2000.

3.5 Financial results

Finanzertrag

CHF 1000	2005	2004
Interest income	299	235
Interest income from related parties	41	125
Other financial income	693	488
Total Financial Income	**1 033**	**848**

Financial expenses

CHF 1000	2005	2004
Interest expenses	–4 086	–5 056
Interest expenses paid to related parties	–28	–4
Other financial expenses	–118	–319
Total Financial Expenses	**–4 232**	**–5 379**
Financial Results	**–3 199**	**–4 531**

Financial income includes income from interest and securities, as well as gains from price and exchange rate changes (both realized and unrealized) of TCHF 693 (prior year: TCHF 488).

In addition to interest expenses, financial expenses also include accumulated valuation adjustments of monetary investments, as well as realized and unrealized price and exchange rate change losses of TCHF 118 (prior year: TCHF 319).

Notes to the Consolidated Financial Statements

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	2005	2004
Income tax on earnings for the accounting period	–2 413	–5 739
Income tax on earnings for the previous period	60	82
Deferred taxes	–733	473
Total Income Taxes	**–3 086**	**–5 184**

Analysis of tax expenses

CHF 1000	2005	2004
Income before taxes	20 214	26 110
Expected tax rate (weighted)	**28.0%**	**28.3%**
Expected income tax on earnings	–5 660	–7 389
Creation/utilization of tax loss carry forwards not recorded as assets	1 299	1 183
Tax-exempt income/non-deductible expenses	1 152	1 060
Change deferred tax rate	89	0
Tax effect from prior periods	60	82
Other factors	–26	–120
Effective Income Tax Expense	**–3 086**	**–5 184**
Effective income tax rate	**15.3%**	**19.9%**

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 28.0 % in the reporting year.

Current and deferred income tax expense

CHF 1000	2005	2004
Current income tax expense	–2 353	–5 657
Deferred income tax expense	–733	473
Total income tax expense	**–3 086**	**–5 184**

Tax effects of changes in items recognized directly in equity

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

Notes to the Consolidated Financial Statements

Deferred taxes

CHF 1000		2005	2004
Temporary differences	– Net current assets	–5 813	–5 020
	– Provisions	–262	–291
	– Other temporary differences	0	–25
Total Net Book Value deferred taxes		**–6 075**	**–5 336**
The above is shown in the balance sheet:	– Deferred tax liabilities	–6 075	–5 336
	– Deferred tax asset	0	0

Movement

CHF 1000	2005	2004
January 1	–5 336	–5 809
Creation and release of temporary differences	–739	473
December 31	**–6 075**	**–5 336**

Deferred taxes result primarily from the different valuation of the items inventories and accounts receivable in the tax accounts.

Tax loss carry-forwards

CHF 1000		2005	2004
Total Tax loss carry-forwards		**21 351**	**36 378**
Considered as deferred tax asset		0	0
Total not considered as Deferred Tax Asset		**21 351**	**36 378**
To be carried forward:	– in two to five years	18	0
	– more than five years	21 333	36 378
Tax Effect on Forwards not considered as Deferred Tax Asset		**8 217**	**9 147**

The tax loss carry-forwards originate mainly from Germany.

Tax loss carry-forwards are reported as deferred tax assets only when it is sufficiently likely that the taxable future profits will be adequate to offset the loss carry-forward.

Notes to the Consolidated Financial Statements

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

4.1 Cash

CHF 1000	2005	2004
Cash, postal checking account and bank balances	31 043	39 995
Short-term cash deposits with related parties	12 660	20 753
Time deposits up to max. three months	0	10 000
Total Cash	**43 703**	**70 748**

Cash includes cash, postal checking account, bank balances and time deposits up to max. three months. In addition, those short-term cash deposits with the majority shareholder are included, for which ALSO has the right of disposal at any time. Out of the total cash TCHF 21 692 are held in EUR and TCHF 96 are held in USD (prior year: TCHF 34 952 in EUR and TCHF 785 in USD).

4.2 Accounts receivable

CHF 1000	2005	2004
Accounts receivable from third parties	227 860	214 453
Accounts receivable from related parties	62	69
Provision for bad debts	–3 582	–3 748
Total Accounts Receivable	**224 340**	**210 774**

Out of the total accounts receivables TCHF 138 142 are held in EUR (prior year: TCHF 131 855 in EUR).

The valuation provision includes individual provisions of TCHF 1 152 (prior year: TCHF 1 358) and general bad debt provisions in the amount of the expected defaults. The bad dept risks are covered by insurance.

At year-end, the sold receivables removed (with full risk transfer) totalled TCHF 56 160 (previous year: 0). (See also note 2.3 and 4.10.)

Notes to the Consolidated Financial Statements

4.3 Inventories

CHF 1000	2005	2004
Goods assigned to projects	14 486	5 696
Trading stock	114 017	89 881
Subtotal Inventories	**128 503**	**95 577**
Down payments to suppliers	579	1 338
Valuation adjustment	– 1 596	–986
Total Inventories	**127 486**	**95 929**

The gross value of the value-adjusted goods is TCHF 13 871 (prior year: TCHF 4 057).

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 2 244 (previous year: TCHF 1 641) were charged to the Income Statement.

4.4 Prepaid expenses and other receivables

CHF 1000	2005	2004
Various tax credits	931	72
Various receivables	95	733
Other Receivables	**1 026**	**805**
Prepaid expenses	23 919	24 954
Total Prepaid Expenses and Other Receivables	**24 945**	**25 759**

Notes to the Consolidated Financial Statements

4.5 Fixed assets

CHF 1000	Land and buildings	Equipment	Motor vehicles	Total 2005
Net carrying amount at 1 January 2005	**7 277**	**5 186**	**31**	**12 494**
Additions	774	2 813	0	3 587
Disposals	0	–68	0	–68
Depreciation	–947	–2 752	–31	–3 730
Translation differences	11	14	0	25
Net carrying amount at 31 December 2005	**7 115**	**5 193**	**0**	**12 308**
At 1 January 2005				
Cost	12 613	26 848	43	39 504
Accumulated depreciation and impairment	–5 336	–21 662	–12	–27 010
Net carrying amount at 1 January 2005	**7 277**	**5 186**	**31**	**12 494**
At 31 December 2005				
Cost	13 441	27 925	0	41 366
Accumulated depreciation and impairment	–6 326	–22 732	0	–29 058
Net carrying amount at 31 December 2005	**7 115**	**5 193**	**0**	**12 308**
Fire insurance value	0	37 950	0	37 950

CHF 1000	Land and buildings	Equipment	Motor vehicles	Total 2004
Net carrying amount at 1 January 2004	**7 087**	**4 765**	**39**	**11 891**
Additions	1 004	3 308	0	4 312
Disposals	0	–27	0	–27
Reclassification	205	–205	0	0
Depreciation	–1 003	–2 635	–8	–3 646
Translation differences	–16	–20	0	–36
Net carrying amount at 31 December 2004	**7 277**	**5 186**	**31**	**12 494**
At 1 January 2004				
Cost	28 115	35 985	82	64 182
Accumulated depreciation and impairment	–21 028	–31 220	–43	–52 291
Net carrying amount at 1 January 2004	**7 087**	**4 765**	**39**	**11 891**
At 31 December 2004				
Cost	12 613	26 848	43	39 504
Accumulated depreciation and impairment	–5 336	–21 662	–12	–27 010
Net carrying amount at 31 December 2004	**7 277**	**5 186**	**31**	**12 494**
Fire insurance value	2 277	37 837	0	40 114

Notes to the Consolidated Financial Statements

The item "Land and buildings" includes operating land and buildings and land reserved for future operating buildings. "Equipment" consists primarily of machinery and installations, furniture and fixtures, as well as IT and communication systems.

Gains and losses from the sale of fixed assets are recorded in other operating income and amount to TCHF 356 (previous year: TCHF 688).

4.6 Investment properties

CHF 1000	2005	2004
Cost at January 1	4 242	7 561
Additions	30	0
Disposals	–4 272	–3 319
Total Cost at December 31	**0**	**4 242**
Accumulated Depreciation at January 1	–2 899	–5 168
Disposals	2 899	2 269
Total Depreciation at December 31	**0**	**–2 899**
Net carrying amount at January 1	**1 343**	**2 393**
Net carrying amount at December 31	**0**	**1 343**

The non-operating properties are reported under investment properties, and valued and depreciated in the same way as operating assets. The property remaining in the previous year was sold as of December 29, 2005.

Notes to the Consolidated Financial Statements

4.7 Intangible assets

CHF 1000	Goodwill	Other intangible assets	Total 2005
Net carrying amount at 1 January 2005	**6 402**	**1 389**	**7 791**
Additions	0	145	145
Disposals	0	16	16
Market price adjustments	–1 550	0	–1 550
Amortisation	0	–629	–629
Translation differences	0	5	5
Net carrying amount at 31 December 2005	**4 852**	**926**	**5 778**
At 1 January 2005			
Cost	6 402	5 558	11 960
Accumulated amortisation and impairment	0	–4 169	–4 169
Net carrying amount at 1 January 2005	**6 402**	**1 389**	**7 791**
At 31 December 2005			
Cost	4 852	5 709	10 561
Accumulated amortisation and impairment	0	–4 783	–4 783
Net carrying amount at 31 December 2005	**4 852**	**926**	**5 778**

CHF 1000	Goodwill	Other intangible assets	Total 2004
Net carrying amount at 1 January 2004	**5 401**	**1 208**	**6 609**
Additions	1 550	1 983	3 533
Disposals	0	–29	–29
Change in consolidation scope	0	–323	–323
Amortisation	–549	–1 448	–1 997
Translation differences	0	–2	–2
Net carrying amount at 31 December 2004	**6 402**	**1 389**	**7 791**
At 1 January 2004			
Cost	5 493	5 468	10 961
Accumulated amortisation and impairment	–92	–4 260	–4 352
Net carrying amount at 1 January 2004	**5 401**	**1 208**	**6 609**
At 31 December 2004			
Cost	7 043	5 558	12 601
Accumulated amortisation and impairment	–641	–4 169	–4 810
Net carrying amount at 31 December 2004	**6 402**	**1 389**	**7 791**

Notes to the Consolidated Financial Statements

In accordance with IFRS 3 and IAS 36, goodwill will no longer be amortized from January 1, 2005, but will be subject to an annual impairment test (see note 4.8).

"Other intangible assets" consists on the one hand of application software and licenses for Group companies and on the other hand of identified intangible assets (client base and manufacturing contracts) in relation to the acquisition of the Hewlett Packard activities of Datastore AG. This acquisition was capitalized in the previous year at the acquisition cost of TCH 3 150 erroneously under the item "Other intangible assets". Of this sum, TCH 1 550 (earn-out amount) was retrospectively reclassified to the balance-sheet item "Goodwill", since this amount cannot be allocated to an intangible asset. The earn-out will be paid in stages, as specified in the contract, by 2008 at the latest. In the reporting year, the management reduced the expected purchase price (earn-out amount) on the basis of a reappraisal of the planning assumptions by TCHF 1 550.

With the exception of goodwill, no intangible assets with unlimited useful lives are capitalized. Application software and licenses are amortized over two to four years. The client base and manufacturing contracts are amortized over their estimated useful life of 2.5 years.

4.8 Goodwill impairment test
As of December 31, 2005, the reported book value of the goodwill was at CHF 4.9 million and is to be allocated exclusively to ACS Trading AG.

The value in use of the underlying company unit is calculated on the basis of expected future cash flows (discounted cash flow method), using planning assumptions over a maximum period of five years, as approved by management. The calculations are based on a discount rate of 10.5%. The average rate of sales growth was estimated as 10%, which is above the expected growth of the IT supplies market in Switzerland.

4.9 Financial assets
In 2002 the European Wholesale Group GmbH (EWG) was founded in Hergiswil (Switzerland). ALSO Holding AG holds 18.4 percent in the company.

4.10 Financial liabilities

	Term	Book value	Interest rate in %	Book value	Interest rate in %
CHF 1000		**31.12.05**		**31.12.04**	
Short-term financial liabilities					
Short-term component of long-term financial debts	2005	0	–	5000	5.2
Receivables selling program (ABS – asset-backed securities program)	2005–2010	17094	Euribor + 0.5	50108	Euribor + 0.4
Total Short-term Financial Liabilities		**17094**	**–**	**55108**	**–**
Long-term financial liabilities					
Certificates of indebtedness	2003–2008	39000	4.6	38500	4.6
Total Long-term Financial Liabilities		**39000**	**–**	**38500**	**–**

Notes to the Consolidated Financial Statements

The fixed advance was repaid by the due date of August 2, 2005. The certificate of indebtedness is not secured.

For the purpose of financing, the ALSO Group sells accounts receivable to an independent bank. Previously, these sold receivables were always deducted directly from net receivables. Under IAS 39 (revised), these sold receivables remain in the Balance Sheet and the pre-financing is shown as a financial liability, because the settlement risk remains with ALSO.

The ABS program (receivables selling) was extended for a further five years in the reporting year.

All debt covenants have been adhered to by the individual Group companies.

4.11 Accounts payable

CHF 1000	2005	2004
Accounts payable to third parties	115 747	76 460
Total Accounts Payable	**115 747**	**76 460**

Out of the total accounts payables TCHF 68 946 are held in EUR and TCHF 13 205 are held in USD (prior year: TCHF 47 089 in EUR and TCHF 9 252 in USD).

4.12 Accrued liabilities and other payables

CHF 1000	2005	2004
Accrued Liabilities	**43 641**	**38 637**
Other tax payables	14 111	9 983
Various payables to third parties	10 223	17 254
Various payables to related parties	815	797
Other liabilities	**25 149**	**28 034**
Total Accrued Liabilities and Other Payables	**68 790**	**66 671**

Accrued liabilities are shown in the balance sheet at nominal value. They comprise short-term expense accruals and deferrals of income to later accounting periods 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.

Notes to the Consolidated Financial Statements

4.13 Provisions

CHF 1000	Guarantees, returned goods, complaints	Restructuring costs	Other provisions	Total
31 Dec 2003	**320**	**607**	**505**	**1 432**
Income statement				
– Change in scope of consolidation	0	–306	–145	–451
– Income/use	0	0	100	100
– Income/release	0	–111	–20	–131
Translation differences	–4	0	0	–4
31 Dec 2004	**316**	**190**	**440**	**946**
Income statement				
– Expenditures / creation	0	233	0	233
– Income / use	0	–40	–120	–160
– Income / release	0	–150	0	–150
Translation differences	4	1	0	5
31 Dec 2005	**320**	**234**	**320**	**874**
Accounted as current provisions	320	234	0	554
Accounted as non-current provisions	0	0	320	320

Included in the restructuring provision are provisions for terminated rental contracts for locations which are not used anymore.

Provisions made for guarantees cover unassessable risks relating to possible expenses which may be incurred before the end of the warranty period.

The item “Other provisions” includes provisions for onerous contracts, deferred receivables and other risks. Provisions are generally released within five years.

Notes to the Consolidated Financial Statements

4.14 Shareholders' equity
As of December 31, 2005, the number of outstanding shares amount to 603 859 registered shares with a par value of CHF 10 each.

Compared to the previous year the nominal capital has remained unchanged.

Treasury shares
ALSO Holding AG holds 3 645 (prior year: 5 061) of its own registered shares. 1 416 shares were used for the employee stock purchase program.

Major shareholders	**31.12.05**	**31.12.04**
– Schindler Holding AG, Hergiswil (Switzerland)	64.5%	64.5%
– SUVA, Schweizerische Unfallversicherungsanstalt Lucerne (Switzerland)	5.6%	5.1%
– Santander Investment Services SA, Madrid	5.0%	–

(according to share register)

During the year under review one notification according to Art. 20 of the Swiss Federal Stock Exchanges an 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 as a full shareholder were entered in the share register. By its own account, Santander holds further 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.

Notes to the Consolidated Financial Statements

4.15 Earnings per share / Dividends per share

		2005	2004
Net income	CHF	17 128 000	20 926 000
Shares issued	number	603 859	603 859
Less treasury shares (weighted)	number	–4 235	–5 818
Shares issued (weighted) for calculation	number	599 624	598 041
Undiluted earnings per share	**CHF**	**28.56**	**34.99**
Diluted net income	CHF	17 128 000	20 926 000
Shares issued (weighted) for calculation	number	599 624	598 041
Adjustment dilution options	number	3	0
Diluted shares	number	599 627	598 041
Diluted earnings per share	**CHF**	**28.56**	**34.99**

The company has 3 645 treasury shares in its securities portfolio. In the above table, these treasury shares are deducted from the total of issued shares. The diluted figures show the effects 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 4 201 (previous year: TCHF 4 192) be paid for the reporting year (per registered share: CHF 7.00).

4.16 Acquisitions / Divestment of investments in affiliates

When calculating the cash flow from acquisitions/divestments of investments in affiliates and holdings, the value of the net cash inflow/outflow resulting from a new consolidation/deconsolidation is deducted from the respective purchase price.

There were no transactions in the reporting year. The table below shows the market value of the net assets sold the previous year.

CHF 1000	**2004**
Current assets	–10 516
Non-current assets	–341
Current Liabilities	9 210
Non-current Liabilities	130
Net assets divested	**–1 517**
Goodwill	–483
Total divestment	**–2 000**
Less divested net cash	1 748
Cash received for the divestment	**–252**

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	Market value	Acquisition costs	Replacement values positive	Replacement values negative	Risk	Hedging instruments
Fair Value Hedge	61 959	61 835	312	188	Foreign exchange	Forward exchange contracts
Cash Flow Hedge	5 280	5 250	30	0	Foreign exchange	Forward exchange contracts
Total December 31, 2005	**67 239**	**67 085**	**342**	**188**		
Fair-value hedge	65 713	65 965	94	346	Foreign exchange	Forward exchange contracts
Cash-flow hedge	0	0	0	0	Foreign exchange	Forward exchange contracts
Total December 31, 2004	**65 713**	**65 965**	**94**	**346**		

The forward exchange contracts are concluded for a term of max. three months and their sole purpose is the reduction of the currency exposure.

Market value of the financial instruments	2005	2005	2004	2004
CHF 1000	Book value	Market value	Book value	Market value
Financial assets				
Cash	43 703	43 703	70 748	70 748
Accounts receivable	224 340	224 340	210 774	210 774
Financial assets	36	36	36	36
Financial liabilities				
Financial liabilities	56 094	56 094	93 608	93 608
Other liabilities	140 896	140 896	104 494	104 494

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	2005	2004
Accounts receivable	23 410	63 848
Total encumbered assets	**23 410**	**63 848**

5.4 Rent and leasing commitments (nominal values)

CHF 1000	2005	2004
Payments in Respect of Contracts with Fixed Periods		
Due in 1st year	7 498	5 750
Due in 2nd – 5th year	25 770	16 054
Due from the 6th year onwards	25 104	28 567

The payments for contracts with a fixed term are mainly in relation to the operational lease of the logistics centre in Emmen. The remaining term of the leasing contract is 15 years.

5.5 Events occurring subsequently to balance sheet date

There are no relevant events occurring subsequently to balance sheet date.

6. Essential subsidiaries

	Currency	Share capital in 1000	Investment quote		Code	Type of consolidation
Companies in Switzerland			**2005**	**2004**		
ALSO Holding AG, Hergiswil	CHF	6 038	–	–	C	V
ALSO Schweiz AG, Emmen	CHF	100	100.0%	100.0%	D	V
ACS Trading AG, Dietikon	CHF	100	100.0%	100.0%	D	V
ALSO Comedia-Verlags AG, Hergiswil	CHF	100	100.0%	100.0%	C	V
European Wholesale Group GmbH, Hergiswil	CHF	196	18.4%	18.4%	D	F
Companies Abroad						
ALSO Deutschland GmbH, Straubing	EUR	103	100.0%	100.0%	D	V

Codes: C = Corporate; D = Distribution
Consolidation method: V = Full consolidation; E = Equity Accounting; F = Fair value

6.1 Changes in the scope of consolidation

On February 5, 2004, ALSO Holding AG, Hergiswil, sold ALSO Comsyt AG, Emmen.

Notes to the Consolidated Financial Statements

6.2 Transactions with related parties
The members of the Board of Directors are entitled to a fee of TCHF 27 (previous year: TCHF 33).

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 in the reporting year or in 2004. 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	2005	2004
Net sales	513	1 663
Management fees	2 153	2 234
Net interest	13	121
Short term cash deposits (note 4.1)	12 660	20 753
Accounts receivable (note 4.2)	62	69
Other liabilities (note 4.12)	815	797

Transactions with ALSO pension fund

Other liabilities (outstanding contributions)	261	251

Transactions with related persons (ALSO Group Management and Board of Directors)
There were no transactions with related persons in the reporting year or in 2004.

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

CHF 1000	2005	2004
Salaries *)	2 674	2 528
Contributions to pension plans	293	273
Anniversary bonuses and other special payments	3	1
Retirement bonuses	0	0
Employee Stock / Option Program	326	203
Total Remuneration to Key Management	**3 296**	**3 005**

*) 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

Year of issue	Right to	Exercise period	Exercise price then applicable in CHF	Open on 31.12.2005 Number
2003	Shares	May 1, 2006 to April 30, 09	362.40	2768
2004	Shares	May 1, 2007 to April 30, 10	334.65	396
2005	Shares	May 1, 2008 to April 30, 11	330.78	503

One option gives entitlement to purchase one registered share in ALSO Holding AG.

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:

	2005	**2004**
Rate	398.00	340.00
Strike	330.78	334.65
Volatility	52.9%	55.0%
Risk-free interest rate	1.9%	2.3%
Dividend rate	1.4%	1.3%
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 145 (previous year TCHF 113) being charged to personnel expenses.

6.3 Approval of the ALSO Group consolidated financial statement
The ALSO Group consolidated financial statements were approved by the Board of Directors on February 9, 2006, and will be presented to the General Meeting for approval on March 14, 2006.

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, 2005.

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, February 9, 2006

Ernst & Young AG

Roland Ruprecht Certified accountant (in charge of the audit)	Marcel Gehrig Certified accountant

Income Statement of ALSO Holding AG

CHF 1000	2005	2004
Service revenues	5 109	5 211
Income from investments	15 000	15 000
Other operation income	800	0
Interest income	3 792	2 493
Gain from sale of fixed assets	303	670
Total Income	**25 004**	**23 374**
Service expenses	–2 152	–2 234
Personnel expenses	–1 909	–1 670
Other operating expenses	–1 096	–1 502
Interest expenses	–1 694	–2 695
Taxes	–43	–175
Total Expenses	**–6 894**	**–8 276**
Net Income	**18 110**	**15 098**

Balance Sheet of ALSO Holding AG

Assets

CHF 1000		31.12.05	31.12.04
Cash		42	10046
Securities		40	56
Accounts receivable	– from third parties	21	59
	– from Group companies	58976	54258
	– from major shareholder	12660	20753
Prepaid expenses		994	386
Total Current Assets		**72733**	**85558**
Land and buildings		2905	4248
Intangible assets		64	71
Investments		53362	30308
Total Non-current Assets		**56331**	**34627**
Total Assets		**129064**	**120185**

Liabilities

CHF 1000		31.12.05	31.12.04
Accounts payable	– to third parties	80	52
	– to major shareholder	768	770
Due to banks		0	5000
Accrued liabilities		1455	1520
Total Liabilities		**2303**	**7342**
Share capital		6038	6038
Legal reserves	– General legal reserve	1100	1100
	– Reserve for treasury shares	64	89
	– Share premium reserves	41878	41878
Special reserves		50000	40000
Available earnings	– Balance brought forward	9571	8640
	– Net income	18110	15098
Total Equity		**126761**	**112843**
Total Liabilities and Equity		**129064**	**120185**

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.

On February 5, 2004, ALSO Holding AG, Hergiswil, sold ALSO Comsyt AG, Emmen.

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, please refer to notes 4.14 and 3.3 to the Consolidated Financial Statements.

Contingent liabilities

CHF 1000	31.12.05	31.12.04
Sureties in favour of third parties	120 236	126 655
Guarantees in favour of third parties	91 872	78 848
Total	**212 108**	**205 503**

The sureties and guarantees are in favour of ALSO Group companies and are normally issued for one year (January 1 to December 31).

Fire insurance value of Fixed Assets

CHF 1000	31.12.05	31.12.04
Buildings	0	2 277
Equipment, furniture, EDP (global insurance of ALSO Group)	25 470	25 517
Total	**25 470**	**27 794**

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

CHF 1000	2005	2004
Balance brought forward	9 546	8 610
Transfer from reserves for treasury shares	25	30
Net income	18 110	15 098
Total Available Earnings as of 31 December	**27 681**	**23 738**
Dividends	–4 201	–4 192
Allocation to special reserves	–10 000	–10 000
Earnings Carried Forward	**13 480**	**9 546**

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 2005.

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, February 9, 2006

Ernst & Young AG

Roland Ruprecht	Marcel Gehrig
Certified Accountant	Certified Accountant
(in charge of the audit)	

Addresses

ALSO-Group

ALSO Holding AG
Seestrasse 55
CH-6052 Hergiswil

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

www.also.com

Distribution 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

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

Distribution Germany

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

Tel. +49 9421 93 3000
Fax +49 9421 93 3991

www.also.de

Alliance EWG

European Wholesale Group GmbH
Seestrasse 55
CH - 6052 Hergiswil

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

www.ewg-group.com

For further information please contact:

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

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

Permanent source of information:
www.also.com

Imprint

Concept / Editing

ALSO Holding AG
Corporate Communications
CH-6032 Emmen
www.also.com

Design

Quint AG
Marketing & Kommunikation
CH-6330 Cham
www.quint.ag

Illustration

Martina Wember
DE-10551 Berlin
www.wemberzeichnung.de

Photographer

Matthias Studer
CH-8934 Knonau
www.msphotography.ch

Print

Zürcher Druck + Verlag AG
CH-6343 Rotkreuz
www.zuercher-druck.ch

ALSO

more than distribution