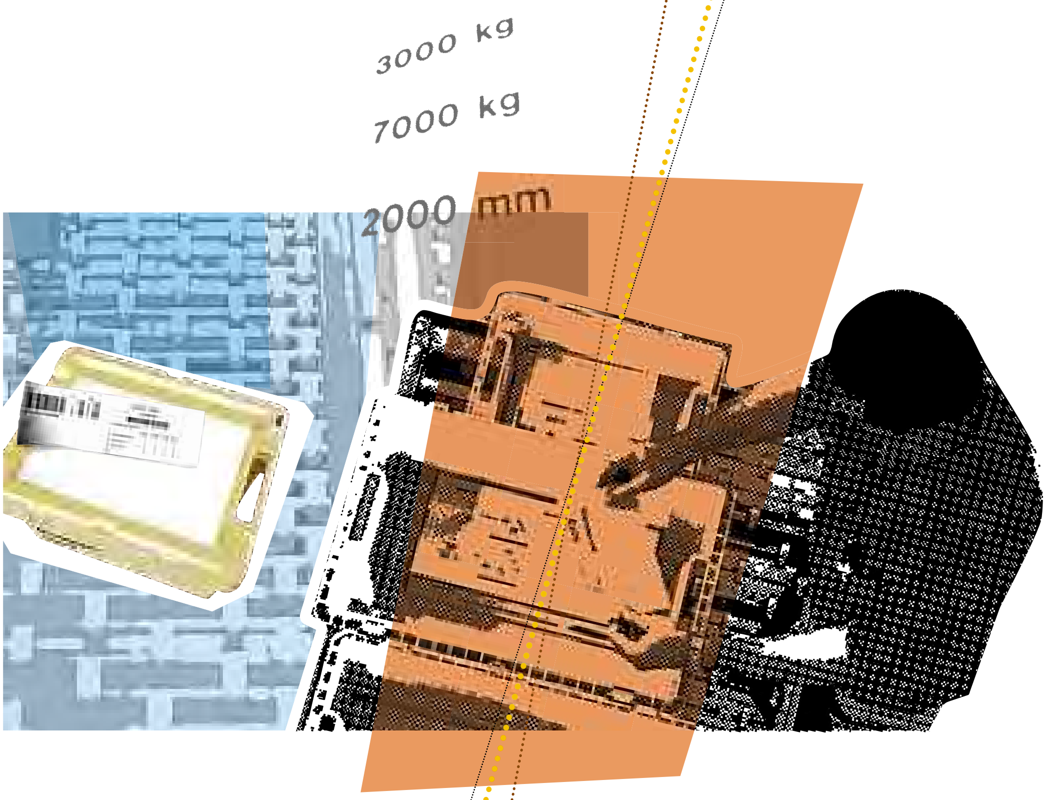
# Annual Report 2008




ALSO
more than distribution

# ALSO in brief

The ALSO Group is one of the leading European companies in the wholesale and logistics sector for information technology and consumer electronics (ICE). In 2008, ALSO generated net sales of CHF 4 851.3 million with 1 658 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 is active in seven European countries. Under ALSO's name in Switzerland and Germany, under GNT's name in Finland, Sweden, Estonia, Latvia, Lithuania.

**Core competencies**
ALSO specializes in ICE distribution and logistics services.

As part of its ICE distribution activities, ALSO works with well-known manufacturers of hardware and software, and provides additional services in value-added sectors such as high-end-servers, storage, security and networks. In addition to this, distribution offers a wide range of IT consumables. Its strongest points are high-level availability and compliance with the strictest quality standards.

As an outsourcing partner for other companies, ALSO supplies customized logistics services for the IT, home electronics and telecommunications sectors and sees itself here as part of a complex value-added chain that ALSO optimizes with a range of top-quality market services.

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

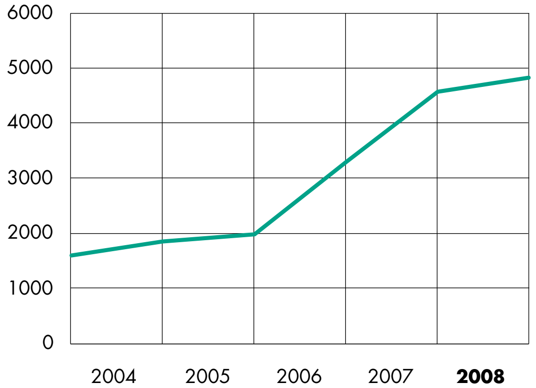
- We provide more customer value than the competition.
- We make only promises we can keep.
- We are personally committed to every one of our customers.
- We cultivate long-term partnerships.
- We measure ourselves against the zero-error principle.

# ALSO at a glance

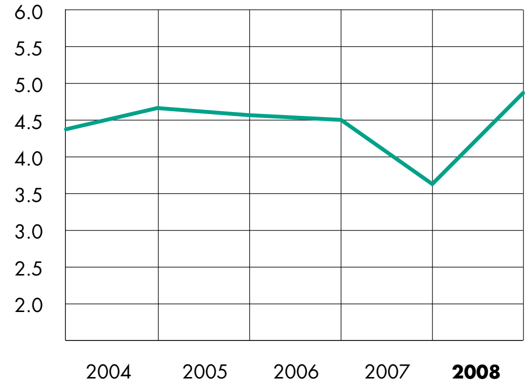
| Income Statement (Mio. CHF) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Net sales [1] | 4 851.3 | 4 598.8 | 3 277.1 | 1 980.3 | 1 852.2 |
| Gross Profit [1] | 233.5 | 239.0 | 152.9 | 101.1 | 107.9 |
| Operating profit (EBIT) [1] | 55.8 | 69.3 | 29.2 | 23.4 | 30.6 |
| Profit continuing operations [1] | 23.3 | 33.1 | | | |
| Net profit (loss) | –11.2 | 14.8 | 12.2 | 17.1 | 20.9 |
| **Cash flow statement (Mio. CHF)** | | | | | |
| Cashflow | 13.5 | 27.5 | 20.4 | 22.0 | 25.2 |
| Investments in fixed assets | 7.5 | 9.7 | 8.1 | 3.6 | 4.3 |
| **Balance sheet (Mio. CHF)** | | | | | |
| Total assets | 877.3 | 1 144.3 | 1 416.9 | 438.6 | 424.9 |
| Total shareholders' equity | 180.1 | 215.2 | 202.1 | 190.8 | 176.5 |
| **Key figures** | | | | | |
| Gross Margin [1] | 4.8 % | 5.2 % | 4.7 % | 5.1 % | 5.8 % |
| Operating Margin [1] | 1.2 % | 1.5 % | 0.9 % | 1.2 % | 1.7 % |
| Profit continuing operations in % sales [1] | 0.5 % | 0.7 % | | | |
| Return on sales | –0.2 % | 0.3 % | 0.4 % | 0.9 % | 1.1 % |
| ROIC (Return on invested capital) [1] [2] | 9.2 % | 9.6 % | 5.9 % | 8.0 % | 10.3 % |
| ROA (Return on assets) [1] [3] | 5.9 % | 4.8 % | 3.4 % | 4.9 % | 6.5 % |
| Sales-to-assets ratio [1] [4] | 4.8 | 3.6 | 4.5 | 4.6 | 4.7 |
| Number of registered shares at CHF 10 [1] [6] | 6 039 012 | 6 038 590 | 6 038 590 | 6 038 590 | 6 038 590 |
| Dividende per registered share (CHF) [5] [6] | 0.0 | 0.7 | 0.7 | 0.7 | 0.7 |
| Equity per registered share (CHF) [6] | 29.8 | 35.6 | 33.5 | 31.6 | 29.2 |
| Share price, high (CHF) [6] | 63.0 | 73.3 | 65.0 | 44.4 | 37.5 |
| Share price, low (CHF) [6] | 29.0 | 60.1 | 39.9 | 32.0 | 29.1 |
| Market Capitalization at 31 Dec (Mio. CHF) | 193.2 | 416.7 | 389.5 | 241.5 | 194.4 |
| Personnel at 31 Dec [1] [7] | 1 658 | 1 765 | 2 047 | 623 | 602 |
| Average personnel during year [1] [7] | 1 702 | 1 695 | 1 066 | 593 | 613 |

[1] 2007 and 2008 only operations continued
[2] NOPAT / capital employed
[3] Net income + interest / average total assets
[4] Net sales / average total assets
[5] Board of Director's proposal 2008
[6] All figures after the ten-for-one stock split of 23 March 2006 (The previous years were adjusted accordingly)
[7] Basis: equivalent full-time employees including temporary employees

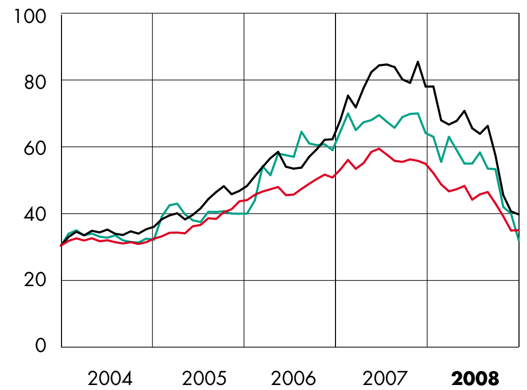
**Sales** [1)]
CHF million




**Asset productivity** [1)]
Sales-to-asset ratio

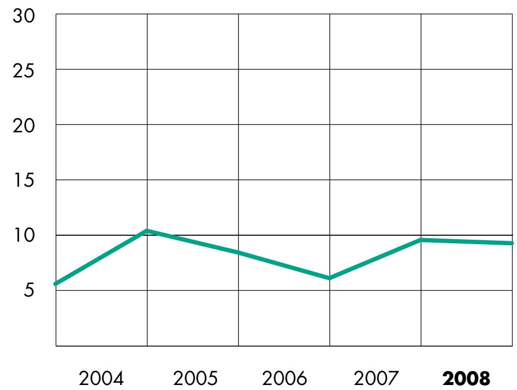



**Share price**
CHF (adjusted)

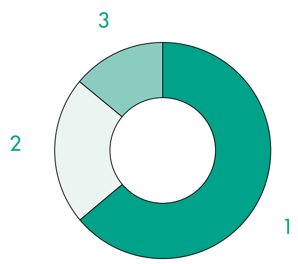



ALSO Holding NA (adj.)
Swiss Performance Index – (SPI)
Vontobel small cos. – price index (VSC)
(Quelle: Datastream)

**Return on invested capital (ROIC)** [1)]
percent




[1)] 2007 and 2008 only operations continued




**Shareholder structure**

| | |
|---|---|
| 1 Schindler Holding AG | 64.0 % |
| 2 Institutional Investors | 25.7 % |
| 3 Diverse smaller portfolios | 10.3 % |

**Stock details**
Since 1986 ALSO is quoted on the Swiss SIX Stock Exchange.
Symbol: ALSN
Security No.: 2459027
ISIN: CH0024590272

**Important dates**

| | |
|---|---|
| Annual General Meeting: | 11 March 2009 |
| Quarterly report: | 20 April 2009 |
| First-half report: | 28 July 2009 |
| Quarterly report: | 20 October 2009 |
| Annual results media conference: | 15 February 2010 |

# Content

# Board of Directors' Report

In an extremely demanding market environment, ALSO consolidated its position among the leading European ICE distributors. By taking over 100% of GNT, ALSO gained unrestricted freedom of action and closed two subsidiaries with immediate effect; Poland and Sweden, both of which made losses in 2008. The continuing operations generated a net profit of CHF 23.3 million in 2008. ALSO is thus well positioned to master the challenges expected in 2009.

As a result of the global financial crisis and its negative repercussions on the real economy, the European PC markets in which ALSO operates slowed noticeably in the second half of 2008, particularly in the fourth quarter. Although unit sales were up on the previous year, the accelerating decline in average unit prices meant there was virtually no growth in value terms. Indeed, as regards value, some markets finished even lower than in 2007.

Matters were further exacerbated by a brief hike in interest rates, the short-lived but massive rise in oil prices with the resulting increase in transport costs, and unusually high volatility in the foreign currencies relevant to ALSO's operations.

Against this extremely difficult backdrop, ALSO managed to consolidate its leading market position in Switzerland, Finland and the Baltic states, and to gain further market shares in Germany and Norway. As a result, ALSO strengthened its position among the European ICE distributors and is positioned to continue operating successfully in a market environment that seems set to become increasingly difficult.

**Unrestricted freedom of action at GNT**

After acquiring a majority stake in the Finnish GNT Group in summer 2006, ALSO took over the remaining 49.9% of the equity from GNT at the end of May 2008. Thus, ALSO now has the capacity to act to implement the measures it considers to be of strategic importance.

In view of the rapidly deteriorating economic environment, ALSO in the fourth quarter closed its two loss-making subsidiaries in Poland and Sweden with immediate effect. Admittedly, the Polish company had substantially improved its market position, especially with HP, in the past twelve months and the Swedish company more than halved its operating loss compared with the previous year during the first nine months of 2008. Nevertheless, neither company had any realistic prospect of operating profitably in the medium term. By closing the subsidiaries in Sweden and Poland, ALSO thus eliminated two loss-making operations that reduced net income by a total of CHF 34.5 million during the year under review.

ALSO is therefore well positioned to cope with the challenges it is expected to face in 2009. Furthermore, in 2008 ALSO implemented a number of measures designed to generate a sustainable improvement in net income. For example, all Group companies were instructed to pass on the substantial increase in transport costs in a fair manner according to the cost actually incurred. Apart from this, all Group subsidiaries carried out checks to establish what price adjustments were necessary to combat the drop in average prices and the rise in financing costs. Finally, the Group set out a number of clearly defined and ambitious targets for inventories, both at year-end and in the months ahead.

**Group loss and forgoing of dividend**

Despite an encouraging performance by the continuing operations, the closure of the two subsidiaries in Sweden and Poland resulted in a Group net loss of CHF -11.2 million (-2‰ of sales) for the year, compared with a net profit of CHF 14.8 million in 2007. After sales of CHF 417.0 million (2007: CHF 484.4 million), with closure costs of CHF 16.4 million, the two discontinued operations suffered an operating loss of CHF -31.9 million. The net loss reported by the two companies stood at CHF -34.5 million (2007: CHF -18.3 million).

In view of the Group loss, the Board of Directors will propose to the General Meeting on 11 March 2009 to forgo a dividend for the financial year 2008 (2007: CHF 0.70).

**Continuing operations report good results**

In the continuing operations, despite the difficult circumstances, the sales in 2008 were up by 5% to CHF 4 851.3 million (2007: CHF 4 598.8 million). As a result of the intensified price war in a number of countries and the reduction in gross margin, the operating profit of CHF 55.8 million was CHF 13.5 million or 20% lower than in 2007 (CHF 69.3 million). Financing costs were significantly higher than in 2007 but were more than offset by an extraordinary tax impact, so that the net profit for the continuing operations fell by only CHF 9.8 million to CHF 23.3 million (previous year: 33.1 million).

Thanks to shrewd management of current assets, total assets were down by 23% to CHF 877.3 million (2007: CHF 1 144.3 million). About two-thirds of the total decrease of CHF 267.0 million was accounted for by inventories. In view of the economic situation, these had deliberately been kept low and were down by an impressive 45% over the previous year. Despite the net loss, the negative influence of exchange rates and the unusually high level of liquid assets, the equity ratio showed a rise of 21% (2007: 19%) but was still below the target figure of 25–35%. If discontinued operations are ignored, the ALSO Group had 1 658 employees on 31 December 2008 (2007: 1 765).

**Switzerland/Germany with increased sales**

In the Switzerland/Germany region, demand for IT hardware and software products grew by 15 to 20% in unit terms. However, since average prices fell significantly, both markets showed virtually no growth in value terms.

Against this backdrop, ALSO managed to push up sales by a total of 12% to CHF 3 120.2 million (2007: CHF 2 783.6 million) and acquired new market shares in both Switzerland and Germany. Operating profit was down slightly on the previous year, mainly as a result of stiffer competition on the markets.

The Swiss subsidiary strengthened its market leadership and showed an increase in both sales and operating profit compared with the previous year. It made further inroads into growth fields like servers and high-end storage, consumer electronics, logistics services and supplies (IT consumables) and developed an additional range of products and services for its customers which are marketed through a new division, ALSO Services.

The German subsidiary pushed up its sales with virtually all vendors. It acquired substantial market shares, particularly in the retail sector, and added more consumer products to its portfolio. However, increasingly intense pressure on prices meant that operating profit was only as high as in 2007.

**Lower EBIT in Northern/Eastern Europe**

In 2008, developments in the markets of Northern/Eastern Europe were mixed. Unit sales in the Nordic markets (Finland, Norway) were up by 10 to 15%. By contrast, as a result of the local recession, demand in the three Baltic States was noticeably down. The total sales value in this region, therefore, was lower than in 2007.

Excluding the two discontinued operations in Sweden and Poland, ALSO managed to reinforce its business in a stiffly contested market. Sales at CHF 1 731.1 Mio. was 5% down on last year (2007: CHF 1 815.2 Mio.). Operating profit (EBIT), however, was significantly below 2007 level.

In Finland, ALSO expanded its retail operations and benefited from consolidation on the Finnish IT distribution market. Although there was a marked increase in sales over the previous year, the lower gross margin and higher operating costs pushed operating profit substantially below the figure for 2007. Despite streamlining its product range, Norway maintained sales at 2007 level, but was unable to reduce the operating loss resulting from significantly lower gross margins. In view of the drastic economic slowdown, the Baltic states have suffered major declines in sales but have nevertheless succeeded in retaining their leading market position and generating a reasonable operating profit.

**EWG strategic alliance dissolved**
The European Wholesale Group (EWG), a strategic alliance co-founded by ALSO in 2002, was dissolved by the partners after around six years of successful cooperation. Since the alliance was founded, the individual partners have developed into multinational distributors and, in 2008, achieved the critical mass needed to meet the pan-European targets of the industry's most important vendors in the future. In the six years of its existence, the EWG extended its presence from five to 16 countries and tripled sales to EUR 6.1 billion. Today, the three partners, ALSO Holding AG (CH), Copaco N.V. (NL) and Esprinet S.p.A. (I) are among the most efficient market players in the European IT industry.

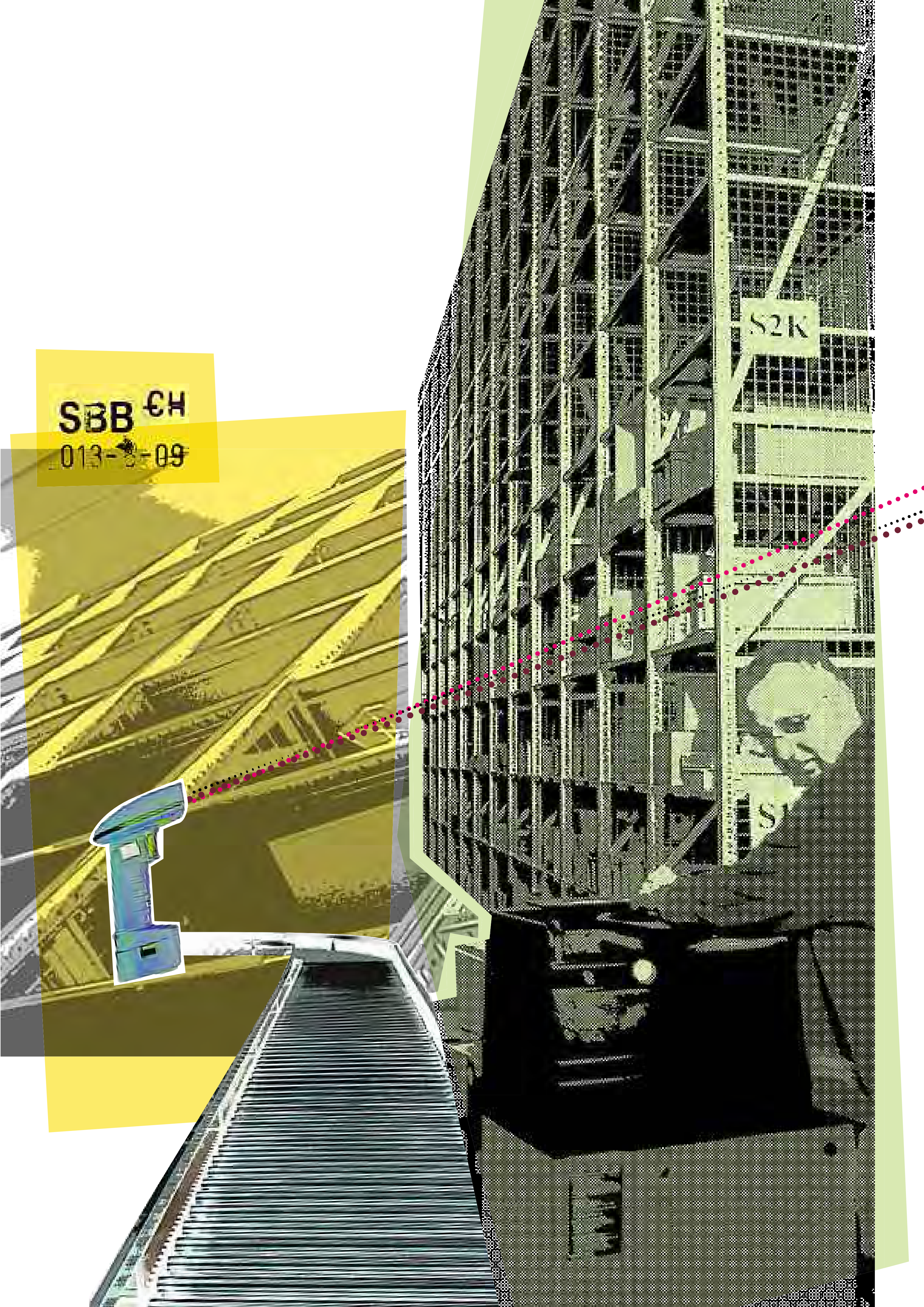
**2009: focus on earnings improvement**
In view of the worldwide financial crisis, economic growth in the entire euro area will probably shrink and, with it, demand for IT products in the European PC markets in which ALSO is involved. The decline is expected to be felt most in the hardware sector. The software sector and low-price products can probably look forward to a positive period of development.

In 2009, sustained higher earnings and an improved balance sheet are more important than volumes and the acquisition of bigger market shares. Thanks to the elimination of the loss-making operations in Sweden and Poland, as well as measures to improve results, ALSO is well equipped to master the challenges expected in 2009.

In view of the expected tail-off in demand and the elimination of Sweden and Poland from the scope of consolidation, ALSO is expecting net sales of only around CHF 4 billions and, after reporting a loss in 2008, returning to net profit.

In 2008, the environment went through a period of fundamental change at a speed hitherto unknown. In these very difficult circumstances, our staff acquitted themselves extraordinarily well and proved to be enormously flexible. The Board of Directors would like to thank them here for their enormous commitment and untiring efforts in the course of the past year. Their thanks also go to our customers for their unwavering loyalty, to our business associates for their cooperation and to our shareholders for their trust and belief in our company.

Thomas C. Weissmann
Chairman of the Board of Directors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# Market Report

ALSO continues to grow in the stagnant Swiss and German markets and has consolidated its position in a stiffly contested market comprising Finland, Norway and the Baltic states. The Polish and Swedish subsidiaries, which suffered another operating loss in 2008, were closed at year-end. ALSO is thus well positioned to master the challenges in a highly demanding market environment.

In the wake of the economic crisis in the second half of 2008, especially in the fourth quarter, there was a noticeable slowdown in the European PC markets relevant to ALSO. In unit terms, demand for desktops and notebooks was up on 2007, but the market value showed virtually no growth, or was actually lower. The discrepancy between growth in units and value was unusually high in 2008. On the one hand, average prices dropped sharply; on the other, the notebook market, which showed the highest unit growth, rose very sharply with the booming demand for a new generation of devices known as netbooks, which are in the lower price bracket.

In this extremely difficult market environment ALSO succeeded in strengthening its position in the regions of Switzerland/Germany and Northern/Eastern Europe. In Switzerland, Finland and the Baltic states, ALSO reinforced its leading market position and gained further market shares in Germany and Norway.

**Two of three loss-making operations eliminated**

In view of the rapidly deteriorating economic environment and in anticipation of the challenges to be expected in 2009, ALSO decided in autumn 2008 to close its two loss-making subsidiaries in Poland and Sweden with immediate effect. Neither company had any realistic prospect of operating profitably within the foreseeable future.

Admittedly, the Polish company substantially improved its market position in the past twelve months after introducing the vendor-oriented business model at the beginning of 2008 that has proved so successful in Switzerland and Germany. Depending on the business unit in question, it had already achieved market shares at HP of between 10 and 20% by the third quarter of 2008. Within this short space of time, the company had also built up a highly promising position in the server business with IBM. Despite the success of this development, the company was unable to secure the partnership of other vendors important to the Polish market. In view of the restrictions this posed on the company's product range, and against the backdrop of a rapidly deteriorating market environment, there was no realistic prospect of achieving the critical scale needed and operating sustainably at a profit.

During the first nine months of 2008, the Swedish company more than halved the operating loss reported in 2007. Nevertheless, there were a number of different factors that persuaded ALSO to close this company as well. Firstly, the takeover of the Swedish distributor Scribona by Tech Data in spring 2008 had a fundamental and detrimental effect on the competitive situation in Sweden. Secondly, despite many years of successful partnership, two major vendors were not prepared to appoint ALSO as partner for certain product categories. This made it impossible for the company to achieve the critical volume and offer the range of products needed for sustainable profitability and inevitably led to the company's closure.

Both companies ceased operations at the end of 2008 and made most of their employees redundant. During the current financial year, then, the only task remaining is that of closing the companies. The cost of this has already been taken into account in the 2008 Financial Statement. Having eliminated these two loss-making operations, ALSO is now well positioned to master the challenges in an increasingly difficult market environment.

**Switzerland/Germany with increased sales**
In the Switzerland/Germany region, a total of 15 to 20% more unit sales were sold in 2008 than in the year before. However, with average prices falling sharply, the sales value in this market either stagnated or was in retreat.

In Switzerland, the number of PCs sold was up about 12% on the previous year. However, after taking the drop in average unit prices into account, the value sold is about 5 to 10% less than in 2007. In Switzerland, ALSO can attribute its growth largely to small and medium-sized customers. It generated slightly higher sales in 2008 than in the previous year and, thanks to higher service sales and rigorous cost management, also increased operating profit over 2008.

In the growth areas defined several years ago, ALSO continued to strengthen its position in 2008:

- In the server and high-end storage segment, ALSO achieved the status of "certified enterprise partner" with VMware and widened its customer base with medium- and larger-sized dealers. At the same time, ALSO profited in this sector from the increasing demand for virtualization solutions and Software as a Service (SaaS).

- The consumer electronics division enlarged its product portfolio to include Grundig, Nintendo and JVC, and in the TV segment has grown mainly on the strength of the Samsung and Sony brands.

- In the supplies sector (IT consumables), ALSO has grown with the major vendors. In this segment, growth is driven primarily by the installed printer base and the volume of printing they carry out.

- The Logistics Services division increased its business with existing customers and, as an outsourcing partner of Swisscom, supplies together with LCD-TV sets now notebooks and laptops from leading vendors like HP, Sony and Apple to Swisscom shops.

In the core portfolio of standard hard- and software products, leading A and B vendors continued to increase their market shares at the expense of C vendors and no-names. Thanks to its declared intention to focus on A and B vendors, ALSO has, as expected, benefited from this development and recorded growth primarily in the consumer segment.

The German PC market reported an approximately 20% increase in unit sales, which effectively meant stagnation in value terms. ALSO Germany, pushed up its sales with almost all vendors and did more business with existing customers. However, increasingly intense pressure on prices meant that operating profit was only as high as in 2007.

In the retail sector, ALSO exploited the potential of its newly acquired customers and showed substantial growth in this segment in 2008. At the same time, the Group expanded its fulfilment business. In 2008, the HP business unit grew mainly on the strength of consumer products and pushed up retail sales of storage products. As regards other retail operations, ALSO grew substantially with existing vendors and reported above average growth over 2007 with Samsung, Toshiba and Asus. In its software business, ALSO increased its customer basis mainly on the strength of small to medium-size retailers.

**Northern/Eastern Europe position consolidated**
In 2008, developments in the markets of Northern/Eastern Europe region were mixed. Unit sales in the Nordic markets (Finland, Norway) were up by 10 to 15%. By contrast, as a result of the local recession, demand in the three Baltic states was down sharply. The total sales value in this region, therefore, was lower than in 2007.

In 2008, the Finnish market showed 15 to 20% growth in unit sales, which was equivalent to a slight increase in value terms. ALSO reinforced its leading market position in Finland and significantly expanded its retail business. As a direct result of the acquisition of Scribona by Tech Data, the Group acquired additional customers. The Finnish Group thus generated higher sales in 2008 than in the previous year. Although operating profit was down owing to the significantly lower gross margin and higher operating costs, it was still within the limits targeted by the Group.

Compared with the other Nordic markets, the Norwegian PC market showed only slight growth in 2008, with a mere 5 to 10% increase in unit sales, and its value was lower than the year before. In 2008, despite a reduced product range, the Norwegian subsidiary's focus on strategically important vendors enabled it to maintain the previous year's sales level. As a result of the substantially lower gross margin, the operating loss was slightly higher than in 2007.

In the Baltic states, the economy underwent severe contraction in 2008. In consequence, the PC market saw sales in both units and value fall massively. In this difficult scenario, ALSO succeeded in expanding its customer base mainly among small to medium-sized dealers. Despite the enormous drop in sales, it was able to retain its market share and generate a reasonable operating profit.

**Quality especially important in difficult times**

When the economy hits a rough patch, both vendors and customers expect more in the way of quality from their partners. For years now, ALSO has successfully focused on improving quality, and in 2008 was awarded top marks by both dealers and vendors.

In Switzerland, for the eighth time in nine years, ALSO was voted "best IT Distributor" in the annual survey carried out by trade magazine IT Reseller. In terms of the quality of sales, logistics and technical support, as well as fairness and customer loyalty, 515 dealers (compared with 476 in 2007) rated ALSO higher than the competition. Among the vendors, Adobe named ALSO "Best Channel Partner" 2008 for software distribution and ALSO was also awarded the top score – "Outstanding" – in a distributor assessment poll carried out by FSC.

In the annual survey carried out by Computer Reseller News magazine, the German subsidiary was awarded top marks and received the title of "Excellent Distributor" for the ninth time in succession. In another survey conducted by the trade magazine Channel Partner, in which over 2600 dealers took part, ALSO was voted "Preferred Distributor". And in the Distri-Award, presented in 2008 for the second time in succession by the IT-Business trade magazine, ALSO took the "Gold Award". As for the vendors, Symantec named ALSO Germany as the "best Broadline Distributor" on the strength of dynamic growth in the small and medium-sized customer segment. ALSO in Germany was also made an HP Premier Partner.

Microsoft awarded the Norwegian subsidiary its "Distributor of the Year" accolade for the second time. And, in the Apacer Excellence Award, Lithuania took the title of "Superstar", the highest accolade possible, and was likewise made "Distributor of the Year" by Microsoft.

**EWG alliance dissolved after achieving goals**

In October 2002, four leading local distributors – ALSO Holding AG (CH), Copaco N.V. (NL), Esprinet S.p.A. (I) and Westcoast (UK) – founded the EWG strategic alliance. Its aims were: (1) to generate profitable growth for its strategic partners; (2) to increase mutual efficiency through the exchange of best demonstrated practices; and (3) to enable the partners in the alliance to become more international. At the time of its foundation in 2002, the partners to the alliance were active in five countries and generated total combined sales of EUR 2.5 billion. In the six years of its existence, the EWG extended its presence in 16 countries and tripled sales to EUR 6.1 billion. After EWG had served its stated purpose, the partners decided to dissolve the alliance in 2008.

**Focus on improving results and balance sheet**

The year 2009 represents a massive challenge for the entire IT industry. Following on from the global financial crisis, recessive tendencies are beginning to manifest themselves throughout the entire euro zone. The length and intensity of recession will differ markedly from one country to another. It is difficult to predict how much the demand for IT products in the PC markets supplied by ALSO will fall.

The desktop and server market is likely to be hit hardest because corporate users will probably shelve investments in IT for the moment. As a result of the rise in demand following the introduction of the netbook in 2008 (mini notebook), the notebook market should see an increase in unit sales. Whether the actual value of the market will also grow – the average price of netbooks is considerably lower than that of other types of computer – remains to be seen. One area where there are real opportunities for growth is storage products because ever-increasing data flows require devices to manage them.

Against this difficult backdrop, ALSO's top priorities are to secure profitability and to strengthen the balance sheet. All local companies have been instructed to eliminate unprofitable operations and to pass on third-party costs – transport, for example – to customers. In Switzerland, ALSO intends to secure the profitability of its trading operations and to strengthen its service business. In Germany ALSO will be focussing on more profitable business, with a view to returning to its earlier profitability levels. In the Northern/Eastern Europe region the main aim is to achieve turnaround in Norway and to improve profitability in Finland and the Baltic states.


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# Corporate Governance

The Corporate Governance report describes the management structure and control at the highest corporate level of the ALSO Group. The content and structure of the report fulfill the requirements of the Corporate Governance Directive of the SIX Swiss Exchange that was valid as at 31 December 2008. Additionally the Corporate Governance covers the legally required disclosure of compensation and participations of the highest management level.

## 1. Group structure and shareholders

### 1.1 Group structure

The Group is operationally divided into the following areas of responsibility:

- Thomas C. Weissmann: overall Group as well as the Baltic States and Poland
- Michael Dressen: Germany, Norway, and Sweden
- Marc Schnyder: Switzerland and Finland.

With the media releases of 28 October 2008, and 10 December 2008, it was communicated that the subsidiaries in Poland and Sweden will be closed.

For a summary of the main Group companies and subsidiaries, see page 67 of the Financial Report.

### 1.2 Major shareholders

| | **31.12.08** | **31.12.07** |
|---|---|---|
| – Schindler Holding AG, Hergiswil (Switzerland) | 64.00 % | 64.00 % |
| – Bestinver Gestion, S.G.I.I.C. S.A., Madrid (Spain) | 11.06 % | 11.06 % |
| – SaraSelect Anlagefonds, Basel (Switzerland) | 5.07 % | 5.07 % |

(participation according to the Swiss Official Gazette of Commerce)

The Board of Directors decided that Bestinver Gestion and the SaraSelect investment fund should be recognized as major shareholders and that only 5 % of the voting rights they hold should be entered in the share register.

The remaining shareholders are entered in the share register with their entire holdings of shares.

### 1.3 Cross-ownership

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

# 2. Capital structure

**2.1 Capital**
**Capital structure as of 31 December 2008**

| Capital | Total | Number of registered shares | Nominal value per share |
|---|---|---|---|
| Ordinary share capital | CHF 6 039 012 | 6 039 012 | CHF 1 |
| Authorized capital | – | – | – |
| Conditional capital | CHF 150 988 | 150 988 | CHF 1 |

The market capitalization of the ALSO Group as of 31 December 2008 was CHF 193.2 million. ALSO shares have been listed on the SIX Swiss Exchange since 1986 (symbol: ALSN, security no. 2 459 027).

**2.2 Conditional capital**
At the end of 2008, ALSO Holding AG had conditional capital of CHF 150 988. This conditional capital was created for the following purpose, as defined in the company's Articles of Association:

**Employee share purchase program**
The company's share capital will be increased by a maximum of CHF 150 988 through the exercise of options issued as part of the employee share program plan established for the employees of companies affiliated to ALSO Holding AG for a maximum of 150 988 fully paid-up registered shares with a nominal value of CHF 1 each.

According to the terms of the employee share purchase program, the holders of the options are entitled to subscribe to the new shares. The subscription rights of existing shareholders do not apply to these new shares. The newly issued shares are subject to the restrictions listed under Art. 5 of the Articles of Association.

### 2.3 Changes in capital during the last three years

| Changes | Number of registered shares | Total nominal value in CHF 1000 |
|---|---|---|
| **Share capital as of 1 January 2006** | **603 859** | **6 039** |
| Increase in share capital in 2006 | – | – |
| Share split as of 23 March 2006, 1:10 | | |
| **Share capital as of 31 December 2006** | **6 038 590** | **6 039** |
| Increase in share capital in 2007 | – | – |
| **Share capital as of 31 December 2007** | **6 038 590** | **6 039** |
| Increase in share capital in 2008 | 422 | – |
| **Share capital as of 31 December 2008** | **6 039 012** | **6 039** |

### 2.4 Shares
The share capital totalled CHF 6 039 012 as of 31 December 2008. It consists of 6 038 590 fully paid-up registered shares with a nominal value of CHF 1 each. Subject to Art. 5 of the Articles of Association, each registered share entitles the shareholder to one vote as well as to a proportionate share of the available earnings and liquidation proceeds.

No shares with preferential rights exist.

### 2.5 Participation and profit-sharing certificates
No participation or profit-sharing certificates were issued.

### 2.6 Restrictions on the transferability of shares and the registration of nominees
#### 2.6.1 Restrictions on the transferability of registered shares
In accordance with Art. 5 of the Articles of Association, the Board of Directors may refuse to register a purchaser of shares as a full shareholder (i.e. as a shareholder with voting rights) if:

a) The purchaser has not acquired the shares in his/her own name and on his/her own account.
b) The purchaser would hold more than 5 % of voting rights as a result of his/her entry in the share register. The voting rights of associated shareholders are counted collectively.
c) The entry of the purchaser in the share register could prevent the company from providing evidence of its shareholder structure as required under Swiss law.

If the registered shares have been acquired directly by inheritance, the distribution of an estate or under matrimonial property law, the company cannot refuse to register the party which has acquired the shares as a full shareholder.

The Board of Directors has the right to register a purchaser who exceeds the maximum percentage holding as defined under Art. 5, para. 1 lit. b) of the Articles of Association as a full shareholder if this is in line with business interests. The Board of Directors may submit its decision to the Annual General Meeting for approval.

#### 2.6.2 Registration of nominees
The Articles of Association do not contain any special rules regarding the entry of nominees in the share register.

### 2.7 Convertible bonds and options
ALSO Holding AG has issued no convertible bonds or options.

# 3. Board of Directors

### 3.1. Members of the Board of Directors, activities and vested interests

All members of the Board of Directors hold Swiss citizenship.

**Thomas C. Weissmann**
Born 1951, Chairman of the Board of Directors and Chief Executive Officer (executive member).
Member since 1 July 1988, Chairman since 1992, elected until the 2009 Annual General Meeting.
*Present position*
Chief Executive Officer of the ALSO Group.
*Previous positions*
Director of Corporate Development at Schindler Management Ltd., Ebikon (Switzerland), Manager with the Boston Consulting Group, Munich (Germany).
*Education and qualifications*
Degree in Business Administration from the University of St. Gallen (Switzerland), MBA from the Harvard Business School, Boston (USA).

**Prof. Dr. Rudolf Marty**
Born 1949, non-executive Member since 15 June 1993, elected until the 2009 Annual General Meeting.
*Present position*
Owner, consultant of OPEXIS GmbH in Horw (Switzerland)
*Other activities and interests*
Professor of Information Technology at the University of Zurich (Switzerland), President of the Gebert Rüf Foundation, Basel (Switzerland), Member of the IT Expert Committee of the Institute of Technology, Rapperswil (Switzerland), Member of the IT Committee of the University of Zurich (Switzerland).
*Previous positions*
Managing Partner of "itopia – corporate information technology", Zurich (Switzerland), Head of Applications Development at the Union Bank of Switzerland (UBS), Zurich (Switzerland), Head of the IT Research Laboratory of UBS, Zurich (Switzerland).
*Education and qualifications*
Degree in Business Administration and a Doctorate in Information Technology from the University of Zurich (Switzerland).

**Prof. Dr. Karl Hofstetter**
Born 1956, non-executive Member since 22 April 1996, elected until the 2009 Annual General Meeting.
*Present position*
Executive Member of the Board of Directors of Schindler Holding Ltd. and Group General Counsel.
*Other activities and interests*
Honorary Professor in Civil and Commercial Law at the University of Zurich (Switzerland), Member of the Governing Council of the University of Lucerne (Switzerland), Member of the Commission of Experts on Disclosure of Shareholdings of the SIX Swiss Exchange, Member of the Arbitration Commission of the Central Swiss Chamber of Commerce, Member of the Board of Directors of Venture Incubator AG, Zug (Switzerland), Visiting Professor at Harvard Law School (USA), spring term 2009.
*Previous positions*
Practiced law in Zurich (Switzerland) and New York (USA).
*Education and qualifications*
Studied Law and Economics at the University of Zurich (Switzerland), Stanford, UCLA and Harvard (USA); qualified to practice law in Zurich (Switzerland) and New York (USA).

**3.2 Election and term of office**

The members of the Board of Directors are elected for a term of office of three years and can be subsequently re-elected. All of the members were elected individually at the General Meeting 2006. The Board of Directors determines its organization autonomously.

A member of the Board of Directors must retire at the Annual General Meeting at which the Annual Report for the financial year in which he/she reaches the age of 70 is approved.

**3.3 Internal organization**

**3.3.1 Division of roles within the Board of Directors and working methods**

The Board of Directors is responsible for the overall direction of the ALSO Group as well as for the supervision and control of the Executive Board in accordance with the Articles of Association, regulations and applicable legislation.

Furthermore, the Board of Directors is responsible for reaching decisions relating to the following issues in particular:

- The objectives and strategy of the entire Group;
- The basic conditions for business activities;
- The composition of Group Management;
- Transactions exceeding specific sums.

As part of its duties, the Board of Directors defines the Group's organizational structure and appoints the Group Management and the individuals who are responsible for representing the company.

The Board of Directors takes decisions only when all its members are present.

The Chairman of the Board of Directors convenes meetings as often as the Group's operations require them, with at least four ordinary half-day or full-day meetings being held per year. In addition to these ordinary meetings, the Board of Directors holds one two-day strategy meeting per year together with the Group Management. A total of 8 meetings were held during the year under review.

**3.3.2 Committees**

The Board of Directors has no standing committees. However, it may establish ad-hoc committees to carry out preparatory work and to execute its decisions.

**3.4 Delegation of responsibilities**
The delegation of responsibilities between the Board of Directors and Group Management is set out in the Organizational and Business Regulations of ALSO Holding AG, Hergiswil.

In the Organizational and Business Regulations, the Board of Directors delegates the operational management of the company to the Group Management unless the law, Articles of Association or organizational regulations stipulate otherwise. In addition, the Board of Directors is authorized to make decisions on all matters which do not fall within the remit of the Annual General Meeting or another corporate body according to the law or the Articles of Association.

**3.5 Group Management reporting and control**
The ALSO Group has at its disposal a comprehensive electronic management information system (MIS).

At each meeting, the Board of Directors is informed by the Group Management about the current performance of the business and any significant operational matters. All members of the Board of Directors are notified immediately of any exceptional occurrences.

The annual financial statements, half-yearly financial statements, quarterly financial statements as at March and September, and budget of the Group, as well as the annual financial statements of ALSO Holding AG are presented to the Board of Directors for approval.

The Executive Committee of the Board of Schindler Holding Ltd. and the company's Audit Committee are responsible for monitoring the activities of ALSO Group Management as part of the uniform management approach practiced by the Schindler Group. These duties are defined in conjunction with the Board of Directors of ALSO Holding AG. Furthermore, Prof. Dr. Karl Hofstetter serves as both a Member of the Board of Directors of ALSO and a Member of Schindler's Audit Committee.

Once yearly, a two-day meeting of the Board of Directors takes place with the members of the Management Committee.

The Board of Directors defines and evaluates the most critical risks for the Group by the means of detailed risk catalogue. Consequently, the Group Management compiles a list of actions to mitigate the risks and minimize the potential damages. The list of mitigating actions is presented to the Board for assessment and approval; the Board also controls the implementation.

# 4. Group Management

**4.1 Members of the Group Management**

Michael Dressen is a German citizen. All other members of the Group Management are Swiss citizens.

**Thomas C. Weissmann**

Born 1951

*Present position*

Executive Member of the Board of Directors since 1 July 1988 (Chairman since 1992), Chief Executive Officer of the ALSO Group since 1 October 1988. Area of responsibility: the Baltic States and Poland.

*Previous positions*

Director of Corporate Development at Schindler Management Ltd., Ebikon (Switzerland), Manager with the Boston Consulting Group, Munich (Germany).

*Education and qualifications*

Degree in Business Administration from the University of St. Gallen (Switzerland), MBA from the Harvard Business School, Boston (USA).

**Michael Dressen**

Born 1956

*Present position*

Managing Director of ALSO Deutschland GmbH, Straubing (Germany) since 1 June 2005. Area of responsibility: Germany, Norway and Sweden.

*Previous positions*

Managing Director of DHI Consulting GmbH, Munich (Germany), CEO of AmeriQuest Technologies, Los Angeles (USA), COO of Transtec AG, Tübingen (Germany), CEO of 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) since 1 January 1988.
Area of responsibility: Switzerland and Finland.
*Previous positions*
Head of Human Resources at ALSO Holding AG, Hergiswil (Switzerland), various teaching positions.
*Education and qualifications*
Assistant in nuclear medicine, IT and commercial training, teacher training.

**Hans Wyss**
Born 1958
*Present position*
Chief Financial Officer of the ALSO Group since 1 March 2005.
*Previous positions*
Head of Finance & HR at ALSO Schweiz AG, Emmen (Switzerland), Head of Finance & Administration at PMT AG, Zug (Switzerland), Head of Finance & Administration at ESEC SA, Cham (Switzerland), Head of Finance & Administration of Perkin Elmer, Rotkreuz (Switzerland).
*Education and qualifications*
Degree in Business Administration, School of Economics and Business Administration (HWV), Lucerne (Switzerland), Postgraduate Diploma in Corporate Finance, Lucerne School of Business (HSW), Lucerne (Switzerland).

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

**4.2 Management agreements**

The ALSO Group procures certain management services from the Schindler Group. The full details of this arrangement are set out in a management agreement between Schindler Management Ltd., Ebikon (Switzerland) and ALSO Holding AG, Hergiswil (Switzerland).

Where required, ALSO mandates Schindler with the implementation, supervision and management of tax, legal and actuarial services. In addition, ALSO procures services from Schindler in the areas of treasury, the planning of human resources, recruitment, marketing and controlling.

Management fees, which are charged at the market rate on an arm's length basis, are based on the actual services rendered during the period under review and the expertise of the staff involved. Management fees totalled TCHF 3 462 for the year under review (previous year: TCHF 3 070).

The management fees also include the total compensation paid to Thomas C. Weissmann by Schindler Management Ltd. and charged to ALSO.

There are no further management agreements with third parties.

# 5. Compensation report

### 5.1 Principles

The success of the ALSO Group is determined by the quality and commitment of its employees. The Group's compensation policy is aimed at attracting, motivating and retaining qualified professionals. Moreover, it offers performance-related compensation that is designed to encourage an entrepreneurial attitude and approach among its staff.

Basic compensation principles:

- Compensation is based on performance and is in line with the market;
- Employees are able to participate in the Group's success;
- Decisions relating to compensation are fair and transparent.

### 5.2 Responsibilities and procedures to determine compensation

Thomas C. Weissmann, Chairman of the Board of Directors and Chief Executive Officer, has an employment contract with Schindler Management Ltd. The compensation paid to him by Schindler Management Ltd. is charged to ALSO in the form of management fees. The compensation paid to Thomas C. Weissmann is determined by the non-executive members of the Board of Directors of the ALSO Group on basis of a common appraisal together with a representative of Schindler Holding AG.

Prof. Dr. Karl Hofstetter, a non-executive member of the Board of Directors, also has an employment contract with Schindler Management Ltd. and his compensation is paid exclusively by Schindler Management Ltd. This is not charged to ALSO Group.

The Board of Directors approves the fee paid to the second non-executive member of the Board of Directors based on the Chairman's proposal.

The Board of Directors approves the compensation paid to the members of Group Management based on the Chief Executive Officer's proposal.

The Chairman informs the Board of Directors about the compensation process once a year and proposes changes to the compensation system where necessary.

The Board of Directors performs its role without the assistance of external consultants.

### 5.3 Compensation system

#### 5.3.1 Board of Directors

#### 5.3.1.1 Non-executive members of the Board of Directors

The non-executive member of the Board of Directors paid by ALSO, Prof. Dr. Rudolf Marty, receives a fixed fee but no performance-related compensation for his work. No direct compensation is paid to Prof. Dr. Karl Hofstetter by ALSO, and the compensation paid to him by Schindler is not charged to ALSO.

#### 5.3.1.2 Executive members of the Board of Directors

Thomas C. Weissmann receives for his work as Chief Executive Officer a compensation as described in paragraph 5.3.2. He does not receive any aditional compensation for his work as Chairman of the Board of Directors.

#### 5.3.2 Group Management

The Chief Executive Officer receives a compensation consisting of fix and variable components. The fixed compensation comprises a monthly salary, a thirteenth month's salary, and flat-rate reimbursement of representation and car expenses. A fixed savings contribution is also made to the Schindler Foundation (pension fund for managerial employees). In addition, certain fringe benefits may be received.

The variable compensation comprises a bonus (cash bonus plus shares of ALSO Holding AG) as well as options on shares of ALSO Holding AG, and depends 100 % on attainment of the financial goals. The shares and options are awarded under the Schindler capital participation plan (cf. paragraph 5.3.3.2).

The variable compensation comprises approximately 45 % of the total compensation. The target bonus (cash bonus plus shares) for the respective reporting year is determined at the beginning of that year. The actual bonus can be between 0 and 150 % of the target bonus.

The other members of Group Management receive both fixed and performance-related (variable) compensation. The fixed compensation comprises a monthly salary as well as an allowance for representation expenses. Certain benefits in kind and fringe benefits may also be provided.

The variable compensation consists of a cash bonus and the opportunity to participate in the share purchase program (see paragraph 5.3.3.1 “ALSO share purchase program”) of ALSO. The cash bonus is determined as follows: 30% is based on the achievement of budgeted net profit, 30% on the EBT of the business area for which the member of Group Management is responsible and 40% on the achievement of personal (qualitative) targets. In the case of members of Group Management who are not responsible for any line operations, the personal (qualitative) targets have a 70% weighting.

The variable compensation comprises approximately 45% of the total compensation. The target bonus (cash bonus) for the respective reporting year is determined at the beginning of that year.

**5.3.3 Employee share participation plans**

**5.3.3.1 ALSO share purchase program**

On 1 January 2001, a share purchase program was introduced for the employees of the ALSO Group. The program offers Group employees the opportunity to become shareholders at preferential terms and to subsequently participate in the long-term success of the ALSO Group.

The following parameters apply to the share purchase program:

- Max. purchase amount p.a.: 2.5% of annual gross salary (incl. cash bonus) of the previous year
- Basis for purchase price: average closing share price for the period 1–15 April
- Price reduction: 50%
- End of subscription period: 30 April
- Delivery: 1 June
- Restriction period: 2 years

The Board of Directors has decided not to continue the program after the end of fiscal year 2008.

**5.3.3.2 Schindler capital participation plan**

As the Chairman of the Board of Directors and Chief Executive Officer, Thomas C. Weissmann has an employment contract with Schindler Management Ltd. and participates in the Schindler capital participation plan 2000. However, he is allocated shares and options of ALSO Holding AG instead of shares and options of Schindler Holding Ltd. Thomas C. Weissmann is not eligible to participate in the ALSO share purchase program.

A capital participation plan comprising a stock and option plan was created for the executive management of the Schindler Group in 2000. The plan has a term of six years and was extended by a further six years in 2006. The Board of Directors of Schindler decides on the specific structure of the plan and its beneficiaries on an annual basis.

- Under the share plan, 30% of the bonus up to a maximum of CHF 135 000 is paid in the form of shares of ALSO Holding AG at an award value that is determined in advance. The award value for the shares is determined by the Schindler Board of Directors in December of the respective financial year. The award value per share is normally based on the average market price of the shares in December of the previous year less a discount that is defined by the Board of Directors. The number of shares is also determined in December, and their ownership transferred to the recipient in April of the following year. The shares carry all associated rights, but are subject to a restriction period of three years during which they may not be sold.

- Under the option plan, the President of the Management Committee receives options on shares of ALSO Holding AG with a maximum value of CHF 90 000. The exercise price of the options is determined by the Schindler Board of Directors in March of the respective reporting year. The exercise price is normally based on the average market priced of the shares in December of the previous year plus a premium that is defined by the Schindler Board of Directors. In December of the reporting year, the Schindler Board of Directors determines the value for which the recipient should receive options. The number of options to be awarded is calculated by dividing the value to be awarded by the economic value of the option (Black Scholes formula) as at the date on which the exercise price is determined. On expiration of the restriction period of three years, one option carries entitlement to purchase one registered share of ALSO Holding AG, payment in cash is not allowed. The exercise period after expiration of the restriction period is three years.

**5.3.4 Employment contracts and special awards**
There are no employment contracts with a notice period exceeding one year.

The employment contracts with members of the Group Management do not contain any clauses relating to severance payments or awards (e.g. "golden parachutes") in the event of a change of control.

**5.4 Compensation paid in the year under review**
Due to the current economic situation the Schindler Board of Directors decided in its meeting in December 2008 to set the average market value of the shares from 6 to 19 January 2009 as the basis for the stock and option allotment.

The exercise price for the shares to be awarded to Thomas C. Weissmann under the share plan (cf. paragraph 5.3.3.2 "Schindler capital participation plan") was thus set at CHF 26.55 (average market value of the shares in the period of 6 to 19 January of CHF 29.50 less the discount of 10% defined by the Board of Directors on account of the three-year restriction period).

It was decided not to award any options to Thomas C. Weissmann for the financial year 2008.

For the other members of the Management Committee, under the voluntary share purchase programme (cf. paragraph 5.3.3.1 "Share purchase program") an average price of CHF 57.87 for one share of ALSO Holding AG was set (average of the closing prices from 1.04. to 15.04.2008). The purchase price at preferential conditions (discount of 50%) was thus CHF 28.90 per share.

The following compensation disclosure comprises the compensation paid to the members of the Board of Directors and Group Management for the entire year under review, subject to the following additional provisions and restrictions:

- The variable compensation components reported below relate to the financial year which has been completed.
- The delivery of shares and options and the payment of the cash bonus to the Chief Executive Officer by Schindler takes place in April of the following year. The cash bonus is paid to the other members of Group Management in February of the following year.
- New entrants to the Board of Directors or Management Committee become entitled to the compensation as from the date on which they take over the respective function.
- Company cars can be made available to members of Group Management in individual cases. This benefit is reported under "Benefits in kind".
- Members of the Board of Directors and Group Management may receive certain fringe benefits. Provided individual benefits do not exceed the value of CHF 500 and the total benefits do not exceed the value of CHF 20000 per financial year, they are not reported.
- Any contributions to pension funds or executive insurance plans and any benefits in the form of discounted insurance premiums are reported as "Pension expenses".
- No severance payments or securities (sureties, guarantees, etc.) were made or granted to the members of the Board of Directors or Group Management in the year under review. The company did not waive any claims vis-à-vis members of the Board of Directors or Group Management.
- The members of the Board of Directors and Group Management did not receive any fees or compensation for additional work completed for ALSO Holding AG or another Group company.

### 5.4.1 Members of the Board of Directors of ALSO Holding AG
### Aggregate compensation 2008 – Board of Directors

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| **CHF 1000** | Cash, fixed (gross) | Pension expenses | **Total 2008** | Cash, fixed (gross) | Pension expenses | **Total 2007** |
| **Thomas C. Weissmann** * Chairman, executive member | – | – | **–** | – | – | **–** |
| **Prof. Dr. Karl Hofstetter** ** Non-executive member | – | – | **–** | – | – | **–** |
| **Prof. Dr. Rudolf Marty** Non-executive member | 27 | 1 | **28** | 27 | 1 | **28** |
| **Aggregate compensation** | 27 | 1 | **28** | 27 | 1 | **28** |

* The compensation paid to Thomas C. Weissmann is reported exclusively as part of the compensation paid to the members of Group Management.
** Prof. Dr. Karl Hofstetter has an employment contract with and is paid by Schindler.

The compensation paid to Prof. Dr. Rudolf Marty did not change from previous year.

### 5.4.2 Members of Group Management of ALSO Holding AG
### Aggregate compensation 2008 – Management Committee

| | Fixed compensation | Variable compensation | | | | | |
|---|---|---|---|---|---|---|---|
| **CHF 1000** | Cash (gross) | Cash bonus (gross) | Shares [1] | Options | Benefits in kind | Pension expenses | **Total 2008** |
| **Group Management** – Total | 1 502 | 658 | 91 | – | 7 | 426 | **2 684** |
| **Highest individual compensation** – Thomas C. Weissmann | 568 | 109 | 56 | – | – | 215 | **948** |

### Number of shares and options on shares 2008 – Management Committee

| | Number of shares | Options awarded |
|---|---|---|
| **Group Management** – Total | 2 967 | 0 |
| **Highest individual compensation** – Thomas C. Weissmann | 1 763 | 0 |

[1] For the purpose of inclusion in the total compensation, the registered shares of ALSO Holding AG awarded to Thomas C. Weissmann were valued at the stock exchange price as at the end of December 2008 of CHF 32.00. For the other members of the Management Committee, the valuation was set at CHF 28.90 per share.

The highest individual compensation in the year under review was TCHF 948 (previous year TCHF 1 077), paid to Thomas C. Weissmann by Schindler.

In the year under review, the variable components of the compensation paid to the Chief Executive Officer amounted to 17 % (previous year 34 %) and for the members of the Group Management on the average to 28 % (previous year 42 %) of the total compensation.

### Aggregate compensation 2007 – Management Committee

| | Fixed compensation | Variable compensation | | | | | |
|---|---|---|---|---|---|---|---|
| **CHF 1000** | Cash (gross) | Cash bonus (gross) | Shares [1] | Options [2] | Benefits in kind | Pension expenses | **Total 2007** |
| **Group Management** | | | | | | | |
| – Total | 1 409 | 1 231 | 108 | 30 | 7 | 478 | **3 263** |
| **Highest individual compensation** | | | | | | | |
| – Thomas C. Weissmann | 468 | 268 | 66 | 30 | – | 245 | **1 077** |

### Number of shares and options on shares 2007 – Management Committee

| | Number of shares | Options awarded |
|---|---|---|
| **Group Management** | | |
| – Total | 2 195 | 1 602 |
| **Highest individual compensation** | | |
| – Thomas C. Weissmann | 955 | 1 602 |

[1] For the purpose of inclusion in the total compensation, the registered shares of ALSO Holding AG awarded to Thomas C. Weissmann were valued at the stock exchange price as at the end of December 2007 of CHF 69.00. For the other members of the Management Committee, the valuation was set at CHF 33.87 per share.

[2] The awarded options were included on the basis of the value of CHF 18.64 per option, calculated in accordance with the Hull White formula.

#### 5.4.3 Former members of the Board of Directors and Group Management

No payments were made to former members of the Board of Directors or Group Management in the year under review.

#### 5.4.4 Related parties

No payments were made to parties related to current or former members of the Board of Directors or Group Management in the year under review.

### 5.5 Loans

#### 5.5.1 Current and former members of the Board of Directors and Group Management

No loans were extended to current or former members of the Board of Directors or Group Management by ALSO Holding AG or another Group company in the year under review, and no such loans were outstanding as of 31 December 2008.

#### 5.5.2 Related parties

No loans were extended to parties related to current or former members of the Board of Directors or Group Management by ALSO Holding AG.

# Corporate Governance

**5.6 Shares, options and conversion rights**
The shares and options held by the members of the Board of Directors of ALSO Holding AG and Group Management, as well as related parties, are as follows:

**Shares, options and conversion rights – Board of Directors**

| | as of 31 December 2008 | | as of 31 December 2007 | |
|---|---|---|---|---|
| | Number of shares | Number of options | Number of shares | Number of options |
| **Thomas C. Weissmann**<br>Chairman, executive member | Included in Group Management compensation | | Included in Group Management compensation | |
| **Prof. Dr. Karl Hofstetter**<br>Non-executive member | 2000 | – | 2000 | – |
| **Prof. Dr. Rudolf Marty**<br>Non-executive member | 10 | – | 10 | – |
| **Total** | **2010** | **–** | **2010** | **–** |

**Shares, options and conversion rights – Management Committee**

| | as of 31 December 2008 | | as of 31 December 2007 | |
|---|---|---|---|---|
| | Number of shares | Number of options* | Number of shares | Number of options* |
| **Thomas C. Weissmann**<br>Chief Executive Officer, CEO | 12 297 | 8 990**/*** | 11 342 | 3 960** |
| **Michael Dressen**<br>Managing Director | 700 | | 600 | |
| **Marc Schnyder**<br>Managing Director | 3 896 | | 3 346 | |
| **Hans Wyss**<br>Chief Financial Officer, CFO | 1 981 | | 1 731 | |
| **Peter Zurbrügg**<br>Chief Information Officer, CIO | 2 204 | | 1 900 | |
| **Total** | **21 078** | **8 990** | **18 919** | **3 960** |

* Vested options only
** from fiscal year 2003 (date of purchase 2004, expiration of restriction period 2007): 3 960 } 8 990
*** from fiscal year 2004 (date of purchase 2005, expiration of restriction period 2008): 5 030

For information on the term, subscription ratio and exercise price of the options, see the overview in section 6.1 of the Notes to the Consolidated Financial Statements.

# 6. Shareholders' rights of participation

**6.1 Restrictions on voting rights**
With the exception of the restrictions on the transferability of shares, the Articles of Association do not impose any restrictions on shareholders' voting rights.

The rights of shareholders to participate in the Annual General Meeting are in line with legal requirements and the Articles of Association. Shareholders may be represented by other shareholders, corporate representatives, the independent proxy or representatives of safe-custody accounts.

**6.2 Statutory quorum**
Unless the law states that a qualified majority is required, the Annual General Meeting takes its decisions on the basis of the majority of votes cast, regardless of the number of shareholders present or shares represented.

In the case of elections, the first round of voting is decided by an absolute majority and the second round by a relative majority. If the votes are tied, the Chairman has the casting vote.

**6.3 Notice of the Annual General Meeting**
Notice of the Annual General Meeting is given in the form of an announcement in the Swiss Official Gazette of Commerce at least 20 days prior to the meeting. Although not required by statute, it is also customary for notice of the Annual General Meeting to be published in selected Swiss daily newspapers and sent to the address of shareholders recorded in the share register as a non-registered letter.

**6.4 Inclusion of an item on the agenda**
In accordance with Art. 12 of the Articles of Association, shareholders who represent 5 % of the share capital can request that an item will be included on the agenda.

**6.5 Entries in the share register**
Only shareholders with voting rights who are recorded in the share register by the deadline are eligible to attend the Annual General Meeting and to exercise their voting rights. The Board of Directors ensures that this deadline for entry in the share register is as close as possible to the date of the Annual General Meeting, i.e. not more than five to ten days prior to it. There are no exceptions to the rule regarding the deadline for entries in the share register.

# 7. Change of control and defensive measures

Art. 29 of the Articles of Association waives the obligation to submit a public offer to purchase shares under Art. 32 and Art. 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading.

There are no clauses relating to a change of control that require the payment of special awards (e.g. "golden parachutes") to the Members of the Board of Directors or the Group Management.

# 8. Auditors

**8.1 Duration of the mandate and term of office of the lead auditor**
Ernst & Young AG has been the statutory and group auditor of ALSO Holding AG since 1995. The lead auditor has been responsible for auditing ALSO Holding AG as well as the consolidated financial statements since the financial year 2005.

**8.2 Audit fee and additional fees**
The fees calculated on an accrual basis by Ernst & Young as the auditor of the consolidated financial statements and the statutory auditor of ALSO Holding AG and the majority of Swiss and foreign Group companies for audits and additional services (primarily tax consultancy) in the year under review were as follows:

| | Fees | |
|---|---|---|
| **All figures in CHF 1000** | **2008** | **2007** |
| Type of service | | |
| Audit | 865 | 826 |
| Additional mandates | 100 | 209 |

**8.3 Monitoring and control of the auditors**
The Board of Directors evaluates the performance, fees and independence of the group auditor and the statutory auditor on an annual basis. It discusses and reviews the scope of the audits as well as the resulting reports and subsequently decides on any amendments and improvements that need to be made.

Prior to the audit, the auditors receive detailed audit instructions from the Audit Committee of Schindler Holding Ltd. Special mandates from the Board of Directors of ALSO are included in the audit program.

The results of the audit are summarized in a management letter, which is submitted to the Board of Directors. The members of the Board of Directors, members of Group Management and the Audit Committee of Schindler Holding AG maintain regular contact with the statutory auditor.

# 9. Information policy

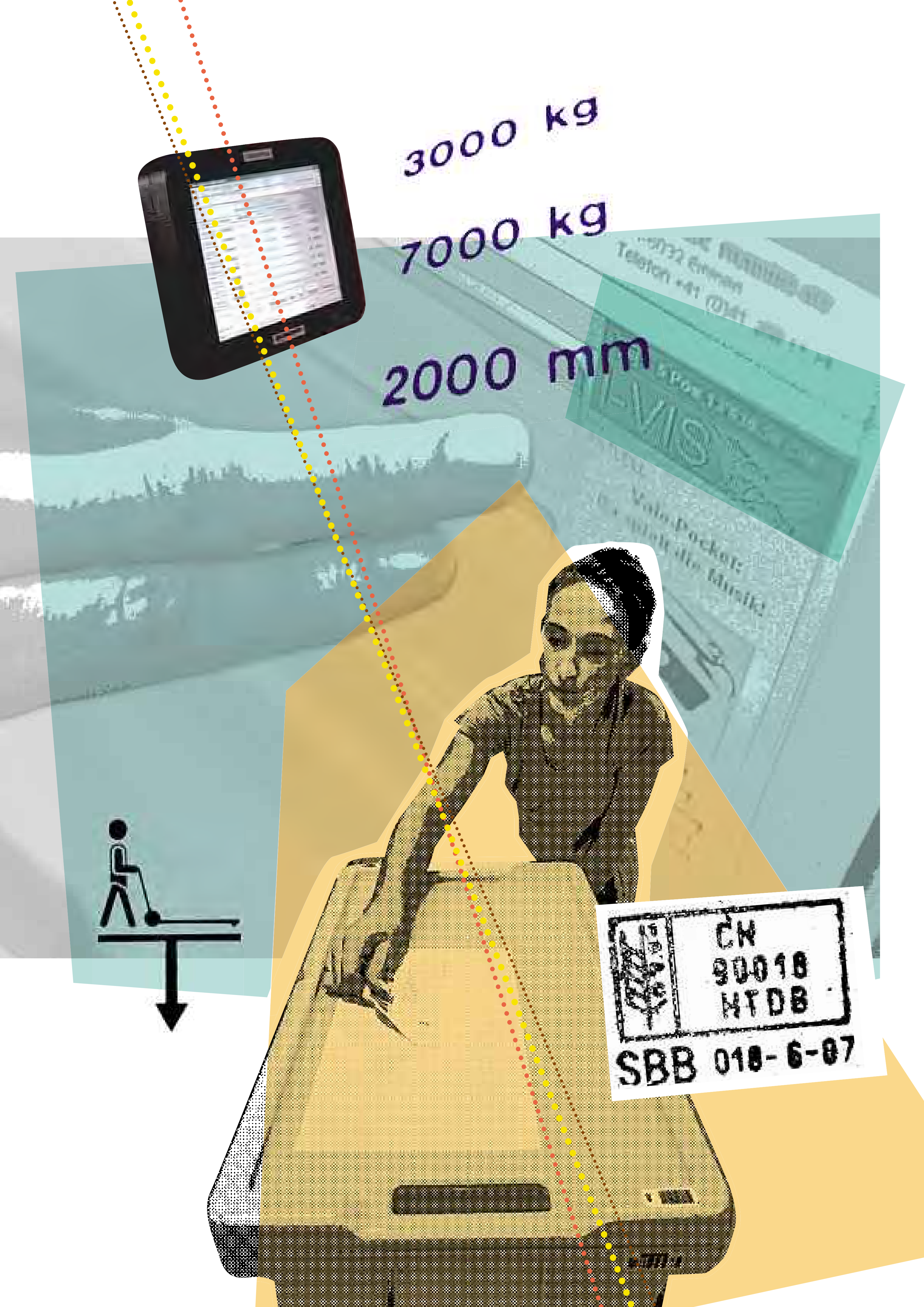
The ALSO Group publishes its key figures every quarter. Detailed financial statements are published in the form of half-year and annual reports. The financial statements published by the ALSO Group comply with the regulations of Swiss company law, the listing rules of the SIX Swiss Exchange and International Financial Reporting Standards (IFRS).

The ALSO Group also presents its financial statements at its annual media conference and Annual General Meeting.

The ALSO Group's financial reporting complies with the disclosure requirements set out in Art. 21 of the Swiss Federal Act on Stock Exchanges and Securities Trading and its ad-hoc publicity complies with Art. 72 of the listing rules of the SIX Swiss Exchange.

General information about the Group, together with its annual reports, press releases (incl. ad-hoc announcements) and its current share price, can be found at www.also.com.

Interested parties can also request that they may be included on the ALSO e-mail distribution list in order to receive information that may be relevant to the share price directly, promptly and free of charge. This service is offered on the website under "News" – "Subscribe".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# Financial Report

## Consolidated Financial Statements



## Financial Statements ALSO Holding AG

# Consolidated profit and loss statement

| CHF 1000 | Note | 2008 | | 2007 *restated | |
|---|---|---|---|---|---|
| *Continuing operations* | | | | | |
| Revenue from product sales | | 4 869 712 | | 4 605 531 | |
| Service revenue | 3.1 | 32 642 | | 33 199 | |
| Deductions from revenue | | –51 036 | | –39 913 | |
| **Total net sales** | **3.1** | **4 851 318** | **100.0 %** | **4 598 817** | **100.0 %** |
| Cost of goods sold and service expenses | | –4 617 863 | | –4 359 850 | |
| **Gross margin** | | **233 455** | **4.8 %** | **238 967** | **5.2 %** |
| Personnel expenses | 3.2 | –122 945 | | –115 629 | |
| Other operating expenses | 3.4 | –70 444 | | –68 461 | |
| Depreciation and amortization | 4.5 / 4.6 | –11 699 | | –11 672 | |
| Other operating income | 3.4 | 27 454 | | 26 055 | |
| **Operating profit (EBIT)** | | **55 821** | **1.2 %** | **69 260** | **1.5 %** |
| Financial income | 3.5 | 13 576 | | 7 400 | |
| Financial expenses | 3.5 | –46 201 | | –34 728 | |
| **Profit before tax (EBT)** | | **23 196** | **0.5 %** | **41 932** | **0.9 %** |
| Income taxes | 3.6 | 148 | | –8 823 | |
| **Net profit continuing operations** | | **23 344** | **0.5 %** | **33 109** | **0.7 %** |
| *Discontinued operations* | | | | | |
| Net loss discontinued operations (after tax) | 3.7 | –34 500 | | –18 305 | |
| **Net loss (profit) Group** | | **–11 156** | **–0.2 %** | **14 804** | **0.3 %** |
| EBITDA continuing operations | | 67 520 | 1.4 % | 80 932 | 1.8 % |
| **Net loss (profit) per share in CHF** | 4.14 | | | | |
| Undiluted net loss (profit) Group per share | | –1.85 | | 2.46 | |
| Diluted net loss (profit) Group per share | | –1.85 | | 2.46 | |
| *Continuing operations* | | | | | |
| Undiluted profit per share | | 3.87 | | 5.50 | |
| Diluted profit per share | | 3.87 | | 5.50 | |

* Previous year restated according to IFRS 5 «Non-current Assets Held for Sale and Discontinued operations» (see Note 3.7).

# Consolidated balance sheet

Assets

| **CHF 1000** | Note | **31.12.08** | | **31.12.07** | |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash | 4.1 | 164 333 | | 84 024 | |
| Accounts receivable | 4.2 | 232 274 | | 380 191 | |
| Inventories | 4.3 | 213 307 | | 385 546 | |
| Prepaid expenses and accrued income | 4.4 | 110 988 | | 111 166 | |
| **Total current assets** | | **720 902** | **82 %** | **960 927** | **84 %** |
| | | | | | |
| **Non-current assets** | | | | | |
| Property, plant & equipment | 4.5 | 40 136 | | 51 215 | |
| Intangible assets | 4.6 | 115 427 | | 131 657 | |
| Investments in associated companies | 4.8 | 0 | | 54 | |
| Deferred taxes | 3.6 | 826 | | 428 | |
| **Total non-current assets** | | **156 389** | **18 %** | **183 354** | **16 %** |
| | | | | | |
| **Total assets** | | **877 291** | **100 %** | **1 144 281** | **100 %** |

# Consolidated balance sheet

Liabilities

| CHF 1000 | Note | 31.12.08 | | 31.12.07 | |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Financial liabilities | 4.9 | 130 934 | | 268 072 | |
| Deferred conditional purchase price liabilities | 4.12 | 0 | | 66 963 | |
| Accounts payable | | 280 074 | | 368 855 | |
| Accrued expenses and deferred income | 4.10 | 143 771 | | 159 104 | |
| Tax liabilities | | 3 487 | | 4 834 | |
| Provisions | 4.11 | 10 591 | | 930 | |
| **Total current liabilities** | | **568 857** | **65 %** | **868 758** | **76 %** |
| **Non-current liabilities** | | | | | |
| Financial liabilities | 4.9 | 111 486 | | 20 911 | |
| Deferred conditional purchase price liabilities | 4.12 | 0 | | 16 741 | |
| Provisions | 4.11 | 1 264 | | 1 389 | |
| Deferred tax liabilities | 3.6 | 14 809 | | 21 039 | |
| Employee benefits | 3.3 | 755 | | 274 | |
| **Total non-current liabilities** | | **128 314** | **14 %** | **60 354** | **5 %** |
| **Total liabilities** | | **697 171** | **79 %** | **929 112** | **81 %** |
| **Shareholders' equity** | | | | | |
| Share capital | | 6 039 | | 6 038 | |
| Legal reserves | | 44 146 | | 43 747 | |
| Treasury shares | 4.13 | 0 | | –15 | |
| Cash flow hedge reserve | | –801 | | –69 | |
| Foreign exchange differences | | –13 531 | | 6 241 | |
| Retained earnings | | 144 267 | | 159 227 | |
| **Total shareholders' equity** | | **180 120** | **21 %** | **215 169** | **19 %** |
| **Total liabilities and shareholders' equity** | | **877 291** | **100 %** | **1 144 281** | **100 %** |

# Consolidated cash flow statement

| CHF 1000 | Note | 2008 | 2007 |
|---|---|---|---|
| **Net profit continuing operations** | | **23 344** | **33 109** |
| Net loss discontinued operations | | –34 500 | –18 305 |
| **Net loss (profit)** | | **–11 156** | **14 804** |
| Depreciation and amortization | | 16 145 | 12 253 |
| Increase (decrease) in provisions | | 12 913 | –1 192 |
| Gains from the sale of property, plant & equipment | | –77 | 0 |
| Other non-cash items | | –4 319 | 1 597 |
| **Subtotal** | | **13 506** | **27 462** |
| Decrease in accounts receivable | | 124 533 | 254 272 |
| Decrease in inventories | | 148 632 | 43 860 |
| Increase in prepaid expenses and accrued income | | –9 486 | –14 705 |
| Decrease in accounts payable | | –62 584 | –30 902 |
| Decrease in accrued expenses and deferred income | | –3 551 | –39 411 |
| **Cash flow from operating activities** | | **211 050** | **240 576** |
| | | | |
| Additions to property, plant & equipment | | –7 452 | –9 668 |
| Additions to intangible assets | | –2 034 | –1 281 |
| Payment deferred purchase price liability | 4.12 | –80 920 | 0 |
| Disposals of property, plant & equipment | | 3 147 | 115 |
| Disposals of intangible assets | | 67 | 377 |
| Disposals of financial assets / Investments in associated companies | | 54 | 481 |
| **Cash flow from investing activities** | | **–87 138** | **–9 976** |
| | | | |
| Disposals of treasury shares | | 414 | 375 |
| Proceeds from financial liabilities | | 103 641 | 0 |
| Repayments of financial liabilities | | –133 224 | –212 618 |
| Dividends paid by ALSO Holding AG | | –4 217 | –4 209 |
| **Cash flow from financing activities** | | **–33 386** | **–216 452** |
| | | | |
| **Foreign exchange differences** | | **–10 217** | **2 006** |
| | | | |
| **Change in cash** | | **80 309** | **16 154** |
| | | | |
| Cash at 1 January | | 84 024 | 67 870 |
| **Cash at 31 December** | | **164 333** | **84 024** |
| | | | |
| Included in cash flow from operating activities | | | |
| Income taxes paid | | 5 961 | 10 990 |
| Interest paid | | 35 239 | 27 079 |
| Interest received | | 1 479 | 2 464 |

# Consolidated statement of shareholders' equity

| CHF 1000 | Share Capital* | Legal reserves | Treasury shares | Cash flow hedge reserve | Foreign exchange differences | Retained Earnings* | Total |
|---|---|---|---|---|---|---|---|
| **1 January 2007** | **6038** | **43 385** | **–28** | **–1** | **4409** | **148 257** | **202 060** |
| Foreign exchange differences | 0 | 0 | 0 | 0 | 1 993 | 0 | 1 993 |
| Cash flow hedge reserve transferred to profit and loss statement | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Fair value adjustments on cash flow hedges | 0 | 0 | 0 | –86 | 0 | 0 | –86 |
| Tax effects of changes in items recognized directly in equity | 0 | 0 | 0 | 17 | –161 | 0 | –144 |
| **Total of items recognized in shareholders' equity** | **0** | **0** | **0** | **–68** | **1 832** | **0** | **1 764** |
| Net profit | 0 | 0 | 0 | 0 | 0 | 14 804 | 14 804 |
| **Total gains and losses** | **0** | **0** | **0** | **–68** | **1 832** | **14 804** | **16 568** |
| Treasury shares | 0 | 362 | 13 | 0 | 0 | 0 | 375 |
| Employee shares/options** | 0 | 0 | 0 | 0 | 0 | 375 | 375 |
| Dividends | 0 | 0 | 0 | 0 | 0 | –4 209 | –4 209 |
| **31 December 2007** | **6038** | **43 747** | **–15** | **–69** | **6 241** | **159 227** | **215 169** |
| Foreign exchange differences | 0 | 0 | 0 | 0 | –20 227 | 0 | –20 227 |
| Cash flow hedge reserve transferred to profit and loss statement | 0 | 0 | 0 | 86 | 0 | 0 | 86 |
| Fair value adjustments on cash flow hedges | 0 | 0 | 0 | –991 | 0 | 0 | –991 |
| Tax effects of changes in items recognized directly in equity | 0 | 0 | 0 | 173 | 455 | 0 | 628 |
| **Total of items recognized in shareholders' equity** | **0** | **0** | **0** | **–732** | **–19 772** | **0** | **–20 504** |
| Net loss | 0 | 0 | 0 | 0 | 0 | –11 156 | –11 156 |
| **Total gains and losses** | **0** | **0** | **0** | **–732** | **–19 772** | **–11 156** | **–31 660** |
| Treasury shares | 0 | 399 | 15 | 0 | 0 | 0 | 414 |
| Employee shares/options** | 1 | 0 | 0 | 0 | 0 | 413 | 414 |
| Dividends | 0 | 0 | 0 | 0 | 0 | –4 217 | –4 217 |
| **31 December 2008** | **6039** | **44 146** | **0** | **–801** | **–13 531** | **144 267** | **180 120** |

* See Note 4.13
** The Chief Executive Officer's employee shares and options are managed by the principal shareholder and have no net effect on equity (see Note 6.1)

# Notes to the consolidated financial statements

## 1. Overview of business activities

The ALSO Group is a leading wholesale and logistics company in the information and communications technology and consumer electronics sector. The company has operations in Switzerland, Germany, Finland, Norway and the Baltics.

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

## 2. Consolidation and valuation principles

### 2.1 General principles

The ALSO Group's consolidated financial statements are based on historical costs with the exception of certain financial assets and liabilities, which are shown at fair value. They are drawn up in accordance with the requirements of the Swiss Code of Obligations and International Financial Reporting Standards (IFRS), as well as the accounting and valuation principles listed below. The present financial statements are available in german and english; however the german is the authoritative version.

### 2.2 Key assumptions and estimates

The drawing-up of the financial statements in accordance with IFRS requires the Management to make certain assumptions and estimates that influence the figures presented in this report. Actual results may differ from these estimates. The key assumptions are set out below:

**Impairment of goodwill**

ALSO assesses the value of goodwill at least once every year. This requires an assessment of the value in use of the underlying cash-generating unit (see also Note 2.19 Impairment). The factors estimated, such as volumes, sales prices, sales growth, gross margin, operating expenses and investments, market conditions, balance sheet structure and other economic factors are based on assumptions that the Management considers reasonable (see Note 4.7 Impairment test).

**Provisions**

By definition, the provisions entail a higher level of judgement than other balance sheet positions since the estimated obligations may lead to a higher or lower cash flow depending on the outcome of the situation (see Note 4.11).

**Pension plans**

In some countries there are defined employee benefit plans, the status of which is based partly on long term acutarial assumptions which may differ from reality. The actuarial differences which exceed the so called "10% corridor" are amortized during the employees' average remaining length of service in the company. Both the calculation and the amortization contain assumptions which may have an impact on capital and income.

### 2.3 Changes in the accounting and valuation principles

Certain new and revised International Financial Reporting Standards and Interpretations were introduced by the Group on 1 January 2008, or retrospectively as from 1 January 2007. Changes applicable for the Group and their effects on the consolidated financial statements are described below.

- IFRIC 11 – Group and Treasury Share Transactions (applicable as of 1 March 2007). The interpretation concerns the recognition of share-based payment agreements according to IFRS 2. The application of this interpretation has no impact on the ALSO Group results.

- IFRIC 12 – Service Concession Arrangements. The interpretation provides guidelines that clarify certain issues relating to the recognition and measurement of service concession agreements which can arise between public authorities and a private contracting partner. The application of IFRIC 12 has no material influence on the consolidated financial statements of ALSO.

- IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 redefines the amount that must be capitalized for plans with defined minimum contributions. According to this interpretation, employer contribution reserves no longer count in every case as assets, but only when the future service cost correspondingly exceeds the future employer contributions. The application of this interpretation has no impact on the ALSO Group results.

- IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures. The change from IAS 39 allows certain financial assets to be reclassified. If such a reclassification takes place, according to the appendices to IFRS 7, various additional items of information are required. The changes in the two standards have no material impact on the accounting practices of ALSO.

# Notes to the consolidated financial statements

### 2.4 Published standards, interpretations and amendments not yet applied

The following revisions in the standards and their effects are relevant for ALSO:

- IFRS 3 revised – Business Combinations (applicable as from 1 July 2009) contains a further development of the purchase method for business combinations. Material changes relate to the measurement of minority interests, the recognition of successive company purchases, and the treatment of conditional components of the purchase price and the auxiliary costs of the purchase.

- IFRS 8 – Operating Segments (applicable as from 1 January 2009) redefines segment reporting and replaces IAS 14 – Segment Reporting. The standard requires companies to provide explanatory information about the operational segments, the products and services offered, the countries in which they are active, and about important customers. ALSO expects no changes in segmentation.

- IAS 1 revised – Presentation of Financial Statements (applicable as from 1 January 2009) particularly differentiates more clearly between changes in shareholders' equity that have the nature of profit or loss, and those that result from transactions with shareholders. In the future, these transactions must be more clearly separated from each other.

- IAS 23 revised – Borrowing Costs (applicable as from 1 January 2009) makes it mandatory to capitalize borrowing costs and other costs that arise in connection with the borrowing of funds, and which are directly attributable to a qualified asset as part of the purchase and conversion costs. According to the former accounting principles of the Group, these costs are reported as expense under Interest Expense.

- IAS 27 revised – Consolidated and Separate Financial Statements (applicable as from 1 July 2009) contains changed rules for the purchase and sale of minority interests without loss of control, and for accounting for the loss of control of a subsidiary should this occur.

Further new and revised standards and interpretations whose effects are currently being evaluated:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (applicable as from 1 January 2009).

- IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations (applicable as from 1 January 2009).

- IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation (applicable as from 1 January 2009).

- IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (applicable as from 1 July 2009).

- Improvements to IFRS (applicable as from 1 January 2009, unless otherwise stipulated).

- IFRIC 13 – Customer Loyalty Programmes (applicable as from 1 July 2008).

- IFRIC 15 – Agreements for the Construction of Real Estate (applicable as from 1 January 2009).

- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (applicable as from 1 October 2008).

- IFRIC 17 – Distributions of Non-cash Assets to Owners (applicable as from 1 July 2009).

- IFRIC 18 – Transfer of Assets (applicable as from 1 July 2009).

Application of all of the changes and interpretations is not expected to have any material effects on the capital, financial, income, or cash flow situation of ALSO. ALSO will apply the new rules for the first time during the financial year set in the respective standard.

### 2.5 Scope of consolidation

The consolidated financial statements include the annual accounts of ALSO Holding AG, Hergiswil, Switzerland, as of 31 December, and the main group companies in which ALSO Holding AG has a direct or indirect controlling interest through a voting majority or otherwise. A list of the principal Group companies can be found under Note 6.

During the year under review, there were no changes in scope of consolidation.

### 2.6 Consolidation method

The consolidated financial statements are based on the annual accounts prepared by the individual Group companies according to uniform valuation and reporting principles.

# Notes to the consolidated financial statements

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

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

Investments in associated companies with voting rights between 20 % and 50 % are classified as "Investments in associated companies" and are accounted for using the equity method.

**2.7 Acquisitions and goodwill**

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

Existing provisions for restructuring are taken over on the date of the acquisition and any new provisions that are required are recorded in the profit and loss statement. Contingent liabilities that are taken over with the acquisition and for which the market value can be reliably determined are shown under liabilities in the balance sheet at the date of acquisition.

If the remaining minority shareholders are given the right to sell their shares to ALSO Holding AG or one of its consolidated subsidiaries in connection with an acquisition or in an unrelated context, this obligation is shown at the present value of the expected exercise price and the minority interests are derecognized. The effects of any change in the expected exercise prices are charged or credited to goodwill.

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

**2.8 Conversion of foreign currency**

Transactions in foreign currencies are converted at the prevailing rate of exchange at the time of the transaction. Exchange gains and losses arising from transactions in foreign currencies and from the adjustment of foreign currency positions at balance sheet date are recorded in the profit and loss statement. The annual financial statements of foreign subsidiaries in foreign currencies are converted to Swiss francs as follows:

- Balance sheet at year-end rates
- Profit and loss statement at average annual rates
- Cash flow statement at average annual rates

Foreign exchange differences arising from the calculation of the Group's result at average and year-end exchange rates or from equity transactions are included in the consolidated equity and are recorded in the profit and loss statement if the company is sold. Foreign currency effects resulting from specific loans, which form part of the net investment in a company, are also recorded directly under equity if there is no plan or intention to repay these loans in the near future. These differences are recorded in the profit and loss statement when the loans are repaid.

**2.9 Profit and loss statement**

The ALSO Group's consolidated profit and loss statement is prepared in accordance with the nature of expense method. Revenue from product sales and services is compared with the cost of goods and services sold (excluding personnel expenses).

| | | | Year-end rate | | Average rate | |
|---|---|---|---|---|---|---|
| **Exchange rates against CHF** | | | **2008** | **2007** | **2008** | **2007** |
| USA | USD | 1 | 1.06 | 1.13 | 1.08 | 1.20 |
| Euro countries | EUR | 1 | 1.49 | 1.66 | 1.58 | 1.64 |
| Sweden | SEK | 100 | 13.64 | 17.59 | 16.46 | 17.78 |
| Norway | NOK | 100 | 15.13 | 20.80 | 19.29 | 20.50 |

# Notes to the consolidated financial statements

**Revenue from product sales and services**
Revenue from product sales and services comprises the invoicing of deliveries of goods and services.

Revenue from the sale of goods is recognized when the risks and opportunities pertaining to the ownership of the products are transferred to the buyer. Accruals for rebates and discounts granted to wholesalers and other customers are recorded as a reduction in revenue at the time the related revenue is recorded or when incentives are offered. They are calculated on the basis of historical data and the specific terms and conditions of the individual agreements. Service revenue is recorded in the profit and loss statement as soon as the service is rendered and it becomes probable that ALSO will receive an economic gain.

**2.10 Personnel expenses / employee benefit plans**
In addition to the actual remuneration for services rendered (wages, salaries and bonuses), personnel expenses also include ancillary personnel costs and social security contributions. Long-service benefits are also recorded under personnel expenses over the period of service in question and provisions are made accordingly.

In addition to the social security contributions, the companies in the ALSO Group have a variety of employee benefit plans that comply with local regulations and practices in the countries in which they operate. They are financed either through contributions to legally independent foundations and schemes or through the recording of employee benefit obligations in the financial statements of the relevant companies.

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

For defined benefit pension plans the cost of the period is determined by a actuarial calculation using the "projected-unit-credit" method.

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

**2.11 Employee share and option programs**
On 1 January 2001, a share purchase program was introduced for the employees of the ALSO Group. This offers Group employees the opportunity to become shareholders at preferential terms and conditions, thus participating in the long-term success of ALSO Holding AG.

The following parameters apply to the share purchase program:

- Max. purchase amount/year: 2.5 % of the annual gross salary
- Basis for purchase price: Average closing share price April 1 – 15
- Price reduction: 50 %
- Subscription period ends: 30 April
- Issue date: 1 June
- Restriction period: 2 years

The Board of Directors decided in autumn 2008 not to continue the program after the reporting year.

The 50 % reduction in the price and the related social costs are charged to personnel expenses in the profit and loss statement.

Thomas C. Weissmann, as Chairman of the Board of Directors and President of the Management Committee, has an employment contract with Schindler Management Ltd. and participates in the capital participation program 2000 of Schindler, but receives shares and options of ALSO Holding AG. He is excluded from the share purchase program of ALSO.

Under the terms of the share plan, the shares that are awarded pass into the ownership of the President of the Management Committee and carry all associated rights, but are subject to a restriction period of three years during which they may not be sold.

According to the option plan, the Board of Directors of Schindler decides on an annual basis whether, and to what extent, the Chief Executive Officer should be granted options for the purchase of shares in ALSO Holding AG at a predetermined price. This plan, which will be renewed each year, will run for six years, and the options can only be exercised after a vesting period of three years. All options entitle the holder to purchase shares only and cannot be taken in cash.

# Notes to the consolidated financial statements

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

**2.12 Financial assets and liabilities**

Financial assets and liabilities are categorized as follows:

- Financial instruments originated or acquired by the company. These comprise loans and receivables created by the company.
- Financial assets "at fair value through profit and loss" are carried in the balance sheet at fair value. These are acquired principally for the purpose of generating a profit from short-term fluctuations in price (held for trading). In addition, certain financial instruments can be assigned voluntarily by designation.
- Financial instruments available for sale, which include all financial instruments which cannot be assigned to one of the above categories.
- Financial liabilities comprise mainly long-term financial debt, which is valued at (amortized) cost.

The financial assets are initially valued at cost, including transaction costs, with the exception of financial instruments held at fair value through profit and loss. All purchases and sales are booked on the trade date. Financial investments held to maturity as well as loans and receivables are valued using the amortized cost method. Financial assets available for sale are valued at market value, whereby the changes in market value (after taxes) are recorded 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.

Annually at balance sheet date, or whenever indications exist, the carrying amounts of all financial assets that are not recognized in the profit and loss statement at fair value are tested for impairment (e.g. significant financial difficulties of the debtor etc.). Any expense due to impairment is recognized in the profit and loss statement.

The method used to record the resulting gain or loss is dependent on whether the instrument 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 value of derivatives which are fair value hedges are recognized in the profit and loss statement, along with any changes in the fair value of the underlying asset or liability. Changes in the 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 changes in value recorded in shareholders' equity are included in the underlying transactions and are derecognized via the profit and loss statement. Changes in the value of items that do not qualify as hedges are recorded directly in the financial result.

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

Most financial derivatives providing effective hedging in the Group do not qualify for hedge accounting. The changes in the market value of these derivative financial instruments are immediately recorded as financial income or expense in the profit and loss statement.

# Notes to the consolidated financial statements

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

**2.14 Trade receivables**
Trade receivables are reported at nominal value less necessary impairments. The impairments make sufficient allowance for the expected default risks. Financial assets with a potential requirement for impairment are grouped with others having a similar default risk, and jointly tested for impairment, and their value correspondingly adjusted. Default rates based on historical experience are offset against the contractually foreseen payment streams. Additionally, individual impairments on trade receivables are made when there are indications that the customer will not be able to meet his payment obligations (insolvency etc.).

The impairment of trade receivables takes place indirectly via a separate impairment account. The impairment charged to the profit and loss statement in the reporting year is reported under Deductions from Revenue. Should a trade receivable no longer be collectable, the receivable along with the impairment already charged is derecognized. Should a payment subsequently be received, it is credited to Deductions from Revenue.

**2.15 Inventories**
Inventories are recognized at the lower of purchase cost or realizable net sales value. The valuation is carried out using the first-in-first-out method. Provisions are made for slow-moving inventories or inventories with purchase cost higher than market value. Unsaleable inventories are written off in full.

**2.16 Property, plant and equipment**
Property, plant and equipment are valued at acquisition cost minus economically necessary depreciation. Interest on capital as well as maintenance and repair costs that do not lead to an increase in value are not capitalized. Significant capital expenditure is broken down into its constituent parts if the estimated useful lives of the asset components differ.

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

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

**2.18 Intangible assets**
Intangible assets include goodwill as well as licenses, patents and similar rights acquired from third parties, customer and supplier contracts, brand names and software. The amortization of all intangible assets with definite useful lives is calculated using the straight-line method over the estimated useful life of the asset. Impairment losses are recognized under amortization and disclosed separately in the Notes.

Intangible assets with indefinite useful lives are not amortized. With the exception of goodwill and one brand name, no intangible assets with indefinite useful lives are capitalized.

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

# Notes to the consolidated financial statements

**2.19 Impairment**

Goodwill is subject to an annual impairment test (see Note 4.7). This requires an evaluation of the fair value or value in use of the underlying business unit. To calculate this, the future cash flows are estimated on the basis of budgeted figures over a maximum of three years, applying an appropriate discount rate. Impairment losses are recognized in the profit and loss statement and are not reversed in the following periods.

The brand name GNT was acquired in the course of 2006. This brand has an indefinite useful life. Its value is not amortized but it is subject to an annual impairment test (more frequent if necessary). Its classification as an asset with an indefinite useful life is also subject to annual review.

The value of the other non-current assets is reviewed whenever events or changes of circumstance indicate a possible impairment. If there are any indications of a substantial loss in value, the realizable value of the asset is calculated on the basis of anticipated future cash flows. If the book value exceeds the realizable 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 exists.

**2.20 Provisions**

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

Restructuring charges are accrued against the operating result in the period in which Management has committed to a restructuring plan and the costs of which can be reasonably estimated.

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

**2.21 Taxes**

Taxes on income are accrued in the same periods as the revenue and expenses to which they relate and are shown as tax liabilities. Deferred taxes include the income tax effects of temporary differences between the Group's internal valuation criteria and the local tax valuation guidelines for assets and liabilities (comprehensive liability method). With this method, deferred taxes are created for all temporary differences. Deferred taxes are adjusted annually for any changes in local tax legislation. Tax loss carry-forwards are reported as deferred tax assets only when it is probable that taxable future profits will be sufficient to utilise the loss carry-forwards (see Note 3.6).

# Notes to the consolidated financial statements

Taxes that would have to be paid in the event of a payout of retained earnings in the subsidiaries are not accrued for unless this type of payout is expected to be made in the near future.

**2.22 Equity**

The Group's capital reserves consist of payments made by shareholders in excess of the nominal value of shares. Gains or nominal losses resulting from the sale of treasury shares are also shown under capital reserves.

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

# Notes to the consolidated financial statements

## 3. Notes to the consolidated profit and loss statement

### 3.1 Segment reporting continuing operations

| By geographical market | Switzerland/Germany | | Northern/Eastern Europe | | Finance | | Group | |
|---|---|---|---|---|---|---|---|---|
| **CHF 1000** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** |
| Product revenue 3rd parties | 3 092 588 | 2 756 871 | 1 726 088 | 1 808 747 | 0 | 0 | 4 818 676 | 4 565 618 |
| Service revenue 3rd parties | 27 595 | 26 757 | 5 047 | 6 442 | 0 | 0 | 32 642 | 33 199 |
| **Total net sales** | **3 120 183** | **2 783 628** | **1 731 135** | **1 815 189** | **0** | **0** | **4 851 318** | **4 598 817** |
| Assets | 420 822 | 493 295 | 402 358 | 642 456 | 54 111 | 8 530 | 877 291 | 1 144 281 |
| Capital expenditure | | | | | | | | |
| – on property, plant and equipment | 6 816 | 3 543 | 636 | 6 125 | 0 | 0 | 7 452 | 9 668 |
| – on intangible assets | 445 | 235 | 1 439 | 971 | 150 | 75 | 2 034 | 1 281 |

The ALSO Group is a leading wholesale and logistics company in the information and communications technology and consumer electronics sector. It distributes the products of leading hardware and software manufacturers and IT consumables to traders and retailers. There is no primary segmentation.

The geographical segmentation consists of two main segments; Switzerland/Germany and Northern/Eastern Europe. The segmentation presented in the half year report has been adjusted to the organizational changes caused by the decision to close down Swedish and Polish operations.

Net revenue is allocated to the geographic regions on the basis of the place of invoicing. The assets comprise all balance sheet items that can be directly allocated to a region. Capital expenditure includes costs for the acquisition of property, plant and equipment and intangible assets.

All transactions between ALSO Group companies are carried out at arm's length. Inter-company charges have been eliminated.

The assets and liabilities which cannot be directly allocated to either segment as well as those relating to Group financing are shown under "finance".

# Notes to the consolidated financial statements

### 3.2 Personnel expenses and headcount continuing operations (previous year restated)

| **CHF 1000** | **2008** | **2007** |
|---|---|---|
| Salaries and wages | –102 193 | –96 522 |
| Social and pension costs | –18 094 | –16 444 |
| Other employee related costs | –2 134 | –2 102 |
| Employee shares / options | –524 | –561 |
| **Total personnel expenses continuing operations** | **–122 945** | **–115 629** |

Total personnel expenses include management fees amounting to TCHF 3 462 (prior year TCHF 3 070), which were paid to Schindler Management Ltd. for the use of central services.

| | Average headcount | | Change | Headcount at year end | | Change |
|---|---|---|---|---|---|---|
| | **2008** | **2007** | | **2008** | **2007** | |
| Switzerland / Germany | 744 | 692 | 7.5 % | 747 | 742 | 0.7 % |
| Northern/Eastern Europe [1] | 958 | 1 003 | –4.5 % | 911 | 1 023 | –10.9 % |
| **Total continuing operations** | **1 702** | **1 695** | **0.4 %** | **1 658** | **1 765** | **–6.1 %** |

[1] without Sweden and Poland

The following definitions for headcount apply:
- Average headcount: average number of full-time equivalents incl. temporary employees
- Headcount at year end: number of full-time equivalents incl. temporary employees

**Employee share purchase program**
To provide the shares for this program, the 2001 Annual General Meeting authorized conditional capital in the nominal amount of TCHF 243, which corresponds to 242 500 shares. Of these, 91 512 shares have been issued.

In the reporting year, some of the shares that were purchased under the employee share purchase program were taken from the conditional capital (2008: 422 shares; 2007: none) and some from the treasury stock of shares (2008: 13 881; 2007: 11 066).

The market value of the shares was calculated using the relevant stock exchange price, which on the date of purchase was CHF 57.87. The purchase price for the employees was CHF 28.90. The 50 % price reduction and related social costs are recorded in the profit and loss statement as personnel expenses.

# Notes to the consolidated financial statements

### 3.3 Employee benefits

The employee retirement benefit plans of the ALSO Group are based on the legal requirements of the respective countries. The Group has defined benefit plans in Switzerland and Norway.

**Defined benefit plan**

| CHF 1000 | | 2008 | 2007 |
|---|---|---|---|
| Fair value of plan assets | | 44 934 | 53 338 |
| Present value of defined benefit obligations | | –51 039 | –49 442 |
| **Surplus / deficit** | | **–6 105** | **3 896** |
| Unrecognized actuarial (gains) losses | | 5 350 | –2 478 |
| Assets not recognized in the balance sheet | | 0 | –1 692 |
| **Total net book value** | | **–755** | **–274** |
| Reported in the balance sheet as | – Employee benefit assets | 0 | 0 |
| | – Employee benefit liabilities | 755 | 274 |

**Net employee retirement benefit expenses for defined benefit plans**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Current service cost | –2 373 | –2 941 |
| Settlement | 0 | –52 |
| Recognized actuarial gains | 14 | 0 |
| Interest cost | –1 802 | –1 715 |
| Expected return on plan assets | 2 462 | 2 397 |
| Changes in assets not recognized in balance sheet | –1 130 | –325 |
| **Net employee retirement benefit expenses** | **–2 829** | **–2 636** |
| Effective return on plan assets | –18.5 % | 1.2 % |

# Notes to the consolidated financial statements

**Change in fair value of plan assets**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Book value as of 1 January | 53 338 | 51 502 |
| Expected return on plan assets | 2 462 | 2 397 |
| Actuarial losses | –12 608 | –1 906 |
| Employee contributions | 1 523 | 1 424 |
| Employer contributions | 2 121 | 2 421 |
| Net benefits (paid) received | –1 040 | –2 815 |
| Foreign exchange differences | –862 | 315 |
| **Book value as of 31 December** | **44 934** | **53 338** |

Employer contributions for 2009 are expected to amount to TCHF 2 612.

**Change in the present value of defined benefit obligations**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Book value as of 1 January | 49 442 | 52 380 |
| Service cost | 2 373 | 2 941 |
| Interest cost | 1 802 | 1 715 |
| Actuarial gains | –2 101 | –6 527 |
| Employee contributions | 1 523 | 1 424 |
| Net benefits (paid) received | –1 040 | –2 815 |
| Foreign exchange differences | –960 | 324 |
| **Book value as of 31 December** | **51 039** | **49 442** |

| Investment structure of plan assets | 2008 | 2007 |
|---|---|---|
| Equity instruments | 29.6 % | 32.7 % |
| Bonds | 43.3 % | 44.6 % |
| Real estate | 14.3 % | 14.3 % |
| Other assets | 12.8 % | 8.4 % |
| **Total** | **100 %** | **100 %** |

# Notes to the consolidated financial statements

| **Principal actuarial assumptions** (weighted averages) | **2008** | **2007** |
|---|---|---|
| Technical interest rate | 3.6 % | 3.6 % |
| Expected return on plan assets | 4.6 % | 4.6 % |
| Future salary increases | 2.3 % | 2.3 % |
| Future pension increases | 0.7 % | 0.7 % |
| Fluctuation rate | 15.0 % | 15.0 % |

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

**Long-term comparison**

| **CHF 1000** | **2008** | **2007** | **2006** | **2005** | **2004** |
|---|---|---|---|---|---|
| Fair value of plan assets | 44 934 | 53 338 | 51 502 | 42 885 | 34 409 |
| Change in the present value of defined benefit obligations | 51 039 | 49 442 | 52 380 | 41 409 | 33 513 |
| **Surplus / deficit** | **–6 105** | **3 896** | **–878** | **1 476** | **896** |
| Experience adjustments on plan assets | 4 149 | 3 479 | 0 | –3 018 | |
| Experience adjustments on defined benefit obligation | –10 942 | –1 925 | –2 742 | 3 598 | |

**Net pension cost for defined benefit plans**

| **CHF 1000** | **2008** | **2007** |
|---|---|---|
| Employer contributions | 2 732 | 3 653 |

### 3.4 Other operating expenses and income / continuing operations (previous year restated)

**Other operating expenses**

| **CHF 1000** | **2008** | **2007** |
|---|---|---|
| Rent, leasing, maintenance and repair expenses | –23 779 | –25 030 |
| Marketing and administrative expenses | –34 251 | –31 530 |
| Insurance, consulting and other operating expenses | –12 414 | –11 901 |
| **Total other operating expenses** | **–70 444** | **–68 461** |

# Notes to the consolidated financial statements

**Other operating income**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Gains from sales of property, land and equipment | 77 | 0 |
| Other operating income | 27 377 | 26 055 |
| **Total other operating income** | **27 454** | **26 055** |

Other operating income mainly includes contributions towards advertising costs from suppliers.

### 3.5 Financial results continuing operations (previous year restated)

**Financial income**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Interest income | 2 244 | 2 017 |
| Interest income from related parties | 10 | 245 |
| Investment income from associated companies (Note 4.8) | 0 | 18 |
| Foreign exchange gains | 11 322 | 5 120 |
| **Total continuing operations** | **13 576** | **7 400** |

**Financial expenses**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Interest expenses | –32 440 | –25 283 |
| Interest expenses to related parties | –2 203 | –239 |
| Accrued interest in conditional purchase price liabilities | –1 414 | –3 023 |
| Interest expenses to associated companies (Note 4.8) | –18 | 0 |
| Foreign exchange losses | –10 126 | –6 183 |
| **Total continuing operations** | **–46 201** | **–34 728** |
| **Financial result** | **–32 625** | **–27 328** |

**Foreign exchange differences**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Foreign exchange gains in financial income | 11 322 | 5 120 |
| Foreign exchange losses in financial expenses | –10 126 | –6 183 |
| Foreign exchange differences recorded in gross margin | –4 436 | 4 414 |
| **Total foreign exchange differences** | **–3 240** | **3 351** |

# Notes to the consolidated financial statements

### 3.6 Income taxes

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

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Income taxes incurred in the period under review | –4 872 | –8 767 |
| Income taxes incurred in prior periods | 247 | 93 |
| Deferred income taxes | 4 773 | –149 |
| **Total continuing operations** | **148** | **–8 823** |
| Total discontinued operations | 142 | 0 |
| **Total income tax income (-expense) Group** | **290** | **–8 823** |

**Analysis of tax expense**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Profit before tax continuing operations | 23 196 | 41 932 |
| Loss before tax discontinued operations | –34 642 | –18 305 |
| **Loss (profit) before taxes Group** | **–11 446** | **23 627** |
| | | |
| **Expected tax rate (weighted)** | **26.6 %** | **26.3 %** |
| | | |
| Expected income tax revenue (expense) | 3 045 | –6 213 |
| Utilization of previously unrecognized tax losses | 653 | 2 385 |
| Income tax losses not recognized | –6 747 | –3 834 |
| Income not subject to tax / non deductible expenses | 1 920 | –949 |
| Reduction deferred tax rate | 1 169 | 0 |
| Tax effect from prior periods | 247 | 93 |
| Other factors | 3 | –305 |
| **Effective income tax income (-expense)** | **290** | **–8 823** |
| | | |
| **Effective income tax rate** | **2.5 %** | **37.3 %** |

The weighted tax rate is calculated on the basis of the anticipated applicable income tax rates of the individual Group companies in their respective tax jurisdictions and amounts to 26.6 % in the year under review.

**Current and deferred income tax expense**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Current tax expense | –4 625 | –8 674 |
| Deferred tax expense | 4 773 | –149 |
| **Total income tax expense continuing operations** | **148** | **–8 823** |
| **Tax effects of changes in items recognized directly in equity** | | |
| Foreign currency adjustments on loans at foreign subsidiaries | 455 | –161 |
| Fair value adjustments on cash flow hedges | 173 | 17 |
| **Total tax effects in equity** | **628** | **–144** |

# Notes to the consolidated financial statements

| **Deferred taxes** | | **Balance sheet** | | **Profit and loss** | |
|---|---|---|---|---|---|
| **CHF 1000** | | **2008** | **2007** | **2008** | **2007** |
| Temporary differences | – Current assets | –3 875 | –7 322 | 3 627 | –662 |
| | – Property, plant and equipment | –865 | –1 127 | –4 | –255 |
| | – Intangible assets | –9 580 | –11 736 | 1 014 | 867 |
| | – Provisions | –146 | –172 | 26 | 11 |
| | – Other temporary differences | 483 | –254 | 110 | –110 |
| **Total net book value of deferred taxes** | | **–13 983** | **–20 611** | **4 773** | **–149** |
| Shown in the balance sheet as: | – Deferred tax liabilities | –14 809 | –21 039 | | |
| | – Deferred tax assets | 826 | 428 | | |

| **Movements** | | |
|---|---|---|
| **CHF 1000** | **2008** | **2007** |
| 1 January | –20 611 | –19 926 |
| Movements in temporary differences | 5 401 | –293 |
| Foreign exchange differences | 1 227 | –392 |
| **31 December** | **–13 983** | **–20 611** |

| **Tax loss carry-forwards** | | | |
|---|---|---|---|
| **CHF 1000** | | **2008** | **2007** |
| **Total tax loss carry-forwards** | | **58 698** | **98 418** |
| Of which recognized as deferred tax assets | | 0 | 0 |
| **Total tax loss carry-forwards not recognized** | | **58 698** | **98 418** |
| To be carried forward: | – in two to five years | 0 | 1 652 |
| | – in more than five years | 58 698 | 96 766 |
| **Tax effect on unrecognised tax loss carry-forwards** | | **13 477** | **30 730** |

The existing tax loss carry-forwards as of 31 December 2008 are from Germany and Norway. Due to the decision to close Sweden and Poland, tax loss carry forwards amounting to TCHF 55 501 are not included in the table above (total amount 31. 12. 08: TCHF 114 199).

The tax loss carry-forwards are not recognised as deferred tax assets as it is unlikely that the related tax benefit can be realised through future taxable profits.

On 31 December 2008, there were no deferred tax liabilities for retained income amounting to TCHF 9 091 with subsidiaries which are liable to tax in the event of a dividend payout. There are no plans for a payout in the foreseeable future in these cases.

# Notes to the consolidated financial statements

### 3.7 Discontinued operations

Closing down the operations in Poland and Sweden was announced on the press releases on 28 October and 10 December 2008. By 31 December 2008 the operational activities in both locations were stopped i.e. no more purchasing or selling was taking place. According to IFRS 5 both companies have been eliminated from the consolidated profit and loss statement as discontinued operations. Previous year has been amended accordingly.

The results of Poland and Sweden have developed as follows:

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| **Total net sales** | **416 977** | **484 365** |
| Cost of goods sold and service expenses | –409 961 | –473 845 |
| **Gross margin** | **7 016** | **10 520** |
| | | |
| Personnel expenses | –13 970 | –16 368 |
| Other operating expenses | –22 146 | –11 008 |
| Depreciation and amortization | –4 446 | –581 |
| Other operating income | 1 611 | 2 521 |
| **Operating profit (EBIT)** | **–31 935** | **–14 916** |
| | | |
| Financial income | 767 | 622 |
| Financial expense | –3 474 | –4 011 |
| **Loss before tax (EBT)** | **–34 642** | **–18 305** |
| | | |
| Income taxes | 142 | 0 |
| **Net loss discontinued operations** | **–34 500** | **–18 305** |
| | | |
| **Net loss per share discontinued operations** | | |
| Undiluted net loss per share | –5.72 | –3.04 |
| Diluted net loss per share | –5.72 | –3.04 |
| | | |
| **Cash flow discontinued operations** | | |
| Operating activities | 12 576 | –3 542 |
| Investing activities | 0 | 0 |
| Financing activities | –11 403 | 7 742 |

The closing costs of total 16.4 MCHF were recorded in other operating costs (12.5 MCHF) and depreciation/amortization (3.9 MCHF) of the reporting year. These consist mainly of personnel costs (5.4 MCHF), rents (2.4 MCHF), depreciation/amortization (3.9 MCHF), inventory and accounts receivable provisions (3.2 MCHF) and other operating costs (1.5 MCHF).

# Notes to the consolidated financial statements

## 4. Notes to the consolidated balance sheet as of 31 December

### 4.1 Cash

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Cash at bank and on hand | 111 843 | 79 109 |
| Short-term cash deposits with related parties | 52 490 | 4 915 |
| **Total cash** | **164 333** | **84 024** |

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

### 4.2 Accounts receivable

| | | | due since | | | |
|---|---|---|---|---|---|---|
| **CHF 1000** | **2008** | not due | 1 to 15 days | 16 to 30 days | 31 to 180 days | > 180 days |
| Accounts receivable from third parties | 235 938 | 199 660 | 26 921 | 1 514 | 7 509 | 334 |
| Accounts receivable from related parties | 28 | 28 | 0 | 0 | 0 | 0 |
| Total accounts receivable gross | 235 966 | 199 688 | 26 921 | 1 514 | 7 509 | 334 |
| Provision for bad debts | –3 692 | –1 188 | –526 | –86 | –1 826 | –66 |
| **Total accounts receivable net** | **232 274** | **198 500** | **26 395** | **1 428** | **5 683** | **268** |

| | | | due since | | | |
|---|---|---|---|---|---|---|
| **CHF 1000** | **2007** | not due | 1 to 15 days | 16 to 30 days | 31 to 180 days | > 180 days |
| Accounts receivable from third parties | 385 962 | 313 187 | 57 878 | 10 756 | 2 393 | 1 748 |
| Accounts receivable from related parties | 29 | 29 | 0 | 0 | 0 | 0 |
| Total accounts receivable gross | 385 991 | 313 216 | 57 878 | 10 756 | 2 393 | 1 748 |
| Provision for bad debts | –5 800 | –1 946 | –1 021 | –306 | –1 861 | –666 |
| **Total accounts receivable net** | **380 191** | **311 270** | **56 857** | **10 450** | **532** | **1 082** |

As of the date of the balance sheet, the trade accounts receivable that are neither impaired nor in arrears contain no indications that the customers will not meet their payment obligations.

By means of Asset Backed Securities (ABS) transactions, ALSO has sold trade receivables to independent banks. The Asset Backed Securities transactions only reduce the volume of receivables in the Group where a complete transfer of risk takes place.

As of 31 December 2008, receivables for the amount of CHF 135.1 million (previous year CHF 223.7 million) were sold without full transfer of risk. The corresponding financial liability is shown in Note 4.9. ALSO bears the entire default risk of these receivables.

# Notes to the consolidated financial statements

The bad debt provision on trade accounts receivable has developed as follows:

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| **Status of bad debt provision on 1 January** | **–5 800** | **–7 186** |
| Exchange rate effects | 468 | 16 |
| Creation | –5 107 | –6 198 |
| Release | 6 116 | 6 804 |
| Utilization | 631 | 764 |
| **Status of bad debt provision on 31 December** | **–3 692** | **–5 800** |
| Of which flat rate | –2 076 | –3 951 |
| Of which individual | –1 616 | –1 849 |
| | | |
| Expenses for derecognition of trade accounts receivable | –631 | –764 |
| Income from receipt of derecognized trade accounts receivable | 550 | 669 |

### 4.3 Inventories

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Goods assigned to projects | 8 464 | 10 970 |
| Trading stock | 209 899 | 380 232 |
| **Subtotal inventories** | **218 363** | **391 202** |
| Downpayments to suppliers | 54 | 2 296 |
| Inventory provision | –5 110 | –7 952 |
| **Total inventories** | **213 307** | **385 546** |

Goods assigned to projects are covered by purchase obligations. Suppliers provide temporary price protection guarantees for most of the trading stock. The ALSO companies usually purchase goods in local currency. A recognizable loss of value due to a lower inventory turnover, ageing etc. is taken into account through the appropriate valuation of the inventory items. In the year under review, sales discounts, inventory differences and changes in inventory provision totalling TCHF 1 477 (previous year TCHF 3 289) were charged to the profit and loss statement.

### 4.4 Prepaid expenses and accrued income

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Various tax receivables | 1 785 | 1 772 |
| Other receivables | 77 284 | 38 794 |
| Derivative financial instruments (Note 5.2) | 1 051 | 229 |
| **Other receivables** | **80 120** | **40 795** |
| Accrued income and prepaid expenses | 30 868 | 70 371 |
| **Total prepaid expenses and accrued income** | **110 988** | **111 166** |

Prepaid expenses mainly comprise accruals associated with the products business. Other receivables consist mainly of financing reserves from current sales of accounts receivable.

# Notes to the consolidated financial statements

### 4.5 Property, plant & equipment

| CHF 1000 | Land and buildings | Equipment | Other property, plant and equipment | Total |
|---|---|---|---|---|
| **Net book values as of 1 January 2008** | **19 145** | **28 518** | **3 552** | **51 215** |
| Additions | 90 | 4 645 | 2 717 | 7 452 |
| Reclassifications | 0 | 327 | –327 | 0 |
| Disposals | –2 905 | –165 | 0 | –3 070 |
| Depreciation | –981 | –4 549 | –2 162 | –7 692 |
| Impairment | 0 | –2 867 | –265 | –3 132 |
| Foreign exchange differences | –1 569 | –2 899 | –169 | –4 637 |
| **Net book value as of 31 December 2008** | **13 780** | **23 010** | **3 346** | **40 136** |
| Overview as of 1 January 2008 | | | | |
| Acquisition costs | 21 266 | 49 560 | 17 929 | 88 755 |
| Accumulated depreciation | –2 121 | –21 042 | –14 377 | –37 540 |
| **Net book value as of 1 January 2008** | **19 145** | **28 518** | **3 552** | **51 215** |
| Overview as of 31 December 2008 | | | | |
| Acquisition costs | 16 739 | 49 305 | 18 747 | 84 791 |
| Accumulated depreciation / impairment | –2 959 | –26 295 | –15 401 | –44 655 |
| **Net book value as of 31 December 2008** | **13 780** | **23 010** | **3 346** | **40 136** |
| Thereof finance lease | 0 | 12 325 | 0 | 12 325 |

| CHF 1000 | Land and buildings | Equipment | Other property, plant and equipment | Total |
|---|---|---|---|---|
| **Net book values as of 1 January 2007** | **24 709** | **17 935** | **5 516** | **48 160** |
| Additions | 329 | 6 444 | 2 895 | 9 668 |
| Reclassifications | –5 359 | 7 734 | –2 375 | 0 |
| Disposals | 0 | –115 | 0 | –115 |
| Depreciation | –948 | –4 260 | –2 496 | –7 704 |
| Foreign exchange differences | 414 | 780 | 12 | 1 206 |
| **Net book value as of 31 December 2007** | **19 145** | **28 518** | **3 552** | **51 215** |
| Overview as of 1 January 2007 | | | | |
| Acquisition costs | 32 329 | 28 106 | 18 097 | 78 532 |
| Accumulated depreciation | –7 620 | –10 171 | –12 581 | –30 372 |
| **Net book value as of 1 January 2007** | **24 709** | **17 935** | **5 516** | **48 160** |
| Overview as of 31 December 2007 | | | | |
| Acquisition costs | 21 266 | 49 560 | 17 929 | 88 755 |
| Accumulated depreciation | –2 121 | –21 042 | –14 377 | –37 540 |
| **Net book value as of 31 December 2007** | **19 145** | **28 518** | **3 552** | **51 215** |
| Thereof finance lease | 0 | 11 674 | 0 | 11 674 |

Property, plant and equipment are insured for a total of TCHF 80 669 (previous year TCHF 97 666). The item "Land and buildings" includes land and buildings used for operational purposes. The item "Equipment" mainly consists of leasehold improvements, machines and installations, furnishings and equipment. The remaining property, plant and equipment comprises IT and communications systems as well as vehicles. As a consequence of the decision to close Poland and Sweden, in the reporting year a total of TCHF 3 132 additional value adjustments were made on operating equipment and other property, plant and equipment. The assets concerned were valued at market value less sales costs. Gains and losses from the sale of plant, property and equipment are recorded in other operating income and amount to TCHF 77 (previous year TCHF 0).

# Notes to the consolidated financial statements

## 4.6 Intangible assets

| CHF 1000 | Goodwill | Supplier and customer contracts | Brand name GNT | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Net book value as of 1 January 2008** | **76 648** | **36 597** | **16 740** | **1 672** | **131 657** |
| Additions | 0 | 0 | 0 | 2 034 | 2 034 |
| Disposals | 0 | 0 | 0 | –67 | –67 |
| Purchase price adjustment (Note 4.12) | –344 | 0 | 0 | 0 | –344 |
| Depreciation and amortization | 0 | –3 807 | 0 | –717 | –4 524 |
| Impairment | 0 | –797 | 0 | 0 | –797 |
| Foreign exchange differences | –7 131 | –3 471 | –1 714 | –216 | –12 532 |
| **Net book value as of 31 December 2008** | **69 173** | **28 522** | **15 026** | **2 706** | **115 427** |
| Overview as of 1 January 2008 | | | | | |
| Acquisition costs | 76 648 | 41 915 | 16 740 | 7 561 | 142 864 |
| Accumulated depreciation | 0 | –5 318 | 0 | –5 889 | –11 207 |
| **Net book value as of 1 January 2008** | **76 648** | **36 597** | **16 740** | **1 672** | **131 657** |
| Overview as of 31 December 2008 | | | | | |
| Acquisition costs | 69 173 | 37 623 | 15 026 | 9 083 | 130 905 |
| Accumulated depreciation/impairment | 0 | –9 101 | 0 | –6 377 | –15 478 |
| **Net book value as of 31 December 2008** | **69 173** | **28 522** | **15 026** | **2 706** | **115 427** |

| CHF 1000 | Goodwill | Supplier and customer contracts | Brand name GNT | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Net book value as of 1 January 2007** | **105 541** | **39 361** | **16 236** | **1 336** | **162 474** |
| Additions | 0 | 0 | 0 | 1 281 | 1 281 |
| Disposals | 0 | 0 | 0 | –377 | –377 |
| Purchase price adjustment (Note 4.12) | –31 599 | 0 | 0 | 0 | –31 599 |
| Depreciation and amortization | 0 | –3 939 | 0 | –610 | –4 549 |
| Foreign exchange differences | 2 706 | 1 175 | 504 | 42 | 4 427 |
| **Net book value as of 31 December 2007** | **76 648** | **36 597** | **16 740** | **1 672** | **131 657** |
| Overview as of 1 January 2007 | | | | | |
| Acquisition costs | 105 541 | 40 652 | 16 236 | 6 965 | 169 394 |
| Accumulated depreciation | 0 | –1 291 | 0 | –5 629 | –6 920 |
| **Net book value as of 1 January 2007** | **105 541** | **39 361** | **16 236** | **1 336** | **162 474** |
| Overview as of 31 December 2007 | | | | | |
| Acquisition costs | 76 648 | 41 915 | 16 740 | 7 561 | 142 864 |
| Accumulated depreciation | 0 | –5 318 | 0 | –5 889 | –11 207 |
| **Net book value as of 31 December 2007** | **76 648** | **36 597** | **16 740** | **1 672** | **131 657** |

Contracts with suppliers and customers and the GNT brand name include identified intangible assets in connection with the acquisition of the GNT Group. The item other intangible assets consists of application software and licences for Group companies. As a consequence of the decision to close Sweden, in the reporting year an additional value adjustment on the customer contracts of TCHF 797 had to be recognized. With the exception of goodwill and the GNT brand name, no intangible assets with an indefinite useful life are capitalized. The average residual amortization period for supplier contracts is 5 years, and for customer contracts 12 years.

# Notes to the consolidated financial statements

**4.7 Impairment test**

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

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| **CHF 1000** | **GNT** | **Supplies** | **Total** | **GNT** | **Supplies** | **Total** |
| Carrying value of goodwill | 64 321 | 4 852 | 69 173 | 71 796 | 4 852 | 76 648 |
| Carrying value of brand name with unlimited useful life | 15 026 | 0 | 15 026 | 16 740 | 0 | 16 740 |
| | **79 347** | **4 852** | **84 199** | **88 536** | **4 852** | **93 388** |
| Discount rate for goodwill | 11.2 % | | | 11.0 % | | |
| Discount rate for brand name | 14.2 % | | | 14.0 % | | |
| Average sales growth rate | 6.2 % | | | 7.2 % | | |
| Average gross margin | 5.8 % | | | 5.0 % | | |

The goodwill impairment tests are performed for each CGU based on value in use calculations. The value in use is equivalent to the present value of the discounted cash flow. This is based on planning assumptions over a period of three years plus residual value, all of which have been approved by Management. The residual value takes into account a growth rate of 2 % (GNT). The pre-tax discount rates applied and the average growth rate are set out in the above table. No impairment test was carried through for the goodwill of "Supplies" due to the value in use materially exceeding the reported net assets.

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

The calculation of the value in use of the cash generating unit GNT is sensitive to assumption parameters in areas balance sheet structure, gross margin and cost structure. The balance sheet structure and the gross margin were determined from historical values adjusted by strategic and economic considerations; the resulting gross margin is the basis for the cost structure.

Due to closing Sweden and Poland the impairment test was reviewed at the end of the year. The revised calculation exceeds the value in use by 58.9 MCHF. Even with material changes in the basic parameters used, e.g. a permanent 0.35 % reduction of the gross margin with unchanged balance sheet and cost structure, the values in use equal the reported net assets. ALSO assumes that the cost structure would be adapted accordingly should such a reduction in gross margin occur, and that impairment would only be likely if there was a deterioration in all base parameters.

# Notes to the consolidated financial statements

### 4.8 Investments in associated companies

The investment in European Wholesale Group GmbH (EWG) in Hergiswil (CH) was liquidated in the reporting year. The liquidation caused an investment expense of TCHF 18 (Note 3.5).

**Aggregate values of associated companies**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Net revenue from products and services | 85 | 448 |
| Net profit | –53 | 7 |
| **Balance sheet figures** | | |
| Current assets | 0 | 227 |
| Non-current assets | 0 | 0 |
| Current liabilities | 0 | 42 |
| Non-current liabilities | 0 | 0 |
| Shareholders' equity | 0 | 185 |

### 4.9 Current and non-current financial liabilities

| CHF 1000 | 2008 | | 2007 | |
|---|---|---|---|---|
| | Carrying amount | Interest rate | Carrying amount | Interest rate |
| **Current financial liabilities** | | | | |
| Amounts owed to banks and third-party loans | 4 418 | Euribor +0.7 to 1.2 % | 32 671 | Euribor +0.7 to 1.2 % |
| Finance lease | 3 436 | 3.7 to 5.6 % | 3 258 | 3.7 to 5.6 % |
| Receivables selling program | 120 987 | Euribor +0.7 to 1.3 % | 190 567 | Euribor +0.7 to 1.5 % |
| Current portion of non current debts | 2 093 | Euribor +1.1 % | 41 576 | 4.6 % |
| **Total current financial liabilities** | **130 934** | | **268 072** | |
| **Non current financial liabilities** | | | | |
| Bank loans | 45 000 | 4.1 to 4.3 % | 0 | |
| Private placement [1] | 55 130 | 6.3 % | 0 | |
| Finance lease | 6 534 | 3.7 to 5.6 % | 11 691 | 3.7 to 5.6 % |
| Mortgages | 4 822 | Euribor +1.1 % | 9 220 | Euribor +1.1 % |
| **Total non-current financial liabilities** | **111 486** | | **20 911** | |
| **Total financial liabilities** | **242 420** | | **288 983** | |

[1] The amount of private placements towards principal shareholder equals 37.3 MCHF.

For financing purposes, the ALSO Group sells receivables to independent banks. The receivables thus sold remain in the balance sheet, and the pre-financing is shown under financial liabilities as long as the default risk remains with ALSO. In the reporting year ALSO was able to raise a total of MCHF 100.1 in long term banks loans and private placements, with a duration from three to five years.

**Covenants**

Certain financial liabilities are subject to covenant clauses, under which stipulated financial key figures must be attained. A longterm bank loan of 20 MCHF is tied to a covenant requiring a consolidated shareholders' equity of minimum 180 MCHF. As at 31 December 2008, all covenants were met.

# Notes to the consolidated financial statements

### 4.10 Accrued expenses and deferred income

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| **Accrued expenses** | **70 371** | **96 330** |
| Various tax payables | 57 198 | 21 364 |
| Other payables to third parties | 12 020 | 39 951 |
| Other payables to related parties | 1 073 | 43 |
| Derivative financial instruments (Note 5.2) | 3 109 | 1 416 |
| **Other payables** | **73 400** | **62 774** |
| | | |
| **Total accrued expenses and deferred income** | **143 771** | **159 104** |

Accrued expenses and deferred income are shown in the balance sheet at nominal value. They comprise short-term expense accruals and deferred income relating to revenue for subsequent accounting periods already received, as well as accruals for goods received but not yet invoiced. Tax payables include value added and other tax liabilities.

### 4.11 Provisions

| CHF 1000 | Warranties, returned goods, complaints | Restructuring costs | Litigation risks | Other provisions | Total |
|---|---|---|---|---|---|
| **Total as of 1 January 2007** | **469** | **764** | **4 601** | **430** | **6 264** |
| Creation | 128 | 1 464 | 1 049 | 0 | 2 641 |
| Utilization | –120 | –1 785 | –999 | 0 | –2 904 |
| Release | –3 | 0 | –3 610 | –100 | –3 713 |
| Foreign exchange differences | 14 | –1 | 18 | 0 | 31 |
| **Total as of 31 December 2007** | **488** | **442** | **1 059** | **330** | **2 319** |
| | | | | | |
| Creation | 0 | 12 905 | 0 | 358 | 13 263 |
| Utilization | –27 | –414 | –786 | 0 | –1 227 |
| Release | –117 | 0 | –233 | 0 | –350 |
| Foreign exchange differences | –42 | –2 047 | –40 | –21 | –2 150 |
| **Total as of 31 December 2008** | **302** | **10 886** | **0** | **667** | **11 855** |
| | | | | | |
| Current provisions | 302 | 10 289 | 0 | 0 | 10 591 |
| Non-current provisions | 0 | 597 | 0 | 667 | 1 264 |
| **Total for 2008** | **302** | **10 886** | **0** | **667** | **11 855** |

# Notes to the consolidated financial statements

The restructuring provisions comprise the cost of closure of the locations in Poland and Sweden. These mainly consist of termination payments to employees, and termination costs of existing leases and other agreements. Reversal takes place in parallel with the payments for corresponding expenses, which are expected to occur within one year.

Guarantee provisions cover expenses that have not yet been incurred but can be expected before the end of the guarantee period.

The provision for legal proceedings related primarily to legal proceedings regarding copyright fees. The cases were closed during the reporting year.

Other provisions include provisions for onerous contracts, deferred receivables and other risks. These provisions are generally dissolved within five years.

### 4.12 Deferred conditional purchase price liabilities from GNT acquisition

| **CHF 1000** | **Total** |
|---|---|
| **Status as at 1 January 2007** | **107 124** |
| Adjustment in present value | –29 451 |
| Accrued interest | 3 023 |
| Foreign exchange differences | 3 008 |
| **Status as at 31 December 2007** | **83 704** |
| Adjustment in present value | –1 709 |
| Accrued interest | 1 414 |
| Definitive purchase price payment | –80 920 |
| Foreign exchange differences | –2 489 |
| **Status as at 31 December 2008** | **0** |

The remaining 49.9% of the share capital of GNT Holding Oy was acquired by ALSO on 26 May 2008 for a purchase price of CHF 80.9 Mio. (Including withheld instalments of the original purchase price). The definite purchase price payment caused a reduction in goodwill of TCHF 344.

# Notes to the consolidated financial statements

### 4.13 Shareholders' equity

The number of outstanding registered shares with a nominal value of CHF 1 per share totalled 6 039 012 (previous year 6 038 590) as of 31 December 2008. In the reporting year, some of the shares purchased under the employee share purchase program were taken from the conditional capital (422 shares).

**Treasury shares**

| CHF 1000 | Number | Value |
|---|---|---|
| **1 January 2007** | **25 097** | **28** |
| Deductions for employee share program | –11 066 | –13 |
| **31 December 2007** | **14 031** | **15** |
| Deductions for employee share program | –13 881 | –15 |
| **31 December 2008** | **150** | **0** |

| **Major shareholders** | **31.12.08** | **31.12.07** |
|---|---|---|
| – Schindler Holding AG, Hergiswil (Switzerland) | 64.00 % | 64.00 % |
| – Bestinver Gestion, S.G.I.I.C., S.A., Madrid (Spain) | 11.06 % | 11.06 % |
| – SaraSelect Anlagefonds, Basel (Switzerland) | 5.07 % | 5.07 % |

(participation according to the Swiss Official Gazette of Commerce)

According to a decision of the Board of Directors only 5% of the voting rights of both Bestinver Gestion and SaraSelect are entered in the share register. Other shareholders are registered with their total stock.

**Regulations regarding the restricted transferability of shares**

In accordance with Art. 5 of the Articles of Association, the Board of Directors may refuse to register a purchaser of shares as a full shareholder (i.e. as a shareholder with voting rights) if the purchaser would hold more than 5 % of voting rights as a result of his/her entry in the share register.

**Retained earnings**

The distribution of retained earnings is subject to restrictions:

- Special reserves of ALSO Holding AG can be distributed following a resolution by the Annual General Meeting to this effect
- The reserves of subsidiaries are first distributed to the parent company in accordance with local tax regulations and legislation

**Opting out**

The Articles of Association contain an opting out clause.

# Notes to the consolidated financial statements

### 4.14 Earnings per share / dividends per share

| | | 2008 | 2007 |
|---|---|---|---|
| Profit continuing operations | CHF | 23 344 000 | 33 109 000 |
| Loss discontinued operations | number | –34 500 000 | –18 305 000 |
| **Net loss (profit) Group** | **number** | **–11 156 000** | **14 804 000** |
| Shares issued | number | 6 039 012 | 6 038 590 |
| Less treasury shares (weighted) | | –5 934 | –18 642 |
| Shares issued (weighted) for calculation | | 6 033 078 | 6 019 948 |
| **Undiluted earnings per share** | **CHF** | **–1.85** | **2.46** |
| | | | |
| Diluted net loss (profit) Group | CHF | –11 156 000 | 14 804 000 |
| Shares issued (weighted) for calculation | number | 6 033 078 | 6 019 948 |
| Adjustment for dilution from options | number | 2 854 | 4 559 |
| Diluted shares | number | 6 035 932 | 6 024 507 |
| **Diluted earnings per share** | **CHF** | **–1.85** | **2.46** |

The company has 150 treasury shares in its portfolio. In the above table, these treasury shares are deducted from the total number of shares outstanding. The diluted figures show the effect of the option program in accordance with IFRS 2.

The Board of Directors will propose to the Annual General Meeting not to distribute dividend for the reporting year 2008. In 2008 a dividend of TCHF 4 217 (CHF 0.70 per registered share) for the financial year 2007 was paid out.

## 5. Further information on the consolidated financial statements

### 5.1 Contingent liabilities

There are no pledges or guarantees in favour of third parties.

### 5.2 Financial instruments

**Hedging transactions**

| CHF 1000 | Contract value | Fair value positive | Fair value negative | Risk | Hedging instruments |
|---|---|---|---|---|---|
| Cash flow hedge | 20 000 | 0 | 991 | Interest | Interest rate swap |
| **Total 31 December 2008** | **20 000** | **0** | **991** | | |
| | | | | | |
| Fair value hedge | 297 153 | 218 | 1 330 | Foreign exchange | Forward exchange contracts |
| Cash flow hedge | 10 256 | 0 | 86 | Foreign exchange | Forward exchange contracts |
| Fair value hedge | 2 052 | 11 | 0 | Interest | Interest rate swap |
| **Total 31 December 2007** | **309 461** | **229** | **1 416** | | |

Forward exchange transactions are concluded for a maximum term of three months and are used to hedge currency risks. Cash flow hedging transactions relating to foreign currencies cover periods of up to one year. The interest rate swaps run until 2014.

# Notes to the consolidated financial statements

### Fair value of the financial instruments

| CHF 1000 | Loans and receivables | Held for trading | Amortized cost | Hedge accounting | **Total book value** | Fair value |
|---|---|---|---|---|---|---|
| | | | | | **31.12.08** | **31.12.08** |
| **Financial assets** | | | | | | |
| Cash (Note 4.1) | 164 333 | | | | **164 333** | 164 333 |
| Accounts receivable (Note 4.2) | 232 274 | | | | **232 274** | 232 274 |
| Prepaid expenses and accrued income (Note 4.4) | 77 284 | | | | **77 284** | 77 284 |
| Derivative financial instruments (Note 4.4) | | 1 051 | | | **1 051** | 1 051 |
| **Financial liabilities** | | | | | | |
| Financial liabilities (Note 4.9) | | | 242 420 | | **242 420** | 242 420 |
| Accounts payable | | | 280 074 | | **280 074** | 280 074 |
| Other liabilities third parties and principal shareholder (Note 4.10) | | | 13 093 | | **13 093** | 13 093 |
| Derivative financial instruments (Note 4.10) | | 2 118 | | 991 | **3 109** | 3 109 |
| | | | | | **31.12.07** | **31.12.07** |
| **Financial assets** | | | | | | |
| Cash (Note 4.1) | 84 024 | | | | **84 024** | 84 024 |
| Accounts receivable (Note 4.2) | 380 191 | | | | **380 191** | 380 191 |
| Prepaid expenses and accrued income (Note 4.4) | 38 794 | | | | **38 794** | 38 794 |
| Derivative financial instruments (Note 4.4) | | | | 229 | **229** | 229 |
| **Financial liabilities** | | | | | | |
| Financial liabilities (Note 4.9) | | | 288 983 | | **288 983** | 288 983 |
| Accounts payable | | | 368 855 | | **368 855** | 368 855 |
| Other liabilities third parties and principal shareholder (Note 4.10) | | | 39 994 | | **39 994** | 39 994 |
| Derivative financial instruments (Note 4.10) | | | | 1 416 | **1 416** | 1 416 |

# Notes to the consolidated financial statements

### 5.3 Pledged or assigned assets serving as collateral for own liabilities

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Receivables | 135 133 | 223 708 |
| Inventories | 86 438 | 92 805 |
| Property, plant and equipment | 16 358 | 32 398 |
| **Total assets pledged** | **237 929** | **348 911** |

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

### 5.4 Rental and leasing commitments

**Payments for fixed-term contracts (operative leasing)**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Due in 1st year | 13 385 | 16 114 |
| Due in 2nd – 5th year | 46 825 | 42 936 |
| Due from the 6th year onwards | 50 403 | 33 572 |

Payments in respect of fixed-term contracts relate mainly to rental agreements for the logistics buildings in Germany, Switzerland, Finland, and Norway. During the year under review, the cost charged to the profit and loss statement totalled TCHF 19 231 (previous year TCHF 19 785).

**Finance lease**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Due in 1st year | 3 832 | 3 817 |
| Due in 2nd – 5th year | 7 298 | 12 617 |
| | **11 130** | **16 434** |
| Minus interest expense component | –1 160 | –1 485 |
| **Total financial debt from finance lease** | **9 970** | **14 949** |
| Of which current | 3 436 | 3 258 |
| Of which non-current | 6 534 | 11 691 |

The finance leases comprise primarily warehouse automation systems in Norway, Finland and Sweden.

# Notes to the consolidated financial statements

## 6. Subsidiaries

| Country | Head office | Company | Partici-pation 31.12.08 | Partici-pation 31.12.07 | Share capital in 1000 | Cur-rency | Code |
|---|---|---|---|---|---|---|---|
| Switzerland | Hergiswil | ALSO Holding AG | | | 6039 | CHF | S |
| | Emmen | ALSO Schweiz AG | 100.0% | 100.0% | 100 | CHF | D |
| | Hergiswil | ALSO Comedia-Verlags AG | – 4) | 100.0% | 100 | CHF | S |
| | Hergiswil | European Wholesale Group GmbH | – 3) | 29.0% | 124 | CHF | D |
| Germany | Straubing | ALSO Deutschland GmbH | 100.0% | 100.0% | 103 | EUR | D |
| Finland | Helsinki | ALSO Nordic Holding Oy | – 2) | 100.0% | 10000 | EUR | S |
| | Tampere | GNT Holding Oy | 100.0% | 50.1% 1) | 887 | EUR | S |
| | Tampere | GNT Finland Oy | 100.0% | 50.1% 1) | 841 | EUR | D |
| Sweden | Upplands Väsby | GNT Sweden AB | 100.0% | 50.1% 1) | 5000 | SEK | D |
| Norway | Sandefjord | GNT Norway AS | 100.0% | 50.1% 1) | 11063 | NOK | S |
| Estonia | Tallinn | GNT Eesti AS | 100.0% | 50.1% 1) | 3000 | EEK | D |
| Latvia | Marupe | GNT LATVIA SIA | 100.0% | 50.1% 1) | 842 | LVL | D |
| Lithuania | Kaunas | UAB GNT Lietuva | 100.0% | 50.1% 1) | 6500 | LTL | D |
| Poland | Wroclaw | GNT Polska Sp. z o.o. | 100.0% | 50.1% 1) | 3000 | PLN | D |

D = Distribution
S = Service/holding company

1) In view of deferred purchase price liabilities, the company was 100% consolidated without minorities (no disclosure of minorities, see Note 4.12).
2) Merged with GNT Holding Oy as of 31 December 2008
3) Liquidated in December 2008
4) Merged with ALSO Holding AG as of 1 January 2008

# Notes to the consolidated financial statements

### 6.1 Transactions with related parties

The members of the Board of Directors receive a fee of TCHF 27 for their work (previous year TCHF 27). All transactions with related parties (companies and individuals) are conducted at arm's length. Existing assets and liabilities on the balance sheet date are unsecured and payable in cash. No valuation adjustments for receivables were recorded. Equally, there were no guarantees, pledges or other contingent liabilities in favour of related parties. The following transactions and the respective volumes were conducted with related parties:

**Transactions with the Schindler Group (principal shareholder)**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Net sales | 0 | 418 |
| Management fees | –3 462 | –3 070 |
| Interest income | 10 | 245 |
| Interest expense | –2 203 | –239 |
| | | |
| Short term cash deposits (Note 4.1) | 52 490 | 4 915 |
| Accounts receivable (Note 4.2) | 28 | 29 |
| Private placement (Note 4.9) | –37 250 | 0 |
| Other liabilities (Note 4.10) | –1 073 | 43 |
| **Transactions with ALSO pension fund** | | |
| Other liabilities (outstanding contributions) | –301 | –280 |
| **Transactions with associated companies** | | |
| Net sales | 0 | 124 |
| Management fees | 28 | 67 |

**Transactions with related parties (ALSO Group Management and Board of Directors)**

There were no transactions with related parties during the year under review or previous year.

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

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Salaries* | 2 316 | 2 822 |
| Contributions to pension plans | 306 | 328 |
| Anniversary bonuses or other special payments | 0 | 3 |
| Retirement bonuses | 0 | 0 |
| Employee shares / options | 91 | 138 |
| **Total compensation for key management** | **2 713** | **3 291** |

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

# Notes to the consolidated financial statements

The Chief Executive Officer is included in the figures even though he has an employment contract with Schindler. His total compensation is charged to ALSO Holding AG by Schindler Management Ltd. in the form of management fees.

**Option conditions**
(all figures are presented after the 1:10 share split of 23. March 2006)

| Year of issue | Right to | Exercise period | Exercise price then applicable in CHF | Market value then applicable in CHF | Open on 31.12.08 Number |
|---|---|---|---|---|---|
| 2004 | Shares | 1 May 2007 to 30 April 2010 | 33.47 | 15.61 | 3 960 |
| 2005 | Shares | 1 May 2008 to 30 April 2011 | 33.08 | 16.30 | 5 030 |
| 2006 | Shares | 1 May 2009 to 30 April 2012 | 35.68 | 28.51 | 1 975 |
| 2007 | Shares | 1 May 2010 to 30 April 2013 | 43.96 | 29.44 | 2 345 |
| 2008 | Shares | 1 May 2011 to 30 April 2014 | 67.20 | 21.70 | 1602 |
| **Total** | | | | | **14 912** |

No options expired or were exercised during the reporting year. The number of exercisable options as of 31 December 2008 was 8 990 (previous year 3 960). The options are valued according to the Hull-White model, which explicitly takes account of the effects of the restriction period and of the early exercising of the options. The following parameters were applied:

| | **2008** | **2007** |
|---|---|---|
| Price | 57.90 | 67.35 |
| Strike | 67.20 | 43.96 |
| Volatility | 45.1 % | 27.0 % |
| Risk-free interest rate | 3.1 % | 2.8 % |
| Dividend rate | 0.8 % | 1.1 % |
| Exit rate | 5.0 % | 5.0 % |

Volatility was determined on the basis of the historical volatility of the share price over a period of twelve months (previous year 6 months) from the date of valuation.

The fair value of the options is recognized in the profit and loss statement, with one third of the amount (vesting period), i.e. TCHF 55 (previous year TCHF 68) being charged to personnel expenses.

# Notes to the consolidated financial statements

**6.2 Financial risk management**
**Principles of risk management**

In relation to its financial assets and liabilities, ALSO is exposed to special risks arising from changes in exchange and interest rates. In addition to these market risks, there are also liquidity and credit risks. The objective of financial risk management is to limit these market risks by the ongoing operational and financial activities. For this purpose, and depending on the estimated risk, selected hedging instruments are used. Derivative financial instruments are used exclusively as hedging instruments, i.e. they are not used for trading or other speculative purposes. To minimize the default risk, the most important hedging transactions are only entered into with leading financial institutions.

At regular intervals, the appropriateness of the risk management and the internal control system is reviewed by the Board of Directors and modified if necessary. This ensures that the Board of Directors and Management Committee are completely and promptly informed of material risks. In addition, monthly internal reports on the financial position of the company allow any risks arising from the ongoing business to be recognized as early as possible, and corresponding countermeasures to be initiated. For this purpose, Accounting and Controlling constantly adapt their reporting systems to changing conditions.

For optimal cash management, the management of liquidity not required for ongoing operations or the long term financing of the Group is centralized and coordinated with the treasury of the majority shareholder. The treasury of the majority shareholder also records, monitors, and controls financial risks based on the information provided by the Board of Directors and Management Committee.

**Credit risk**

Credit risk is the risk of economic loss resulting from a counterparty being unable or unwilling to fulfil its contractual payment obligations. Credit risk thus includes not only the immediate default risk, but also the risk of an impaired credit rating along with the risk of concentration of individual risks.

In its operational business, as well as in some of its financing activities, ALSO is exposed to a default risk. In the financial area, ALSO manages the resulting risk position by diversification of the financial institutions as well as by verification of the financial strength of each counterparty based on publicly available ratings. In collaboration with the main shareholder, ALSO has defined limit values that restrict the amount of assets that can be held by any single bank.

# Notes to the consolidated financial statements

## Credit quality

| CHF 1000 | 31 December 2008 | | | | | |
|---|---|---|---|---|---|---|
| **Credit quality** | **AA+** | **AA** | **AA–** | **A+** | **No rating** | **Total** |
| Cash and cash equivalents 3rd parties | 0 | 70 594 | 10 414 | 5 090 | 25 745 | **111 843** |
| | 0 % | 63 % | 9 % | 5 % | 23 % | |
| Cash and cash equivalents Schindler | 0 | 0 | 0 | 0 | 52 490 | **52 490** |
| | 0 % | 0 % | 0 % | 0 % | 100 % | |
| **Total (Note 4.1)** | **0** | **70 594** | **10 414** | **5 090** | **78 235** | **164 333** |

| CHF 1000 | 31 December 2007 | | | | | |
|---|---|---|---|---|---|---|
| **Credit quality** | **AA+** | **AA** | **AA–** | **A+** | **No rating** | **Total** |
| Cash and cash equivalents 3rd parties | 25 | 25 385 | 3 537 | 47 298 | 2 864 | **79 109** |
| | 0 % | 32 % | 4 % | 60 % | 4 % | |
| Cash and cash equivalents Schindler | 0 | 0 | 0 | 0 | 4 915 | **4 915** |
| | 0 % | 0 % | 0 % | 0 % | 100 % | |
| **Total (Note 4.1)** | **25** | **25 385** | **3 537** | **47 298** | **7 779** | **84 024** |

In the operational area, ALSO limits the default risk by constantly monitoring customers' credit ratings and setting credit limits. The operational companies of the Group have largely insured their open trade receivables by means of credit insurances. The credit insurances generally cover 75 % to 90 % of the insured amounts. The residual credit risk on trade receivables is therefore considered limited by ALSO. It is further minimized by the large number of customers and their wide geographical distribution. To avoid clustering risks, trade receivables that exceed the internal credit limit are sold.

Receivables for which payment is in arrears are impaired by individual and flat-rate amounts based on recent experience. Experience from the past indicates that this risk can be considered to be low (see Note 4.2).

The maximum credit risk (including derivative financial instruments with a positive market value) is represented by the reported carrying amount of the financial assets. ALSO has not given any financial guarantees in favor of third parties.

### Liquidity risks

The central liquidity risk management ensures that the Group is always in a position to fulfill its payment obligations promptly. ALSO continuously monitors the cash flows with a detailed cash flow plan. This takes into account the expiration dates of the financial assets as well as the forecast cash flows from business operations.

ALSO's objective is to obtain liquidity corresponding to the necessary timing. Since the main requirement for finance is to cover the operational business activities, which are subject to large seasonal fluctuations, the greater part of the financial liabilities are generally short-term (54.0 % short-term, previous year 92.8 %). To ensure the solvency and financial flexibility of the Group at all times, a liquidity reserve is held in the form

# Notes to the consolidated financial statements

of credit lines that can be drawn at any time. As of balance sheet date, unutilized credit lines for the amount of CHF 145 million (previous year CHF 137 million) were available. For some of the unutilized credit lines, ALSO pays an availability fee.

The table below shows the financial liabilities of the Group by expiration date. The information is based on the contractually agreed undiscounted interest and amortization payments. The amount of the derivative financial liabilities is immaterial.

| CHF 1000 | Carrying amount 31.12.08 | Total cash flow | Up to 1 year | 2 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Trade payables | 280 074 | 280 074 | 280 074 | 0 | 0 |
| Other payables | 13 093 | 13 093 | 13 093 | 0 | 0 |
| Loans from banks and third parties | 4 418 | 4 509 | 4 509 | 0 | 0 |
| Financial leasing | 9 970 | 11 130 | 3 832 | 7 298 | 0 |
| Receivables sales program | 120 987 | 121 390 | 121 390 | 0 | 0 |
| Private placements | 100 130 | 115 944 | 5 207 | 110 737 | 0 |
| Mortgages | 6 915 | 8 046 | 2 453 | 5 593 | 0 |
| **Total** | **535 587** | **554 186** | **430 558** | **123 628** | **0** |
| **Derivative financial instruments** | | | | | |
| Outflow | | 100 094 | 100 094 | 0 | 0 |
| Inflow | | –99 093 | –99 093 | 0 | 0 |
| Interest rate swap net | | 996 | 372 | 558 | 66 |
| **Net** | | **1 997** | **1 373** | **558** | **66** |

| CHF 1000 | Carrying amount 31.12.07 | Total cash flow | Up to 1 year | 2 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Trade payables | 368 855 | 368 855 | 368 855 | 0 | 0 |
| Other payables | 39 994 | 39 994 | 39 994 | 0 | 0 |
| Loans from banks and third parties | 32 671 | 33 504 | 33 504 | 0 | 0 |
| Financial leasing | 14 949 | 16 434 | 3 817 | 12 617 | 0 |
| Receivables sales program | 190 567 | 191 377 | 191 377 | 0 | 0 |
| Private placements | 41 576 | 42 474 | 42 474 | 0 | 0 |
| Mortgages | 9 220 | 14 636 | 479 | 11 138 | 3 019 |
| **Total** | **697 832** | **707 274** | **680 500** | **23 755** | **3 019** |
| **Derivative financial instruments** | | | | | |
| Outflow | | 307 298 | 307 298 | 0 | 0 |
| Inflow | | –306 100 | –306 100 | 0 | 0 |
| Interest rate swap | | –11 | 0 | 0 | –11 |
| **Net** | | **1 187** | **1 198** | **0** | **–11** |

# Notes to the consolidated financial statements

The table includes all instruments existing on 31 December 2008 and 2007 respectively, for which payments had already been contractually agreed. Plan figures for future new liabilities are not included. Foreign currency amounts were translated at the balance sheet date exchange rate. The variable interest payments from the financial instruments were calculated using the last interest rates fixed on 31 December 2008 and 2007 respectively. Financial liabilities that can be repaid at any time are always assigned to the earliest maturity date, irrespective of the fact that the greater part of these financial liabilities is revolving. Debt covenants, with the obligation to meet agreed management ratios, apply to certain liabilities.

**Interest rate risks**
ALSO's interest rate risks relate mainly to the short-term financial liabilities with variable interest rates. Interest rate fluctuations cause changes in the interest income and expense of the interest-bearing assets and liabilities. ALSO is particularly exposed to interest rate risks in CHF, EUR, SEK and NOK.

The interest rate management of the long-term liabilities is handled centrally in collaboration with the majority shareholder. Local short-term interest rate risks are normally not hedged by the Group companies. Therefore the greater part of the Group's financial liabilities have variable interest rates and are therefore exposed to interest rate fluctuations.

Taking into account the existing and planned debt structure, interest derivatives are used if necessary to maintain the structure prescribed by management. Depending on whether or not the Group has a cash overhang on fixed or variable interest-bearing instruments, interest risks may result from an increase as well as a decrease in market interest rates.

**Sensitivity analysis**
Interest rate risks are evaluated by means of sensitivity analyses. These sensitivity analyses demonstrate the effects of changes in market interest rates on variable unsecured interest expenses and interest income as well as shareholders' equity, with all other parameters remaining constant.

If the market interest rates on 31 December 2008 and 2007 respectively, had been 100 base points higher, net financial income would have been CHF 1.4 million (2007 CHF 1.6 million) higher. If the market interest rates on 31 December 2008 and 2007 respectively, had been 100 base points lower, net financial income would have been CHF 1.4 million (2007 CHF 1.6 million) lower, assuming no changes in the balance sheet structure throughout the year. The change in the valuation of the hedging instruments has an impact on shareholders' equity (± 100 bps.: ± TCHF 250).

**Exchange rate risks**
Part of the cash flow of the Group takes place in foreign currencies, as a result of which the Group is exposed to foreign currency risks. Foreign currency risks are only hedged if they affect the cash flow of the Group. Exchange rate risks that arise in the consolidated profit and loss statement on translation of the profit and loss statements and balance sheets of subsidiaries are not hedged.

In the operational area, the individual Group companies conduct their business predominantly in their respective functional currency. An exception is the purchasing area, where a certain amount is conducted in foreign currency, especially EUR and USD. To fend off this exchange rate risk, the operating companies hedge their purchasing volume outside the functional currency under their own responsibility (provided that suitable hedging instruments are available at the market at a reasonable price). Because of these hedging activities, on balance sheet date ALSO was not exposed to any significant currency risks.

Foreign currency risks in the investment area result from the purchase and sale of shares in foreign companies. ALSO does normally not hedge these risks. The Group-internal financing of investments in Group companies is mainly conducted in the respective local currency.

Foreign currency risks in the financing area result from financial liabilities in foreign currency that exist for the purpose of financing Group companies. The central treasury hedges most of these risks. Speculative borrowing or lending in foreign currencies is not permitted.

# Notes to the consolidated financial statements

The groupwide guidelines require the Group companies to monitor their transaction-related risks and to calculate the respective net exposures in the various currencies. Normally, all net exposures greater than TCHF 100 are hedged. Because of these hedging transactions, the operating subsidiaries that conduct their activities predominantly in their respective functional currencies are not exposed to any material currency risk either on balance sheet date or during the year.

| In Mio. CHF | EUR | USD |
|---|---|---|
| 31 December 2008 | 4.5 | 0 |
| 31 December 2007 | –19.2 | 1.3 |

By regular use of forward contracts, ALSO constantly minimizes the exchange rate risk so that there is no material exchange rate risk for the Group. The table below shows the unsecured net exposures in CHF of the Group for items in EUR and USD at the end of 2008 and 2007 respectively. This usually reflects the open risks over the year.

**Sensitivity analysis**
If, on 31 December 2008 and 2007 respectively, the CHF had been 5% weaker relative to the EUR and USD, and all other variables had remained unchanged, the financial result would have been CHF 0.2 million (2007 CHF 0.9 million) lower.

Conversely, if, on 31 December 2007 and 2006 respectively, the CHF had been 5% stronger relative to the EUR and USD, and all other variables had remained unchanged, the annual result would have been CHF 0.2 million (2007 CHF 0.9 million) higher.

**Capital management**
The overriding objective of capital management at ALSO is to maintain a suitable equity base, to preserve the trust of investors, customers, and the market, and to support future developments in the core business. The internal target value for equity to total assets has been defined at 25–35%.

The capital management serves to maintain an optimal groupwide capital structure which not only gives ALSO sufficient financial flexibility, but also maintains a high credit rating.

The equity structure can be maintained or modified by means of the dividend policy, capital repayments and, if necessary, capital increases.

The capital structure is monitored on the basis of the net debt and of the reported shareholders' equity. Net debt comprises interest-bearing financial liabilities less cash and cash equivalents.

| CHF 1000 | 2008 | | 2007 | |
|---|---|---|---|---|
| Short-term financial liabilities | 130 934 | | 268 072 | |
| Long-term financial liabilities | 111 486 | | 20 911 | |
| **Total** | **242 420** | | **288 983** | |
| ./. Cash | –164 333 | | –84 024 | |
| **Net financial debt** | **78 087** | **9%** | **204 959** | **18%** |
| **Reported shareholders' equity** | **180 120** | **21%** | **215 169** | **19%** |
| **Shareholders' equity and net financial debt** | **258 207** | **29%** | **420 128** | **37%** |
| **Total liabilities and shareholders' equity** | **877 291** | **100%** | **1 144 281** | **100%** |

**6.3 Events occurring after the balance sheet date**
No significant events occurred after the balance sheet date.

**6.4 Approval of the ALSO Group consolidated financial statements**
The consolidated financial statements were released for publication by the Board of Directors of ALSO Holding AG on 9 February 2009 and will be submitted to the Annual General Meeting for approval on 11 March 2009.

# Report of the Statutory Auditors

**Report of the statutory auditor to the General Meeting of ALSO Holding AG, Hergiswil**
As statutory auditor, we have audited the consolidated financial statements of ALSO Holding AG, Hergiswil NW shown on page 33 to 74 which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2008.

**Board of Directors' responsibility**
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

**Report on other legal requirements**
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Lucerne, 9 February 2009

Ernst & Young AG

| | |
|---|---|
| Roland Ruprecht<br>Licensed audit expert<br>(Auditor in charge) | Christoph Michel<br>Licensed audit expert |

# Profit and loss statement of ALSO Holding AG

| **CHF 1000** | **2008** | **2007** |
|---|---|---|
| Service revenue | 8 194 | 9 141 |
| Investment revenue | 10 000 | 10 000 |
| Other operating income | 86 | 0 |
| Financial income | 14 217 | 10 008 |
| Gains from sale of property, plant and equipment | 94 | 0 |
| **Total income** | **32 591** | **29 149** |
| | | |
| Service expenses | –3 462 | –3 070 |
| Personnel expenses | –2 662 | –2 831 |
| Other operating expenses | –1 676 | –3 279 |
| Financial expenses | –13 087 | –6 657 |
| Tax expenses | –316 | –309 |
| **Total expenses** | **–21 203** | **–16 146** |
| | | |
| **Net profit** | **11 388** | **13 003** |

# Balance sheet of ALSO Holding AG

Assets

| CHF 1000 | | 31.12.08 | 31.12.07 |
|---|---|---|---|
| Cash | | 80 | 32 |
| Securities | | 0 | 16 |
| Receivables | – from third parties | 62 | 25 |
| | – from Group companies | 29 980 | 9 602 |
| | – from major shareholder | 52 490 | 4 915 |
| Prepaid expenses and accrued income | | 1 241 | 777 |
| **Total current assets** | | **83 853** | **15 367** |
| Land and buildings | | 0 | 2 905 |
| Intangible assets | | 247 | 122 |
| Investments | | 98 826 | 53 362 |
| Loans to Group companies | | 100 689 | 168 596 |
| **Total non-current assets** | | **199 762** | **224 985** |
| **Total assets** | | **283 615** | **240 352** |

Liabilities

| CHF 1000 | | 31.12.08 | 31.12.07 |
|---|---|---|---|
| Accounts payable | – to third parties | 61 | 795 |
| | – to Group companies | 130 097 | 73 725 |
| | – to major shareholder | 10 | 0 |
| Liabilities to banks | | 0 | 18 500 |
| Accrued expenses and deferred income | | 2 381 | 3 314 |
| **Total liabilities** | | **132 549** | **96 334** |
| Share capital | | 6 039 | 6 038 |
| Legal reserves | – general reserve | 1 100 | 1 100 |
| | – reserve for treasury shares | 0 | 25 |
| | – share-premium reserve | 41 755 | 41 878 |
| Special reserves | | 80 000 | 70 000 |
| Retained earnings | – balance brought forward | 10 784 | 11 974 |
| | – net profit | 11 388 | 13 003 |
| **Total shareholders' equity** | | **151 066** | **144 018** |
| **Total liabilities** | | **283 615** | **240 352** |

# Notes to the financial statements of ALSO Holding AG

The Notes to the financial statements of ALSO Holding AG only refer to those positions which are not consolidated, vary considerably or are of significant importance. For other details, please refer to the Notes to the consolidated financial statements.

**Shareholders' equity**
See Notes 3.2 and 4.13 to the consolidated financial statements for information on the treasury shares held by ALSO Holding AG, major shareholders and the conditional capital increase.

**Contingent liabilities**

| CHF 1000 | 31.12.08 | 31.12.07 |
|---|---|---|
| Conditional liabilities towards third parties | 982 980 | 600 588 |
| Letters of comfort | p.m. | p.m. |
| **Total** | **982 980** | **600 588** |

The contingent liabilities of ALSO Holding AG cover the conditional liabilities for bank guarantees, borrowing arrangements and delivery commitments of the Group companies.

**Fire insurance value of property, plant and equipment**

| CHF 1000 | 31.12.08 | 31.12.07 |
|---|---|---|
| Equipment, furniture, IT (global insurance of ALSO Group) | 26 300 | 24 297 |
| **Total** | **26 300** | **24 297** |

**Liabilities to retirement benefit plans**

| CHF 1000 | 31.12.08 | 31.12.07 |
|---|---|---|
| ALSO pension fund | 28 | 27 |
| **Total** | **28** | **27** |

**Compensation of ALSO Management Committee and Board of Directors**
Of the compensation reported in the reporting year, ALSO Holding AG paid the fees to the members of the Board of Directors directly. The compensation of the members of the Management Committee was in some cases paid directly, and in other cases indirectly through intercompany charges.

The detailed composition of the fixed an variable compensation of the members of the Board of Directors and Management Committee is fully described and explained in the Compensation Report on pages 21 to 26.

The composition of the compensation for the reporting year 2008 was as follows:

# Notes to the financial statements of ALSO Holding AG

## Members of the Board of Directors of ALSO Holding AG
## Total compensation – Board of Directors

| CHF 1000 | 2008 Cash, fixed (gross) | 2008 Expenses for retirement benefits | Total 2008 | 2007 Cash, fixed (gross) | 2007 Expenses for retirement benefits | Total 2007 |
|---|---|---|---|---|---|---|
| **Thomas C. Weissmann *** Chairman, executive member | – | – | **–** | – | – | **–** |
| **Prof. Dr. Karl Hofstetter **** non-executive member | – | – | **–** | – | – | **–** |
| **Prof. Dr. Rudolf Marty** non-executive member | 27 | 1 | **28** | 27 | 1 | **28** |
| **Total compensation** | 27 | 1 | **28** | 27 | 1 | **28** |

* The compensation of Thomas C. Weissmann is only shown under the compensation of members of the Management Committee.
** Prof. Dr. Karl Hofstetter has an employment contract with Schindler and is compensated by Schindler.

## Members of the Management Committee of ALSO Holding AG
## Total compensation 2008 – Management Committee

| | Fixed compensation | Variable compensation | | | | | |
|---|---|---|---|---|---|---|---|
| **CHF 1000** | Cash (gross) | Bonus (gross) | Shares | Options | Fringe benefits | Expenses for retirement benefits | **Total 2008** |
| **Management Committee** – Total | 1 502 | 658 | 91 | – | 7 | 426 | **2 684** |
| **Highest individual compensation** – Thomas C. Weissmann | 568 | 109 | 56 | – | – | 215 | **948** |

## Total compensation 2007 – Management Committee

| | Fixed compensation | Variable compensation | | | | | |
|---|---|---|---|---|---|---|---|
| **CHF 1000** | Cash (gross) | Bonus (gross) | Shares | Options | Fringe benefits | Expenses for retirement benefits | **Total 2008** |
| **Management Committee** – Total | 1 409 | 1 231 | 108 | 30 | 7 | 478 | **3 263** |
| **Highest individual compensation** – Thomas C. Weissmann | 468 | 268 | 66 | 30 | – | 245 | **1 077** |

## Received Number of shares and options on shares – Management Committee

| | 2008 Number of shares | 2008 Options awarded | 2007 Number of shares | 2007 Options awarded |
|---|---|---|---|---|
| **Management Committee** – Total | 2 967 | – | 2 195 | 1 602 |
| **Highest individual compensation** – Thomas C. Weissmann | 1 763 | – | 955 | 1 602 |

# Notes to the financial statements of ALSO Holding AG

### Held Shares, options and conversion rights – Board of Directors

| as of 31 December 2008 | as of 31 December 2008 | | as of 31 December 2007 | |
|---|---|---|---|---|
| | Number of shares | Number of options | Number of shares | Number of options |
| **Thomas C. Weissmann**<br>Chairman, executive member | Included in Group Management compensation | | Included in Group Management compensation | |
| **Prof. Dr. Karl Hofstetter**<br>Non-executive member | 2000 | – | 2000 | – |
| **Prof. Dr. Rudolf Marty**<br>Non-executive member | 10 | – | 10 | – |
| **Total** | **2010** | **–** | **2010** | **–** |

### Held Shares, options and conversion rights – Management Committee

| | as of 31 December 2008 | | as of 31 December 2007 | |
|---|---|---|---|---|
| | Number of shares | Number of options* | Number of shares | Number of options* |
| **Thomas C. Weissmann**<br>Chief Executive Officer, CEO | 12 297 | 8 990**/*** | 11 342 | 3 960** |
| **Michael Dressen**<br>Managing Director | 700 | | 600 | |
| **Marc Schnyder**<br>Managing Director | 3 896 | | 3 346 | |
| **Hans Wyss**<br>Chief Financial Officer, CFO | 1 981 | | 1 731 | |
| **Peter Zurbrügg**<br>Chief Information Officer, CIO | 2 204 | | 1 900 | |
| **Total** | **21 078** | **8 990** | **18 919** | **3 960** |

* Vested options only
** Grant 2003 (acquisition date 2004, restriction period until 2007): 3 960 } 8 990
*** Grant 2004 (acquisition date 2005, restriction period until 2008): 5 030

# Notes to the financial statements of ALSO Holding AG

**Risk assessment**
The Board of Directors of ALSO Holding AG carries through systematic risk assessments, based on which actions to mitigate risks are defined and the identified risks continuously monitored.

There are no further matters requiring disclosure according to the Swiss Code of Obligations (OR) Art. 663b.

**Proposal of the Board of Directors for the appropriation of the available earnings 2008**

| CHF 1000 | 2008 | 2007 |
|---|---|---|
| Balance brought forward | 10760 | 11954 |
| Transfer from reserves for treasury shares | 24 | 20 |
| Net profit | 11388 | 13003 |
| **Total available earnings as of 31 December** | **22172** | **24977** |
| Dividends | 0 | –4217 |
| Allocation to special reserves | –10000 | –10000 |
| **Earnings carried forward** | **12172** | **10760** |

# Report of the Statutory Auditors

**Report of the statutory auditor on the financial statements**
As statutory auditor, we have audited the financial statements of ALSO Holding AG, Hergiswil NW shown on page 76 to 81, which comprise the balance sheet, income statement and notes for the year ended 31 December 2008.

**Board of Directors' responsibility**
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

**Report on other legal requirements**
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Lucerne, 9 February 2009

Ernst & Young AG

| | |
|---|---|
| Roland Ruprecht<br>Licensed audit expert<br>(Auditor in charge) | Christoph Michel<br>Licensed audit expert |

# Important addresses

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# ALSO in Europe

### Germany
Population in millions: 82.7, GDP*: 40 415
Personal computers per 100 population: 65

### Estonia
Population in millions: 1.3, GDP*: 15 851
Personal computers per 100 population: 51

### Finland
Population in millions: 5.3, GDP*: 46 602
Personal computers per 100 population: 50

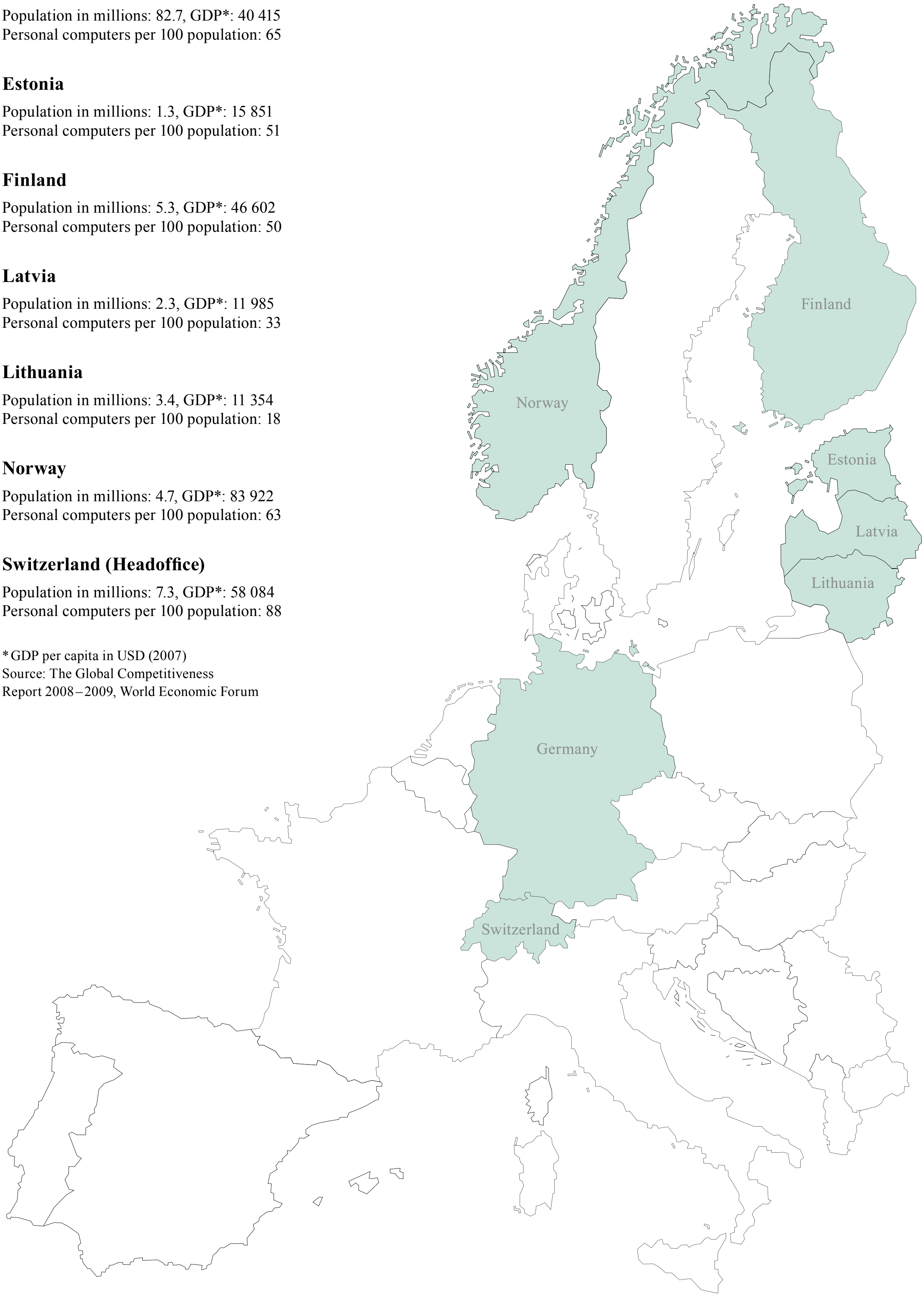
### Latvia
Population in millions: 2.3, GDP*: 11 985
Personal computers per 100 population: 33

### Lithuania
Population in millions: 3.4, GDP*: 11 354
Personal computers per 100 population: 18

### Norway
Population in millions: 4.7, GDP*: 83 922
Personal computers per 100 population: 63

### Switzerland (Headoffice)
Population in millions: 7.3, GDP*: 58 084
Personal computers per 100 population: 88

* GDP per capita in USD (2007)
Source: The Global Competitiveness
Report 2008 – 2009, World Economic Forum



ALSO

more than distribution