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How often are we surprised by developments we have been able to foresee but for which we have not prepared ourselves as well as we might? We knew all along what was coming. Or at least we could have done. What is it that holds us back from tackling recognizable risk head-on and in the process playing a more proactive role in the determination of our own future?

## Differentiated risk assessment

More often than not, we consider events entailing damage or loss and the *probability* of their occurrence. However, what we tend to forget is the maximum imaginable *extent* of what that damage might be and, in the event of its occurrence, whether we would really be able or willing to bear the consequences.

The probability of a road accident (the event), for example, is much higher than that of a plane crash, but the consequences (the extent of the damage) of the two are radically different.

Logically, a differentiated assessment of the risk involved should prompt us to change our behaviour. For example, it would be perfectly acceptable for the parents of young children to travel in the same car but not for them to fly in the same aircraft. But let's be honest: how many of us do that?

## The hope principle

Some people simply hope that the worst-case scenario will never happen. In this way, they avoid taking necessary – and often unpleasant – measures or at least postpone them. The IT industry is a perfect example of this type of behaviour.

In spring 2001 many of the industry's big players were convinced – or should we say hoping – that the long-expected economic upturn would kick in sometime around autumn. At that time, however, macroeconomic indicators showed a completely different picture. Worldwide surplus capacity in many industries, increasing unemployment throughout Europe and dwindling consumer confidence were the harbingers of a recessive trend given further impetus by the events of September 11.

Against this discouraging economic backdrop, anyone could have predicted back in spring of 2001 that many companies would be forced to make further radical cost cuts. What's more, it should have been clear that these measures would hit IT spending particularly hard because, from a technological point of view, at that moment in time and in stark contrast to the years leading up to the new millennium there was no compelling reason for users to invest in new platforms.

## Reality-driven risk behaviour

Back in the early summer of 2001, ALSO had resigned itself to the fact that a palpable improvement in the market would not manifest itself before the end of 2002, at the earliest. We were acutely aware of the serious consequences of basing our cost structures on an assumption of growth if the latter failed to materialize. Consequently we adjusted capacity accordingly in all departments and reduced our costs in the process. At the same time, we focused on maintaining profitability and strengthening our balance sheet. As a result, despite stagnating and in some cases reduced sales in 2001 and 2002, we have managed to post an encouraging profit and to achieve a solid equity ratio.

In the future, too, we aim to go on basing our actions on a more differentiated assessment of risk and accepting reality for what it is.

The past three years have placed heavy demands on the company. Generally speaking, the economic scenario is still tense. Contrary to many expectations, the market situation during certain quarters in 2002 was even worse than the previous year because many companies were forced to make even more sweeping cuts, particularly in the IT sector. Overall, the markets we serve declined more than 10 percent in value terms during the year under review.

The ALSO Group managed to buck the general market trend. Group management recognized the gloominess of the outlook in good time and during the past year concentrated on maintaining the Group's profitability and strengthening the balance sheet. As a result, the ALSO Group posted a significantly higher profit than in the previous year.

## Encouraging developments within the Group

Despite the decline in the market, last year's sales figures of CHF 1 653.3 million were only slightly lower than those for the previous year (CHF 1 723.7 million). At the same time, ALSO reported a very good operating result of CHF 30.7 million (2001: CHF 19.9 million). Compared with the previous year, after-tax net profit was up by 78 percent from CHF 11.1 million to CHF 19.7 million. The workforce was further reduced in 2002. Altogether, ALSO had a total of 1 112 employees at the end of the year under review (2001: 1 355). Shareholders' equity rose to 45 percent of total assets (2001: 36 percent), another significant improvement. At the General Meeting on March 20, 2003, the Board of Directors will be proposing a dividend of CHF 7.00 compared with CHF 5.00 the previous year.

## Strategic expansion in distribution

During the year under review, the main priority for the Distribution division was to secure profitability and to advance the strategic expansion of its operations. At CHF 1 523.2 million, sales were up slightly on the previous year (CHF 1 514.7 million). Primarily as the result of an increase in services, operating profit was up by 3 percent from CHF 30.4 million the previous year to CHF 31.4 million.

The year under review also saw expansion of our logistics services and a sales increase in excess of 30 percent. After Swisscom Mobile and Sunrise, Orange became our third customer in the mobile telephony sector. At the same time, we took charge of the logistics for Swisscom IT services, the largest independent IT services provider in Switzerland.

The foundation of a strategic alliance, the EUROPEAN WHOLESALE GROUP, marked the first step in our internationalization strategy. The four partners in the alliance offer manufacturers an efficient and consistent platform for reaching more than 35 000 dealers throughout Europe.

Finally, leading trade magazines in Germany and Switzerland voted our Distribution division the best distributor in both countries for the third time in succession.

## Systems Business substantially improved

Throughout restructuring over the past few years, our systems operations have retained their existing customer basis and acquired many new ones, which speaks volumes for the service and quality offered by the division. Today, our Systems Business can point to a healthy balance sheet and a reassuring financial situation. Although sales were down markedly to CHF 130.0 million (2001: CHF 209.0 million), we managed to reduce the losses substantially and posted an operating result of CHF -0.4 million (previous year CHF -10.4 million), which was just below break-even. This success was achieved through stringent cost management and ongoing restructuring wherever necessary.

## Ecological awareness

For many years now, we in the ALSO Group have been encouraging ecological awareness. As early as 1992, for instance, we switched from conventional cardboard boxes to reusable bins. We also took ecological questions into account in the construction of our new office premises in Emmen, installing for example automatic light sensors in every room. We have even reduced the strain on the environment in our everyday operations: by consolidating delivery notes we are now able to make several deliveries to the same customer in a single journey.

## Cautious outlook

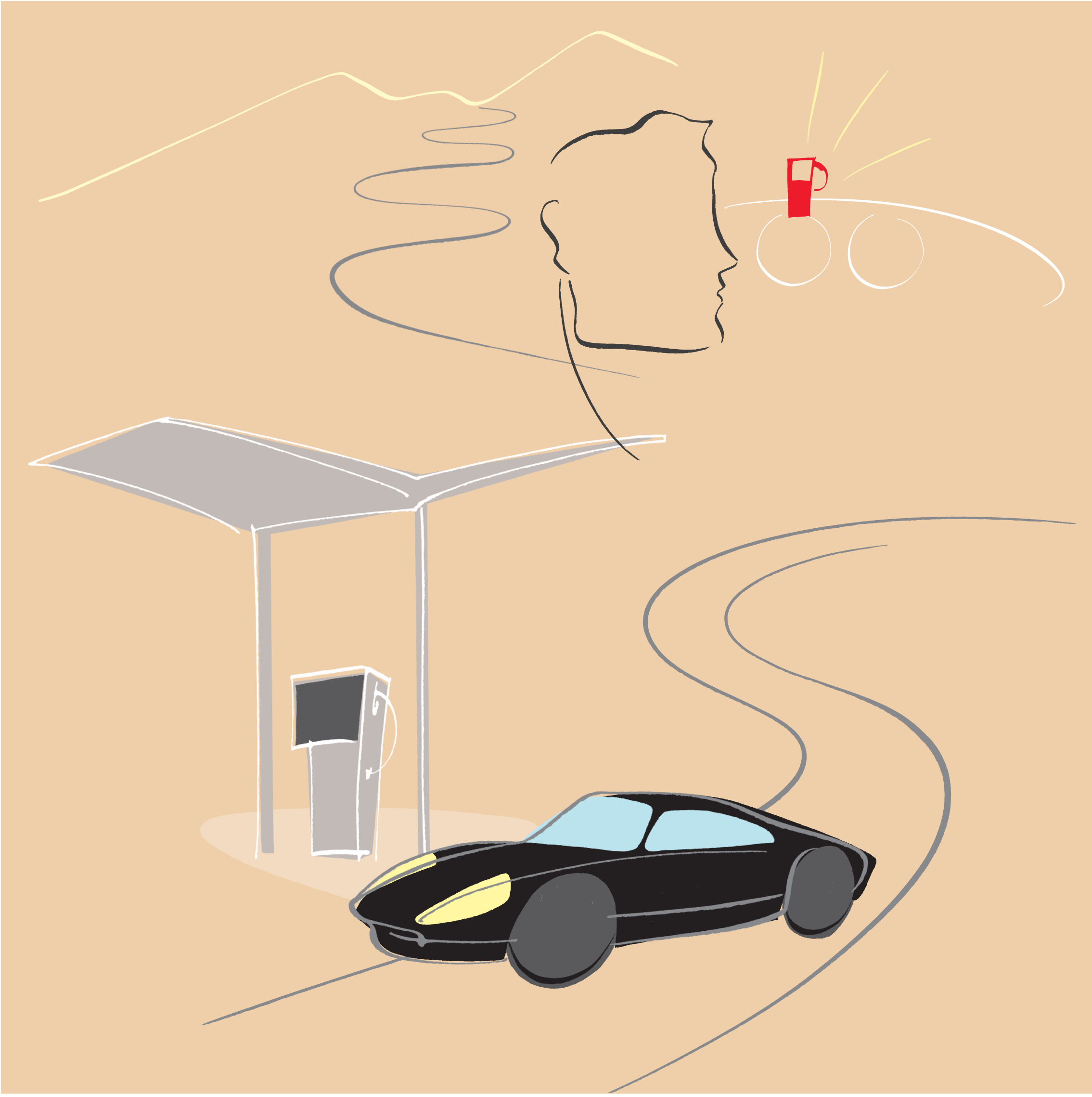
At the beginning of 2003, we announced our intention to sell off the Systems Business division. By concentrating our forces in this way we expect to better exploit opportunities in distribution. Through the sale our Systems Business will gain more attractive options and can thus better realize its full potential.

The economic situation will probably remain fragile, and we do not forecast any significant increase in demand for the time being. Consequently, we expect the pressure on margins to remain fairly high. In our distribution operations, the spotlight during the current year too will be on retaining profitability and maintaining growth, primarily through the extension of the product portfolio in Germany.

The world economic situation remains as fraught with uncertainty as ever. The Iraq crisis, the fear of further terrorist attacks and worries about the general economic development have left companies and consumers feeling extremely unsure. At the present moment in time, in a business as dynamic as ours, it is still too early to make prognoses about the current year. However, in view of the demand for logistics services we remain confident about the prospect of making sustainable increases in both sales and profitability in the future.

We wish to take this opportunity to thank our employees for their efforts and commitment at a time of such radical change and challenge. We thank our customers for putting their trust in us and our products, and our business associates for their invaluable assistance. Finally, we should like to extend our gratitude to our shareholders for their trust and confidence in our company.

Thomas C. Weissmann
Chairman of the Board



We all know the feeling. The fuel warning lamp appeals to the gambler in us all. Do we fill up now or later? If we are in upbeat mood, our decision is based on the hope principle: it should be enough. And that's always exciting. Just how dramatic it can be depends on the seriousness of the situation: are we 20 miles into the desert or a couple of miles from home. Privately, most of us do the right thing – and fill up. But in business?

II

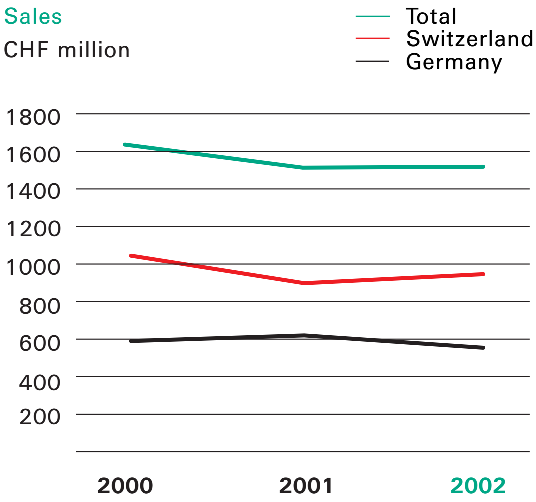
Contrary to most expectations, the world economy, now in the doldrums since 2001, remained slack throughout 2002. In response, most companies undertook a further round of substantial cost-cutting measures. These were particularly noticeable in the IT sector because there was little objective reason for technological upgrading. As a result, according to Robert Weiss Consulting the value of Switzerland's IT market slumped by around 15 percent. Decline in Germany was probably equally high.

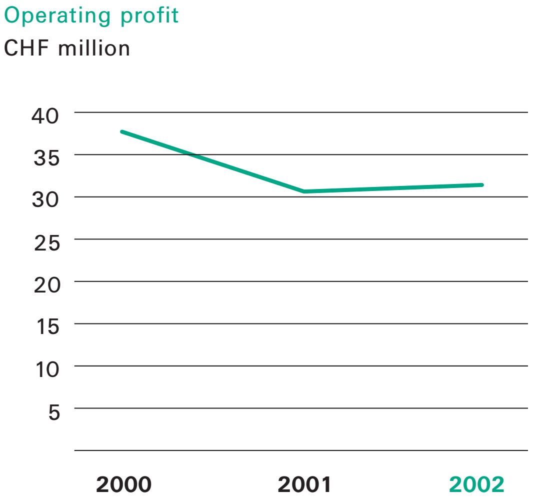
In a shrinking market, the Group's two distribution companies – ALSO ABC TRADING AG in Switzerland as well as ALSO ABC TRADING GmbH in Germany – managed to increase their market share and, thanks mainly to growth in services, to push up sales compared with the previous year.

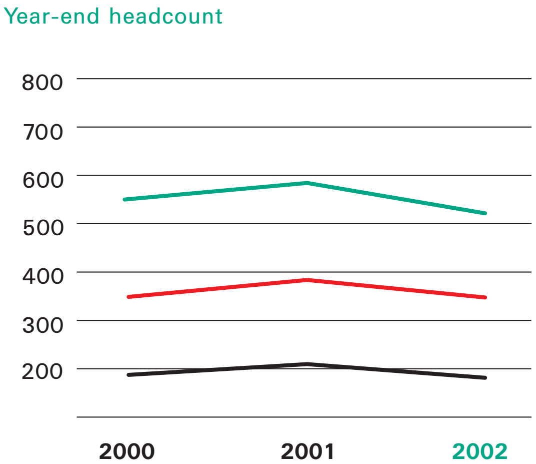
## Further increase in profit

In 2002, sales in the Distribution division rose by 1 percent to CHF 1 523.2 million (2001: CHF 1 514.7 million). Primarily as a result of increased services, operating profit rose by 3 percent against the previous year to CHF 31.4 million (2001: CHF 30.4 million). Considering the economic climate, both companies performed remarkably well. It is particularly worth noting that the German company finished every calendar month with a net profit, the first time this has happened since its foundation seven years ago.

One of the integral parts of the Distribution division's strategy is the expansion of its logistical services. In Switzerland, the company acquired Orange, its third client in the mobile telephony sector after Swisscom Mobile and Sunrise. In addition, Swisscom IT Services, the largest independent IT service provider, recently became a customer of ALSO ABC TRADING AG in Switzerland.



## Progress on the internationalization front

Distribution continued to pursue its long-term strategic objective of greater internationalization. A first step in this direction was taken last year with the founding of a strategic alliance known as the EUROPEAN WHOLESALE GROUP. The four parties to the agreement, ALSO (Switzerland / Germany), Copaco N.V. (Netherlands), Esprinet S.p.A. (Italy) and Westcoast Ltd. (Great Britain), each a leading player in its home market, offer manufacturers throughout Europe a best-in-class platform for the efficient and consistent supply of products and services. With 1 400 employees between them, the founding companies generate joint sales of EUR 2.5 billion and service more than 35 000 dealers in eight European countries.

## Quality a major success factor

For the third time in succession, our two companies ALSO ABC TRADING AG (Switzerland) and ALSO ABC TRADING GmbH (Germany) were singled out by the independent trade magazines IT Reseller (Switzerland) and Computer Reseller News (Germany) as the best distributors. These independent surveys, carried out among dealers, confirmed yet again that the Distribution division had its priorities right when it singled out quality, process reliability and service optimization as its main focus. Apart from refresher courses in Total Quality Management (TQM) for all members of staff, a TQM advisory board consisting of employees from all sectors was newly set up. Its aim is to bring about a further significant reduction in error rates in order to ensure quality at the highest possible level and in all sectors. Apart from this, the division has also introduced a process of international standardization to secure process quality.

## Growth as the goal

The Group does not foresee any significant improvement in the economy for 2003 and expects the market to stagnate. At worst, geopolitical events could even lead to a new substantial decline in demand. Thus, to be able to grow nevertheless the Distribution division plans to take more manufacturers on board and to further develop its logistical services.

On the vendor side, further consolidation can be expected in the European market. Producers are attaching increasing importance to top quality from their partners because this allows them to reach resellers and end-users more efficiently. This development will primarily benefit companies which, like our own Distribution division, have been investing in logistics and IT for years now.

We will stick to our long-term internationalization strategy and remain firmly convinced that we will be able to make inroads into other European countries in the years ahead.

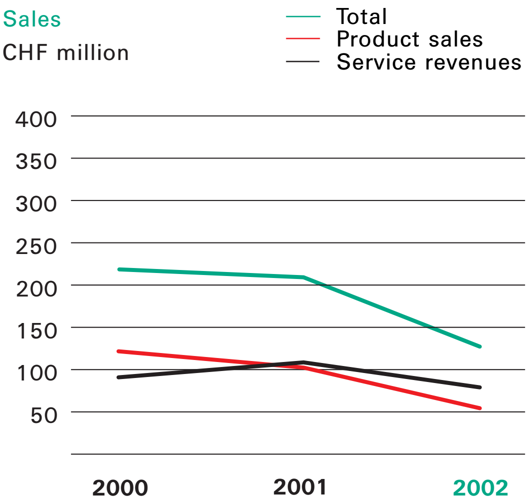
The market situation in Switzerland remained difficult in 2002, with demand from large-volume customers falling once again. In view of the uncertainty of the outlook, and because there was no technological reason to renew existing infrastructures, many companies have shelved or downsized projects. The Systems Business division was particularly hard hit by this development as its client portfolio includes a high proportion of customers from the financial service sector currently under so much pressure.

## Substantial improvement

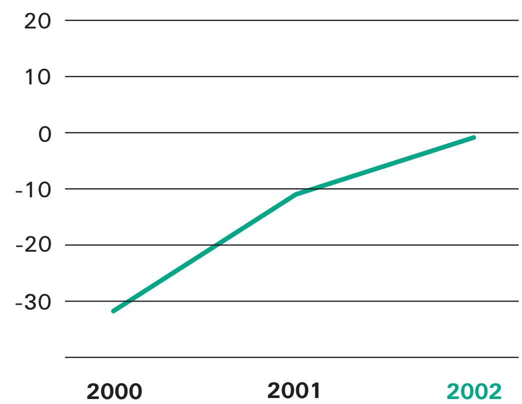
Against the backdrop of this extremely trying market situation, the division showed a substantial operating improvement in the course of last year. Compared with the previous year, the operating loss was cut by CHF 10.0 million to CHF -0.4 million (2001: CHF -10.4 million). Despite the fall-off in sales from CHF 209.0 million to CHF 130.0 million, the operating result for the year as a whole was only just below break-even, with the fourth quarter, which was influenced by a number of special factors, closing even with a slim operating profit.

The difficult market conditions notwithstanding, the division made considerable progress on the customer front during the year under review. In one of the biggest tenders of recent years, it won a major service project with Novartis and also succeeded in acquiring, among others, the Basler Kantonalbank and KPMG as noteworthy new clients. Unfortunately, new customers were unable to offset the general downturn in demand from existing clients. As a result of the division's strategic focus, product sales were down markedly while the decline in profitable services mirrored the tail-off in general demand. Over the past few years, confronted with anything but an encouraging market environment, the Systems Business has demonstrated its quality and performance, has managed to retain its client base and, in the year under review, even succeeded in acquiring new customers.

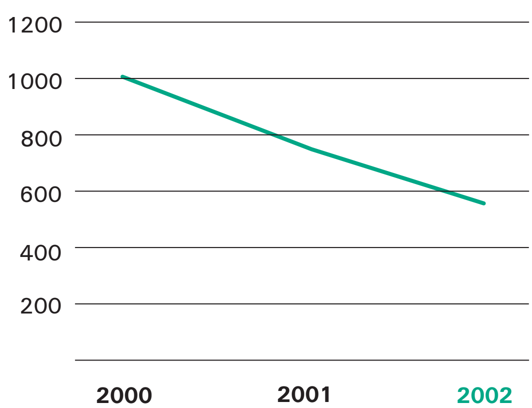
Sales
CHF million




Operating profit
CHF million




Year-end headcount



## Investment in the future

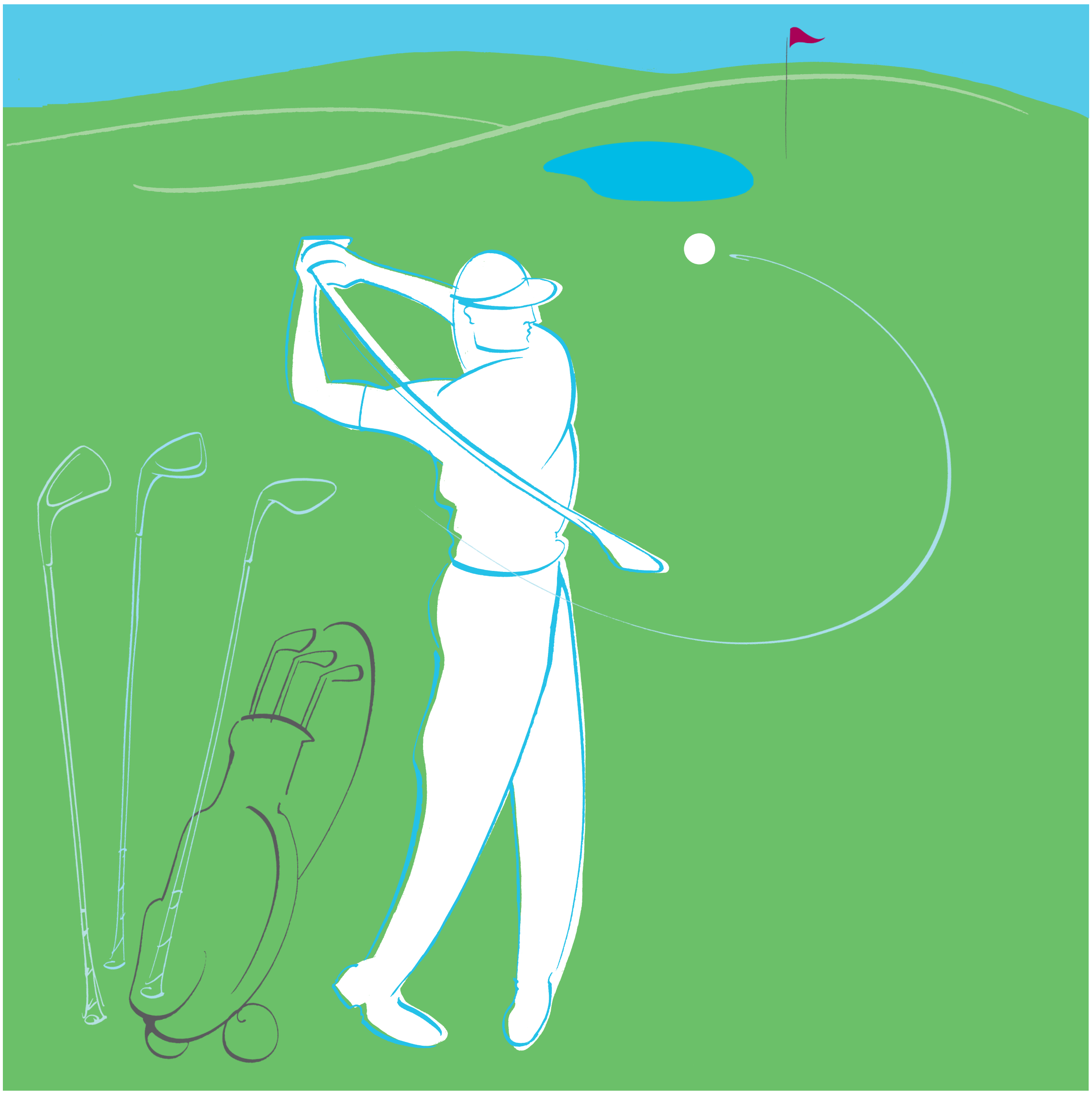
Apart from restructuring, the Systems Business division has revamped its operating processes and introduced new IT infrastructures. In addition, the division completed its management renewal during the past year, making its sales organization more effective and dynamic in the process. With its new, lean structure, higher flexibility and efficiency, as well as a completely integrated range of services, the division today is well positioned to meet the needs of the market now and in the future.

## Cautiously optimistic outlook

In the run-up to the new millennium, most companies took the precaution of replacing their IT infrastructures. In the years immediately following, investment in IT slackened noticeably. For the future, however, there are three clearly recognizable basic trends. Firstly, for many companies the equipment acquired back then is coming to its end of life, meaning more problems and increased downtime; this will inevitably lead to greater investment in replacements in the years ahead. Secondly, major companies are taking steps to consolidate and standardize their servers. Finally, companies everywhere are asking themselves how the high cost of storing data resulting from complex databases can be reduced. Developments such as these will inevitably generate new projects in the IT services industry. In view of its many years of experience, the Systems Business division should be able to benefit from these developments in the months and years ahead.

## New perspective for the division

At the beginning of this year, the ALSO Group announced its intention of seeking a new owner for the Systems Business division. This particular time was chosen because it will give a new owner the opportunity to actively shape planning and organization of the division's future strategic development. In new hands, the division will be able to build on its strengths and exploit the opportunities and synergies opened up by a change of environment. This will also substantially improve the prospects of the division's employees.



In books about golf, you can read that the game is not a matter of life and death: it's much more serious. Because in golf, everything is at stake that matters to us: our ego. After all, who'd want to play around the water hazard when a perfect shot would put you on the green. On the other hand, anything less than perfect is going to put you in the water. Which means the loss of the hole and perhaps even the game.

III

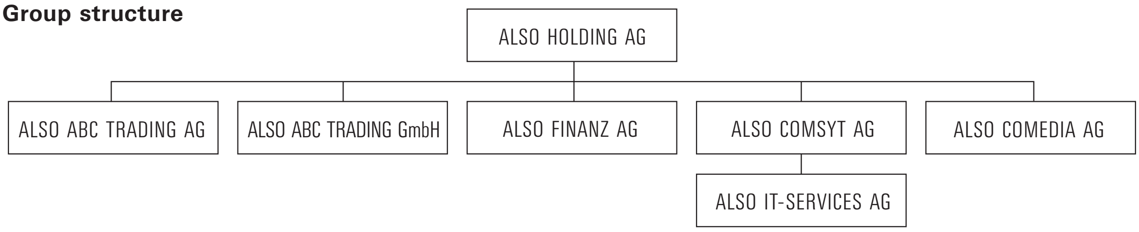
In accordance with the new guidelines set out in the Swiss Federal Stock Exchanges and Securities Trading Act (SESTA), the ALSO Group now publishes a separate chapter containing detailed information about corporate governance: the management and control of the company at the highest level.

The following information is restricted to the bare essentials. Wherever necessary, reference is made to other external sources of information such as the 2002 consolidated financial statements, the Internet or legal regulations (the Swiss Code of Obligations).

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

## 1. Group structure and shareholders

### Group structure




All Group companies are directly or indirectly owned 100 percent by ALSO HOLDING AG in Hergiswil (Switzerland). The Group also has a substantial 22.5 percent stake in the equity of the EUROPEAN WHOLESALE GROUP GmbH in Hergiswil, Switzerland. For an overview of the Group's interests, including details such as the company name, domicile, share capital and percentage stake, please see section 6 in the notes to the ALSO financial statements.

### Major shareholders

| | 31.12.2001 | 31.12.2002 |
|---|---|---|
| – Schindler Holding AG, Hergiswil (Switzerland) | 63.3 % | 64.5 % |
| – Julius Baer Multistock SICAV, Luxemburg | 6.1 % | 6.0 % |
| (according to share register) | | |

No notifications according to Art. 20 of the Swiss Federal Stock Exchanges and Securities Trading Act were received during the year under review.

### Cross-ownership

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

## 2. Capital structure

### Capital structure as per 31.12.2002

| Capital | Total | Number of shares | Par value per share |
|---|---|---|---|
| Ordinary share capital | CHF 5 999 700 | 599 970 registered shares | CHF 10 |
| Approved capital | none | | |
| Contingent capital | CHF 690 300 | 69 030 registered shares | CHF 10 |

The market capitalization of the ALSO Group on December 31, 2002, stood at CHF 180.0 million.

At the end of 2002, the ALSO HOLDING AG had contingent capital at its disposal amounting to CHF 690 300. The contingent capital was created for two different purposes, described in the statutes as follows:

**Reserved for the 1999 – 2004 convertible debenture**

The company's share capital will be increased by a maximum of CHF 500 000 through the issue of at most 50 000 fully paid up registered shares with a par value of CHF 10 each. This will be achieved by the exercise of conversion rights in connection with outstanding debentures for the company's stock. Ordinary and advance subscription rights for shareholders do not apply. Registered shares are purchased when the conversion rights are exercised. The necessary conditions for the exercise of conversion rights as well as the issue price of the debentures are determined by the market and are an integral part of the terms of the bond. According to these, the bonds may be converted at a price of CHF 1 025 per share by 12 noon on November 18, 2004, at the latest.

**Reserved for the employee stock purchase program**

The company's share capital will be increased by a maximum of CHF 190 300 through the exercise of options issued as part of the employee stock purchase program set up for the staff of companies affiliated to ALSO HOLDING AG. These options apply to a maximum of 19 030 fully paid up registered shares with a par value of CHF 10 each. According to the terms of the employee stock purchase program, the owners of the option rights are entitled to subscribe to the new shares. The subscription rights of existing shareholders do not apply to this stock. The newly issued shares are subject to the restrictions listed under Art. 5 of the statutes.



**Capital changes in the past three years**

| Changes | Registered shares, par value CHF 10<br>Number of shares | Total<br>Par value in CHF 1000 |
|---|---|---|
| **Share capital as per 31.12.1999** | **594 750** | **5 948** |
| **Share capital as per 31.12.2000** | **594 750** | **5 948** |
| Capital increase as per 02.07.2001 | 2 930 | 29 |
| **Share capital as per 31.12.2001** | **597 680** | **5 977** |
| Capital increase as per 13.12.2002 | 2 290 | 23 |
| **Share capital as per 31.12.2002** | **599 970** | **6 000** |

The capital changes have resulted from the participation of employees in the company's stock purchase scheme.

On December 31, 2002, the ALSO HOLDING AG had ordinary share capital of CHF 5 999 700, consisting of 599 970 registered shares with a par value of CHF 10. The capital of CHF 5 999 700 is fully paid up.

All registered shares are entitled to a dividend and each registered share represents one vote. ALSO HOLDING AG has no outstanding stock vested with preferential rights.

There are no participation or profit-sharing certificates.

**Restrictions on the transferability of shares and registration of nominees**

In accordance with Art. 5 of the statutes, the Board of Directors may reject the registration of a purchaser as a full shareholder (i.e. as a shareholder with voting rights) if:

a) The purchaser has not acquired the shares in his own name and at his own expense
b) The purchaser would as a result of his registration hold more than 5 percent of the voting rights. The voting rights of shareholders with interests in common are counted together. The only exceptions here are representatives of the Board or executive body and security holding agreements with banks
c) The purchaser's registration could prevent the company from providing evidence of its shareholding body as required under Swiss law

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

The Board of Directors has the power to register a purchaser who exceeds the maximum percentage holding as defined under Art. 5, § 1 lit. b) and c) of the statutes as a full shareholder if such a decision were compatible with the company's interests. The Board of Directors may present its decision regarding registration to the General Meeting (GM).

No exceptions were made in 2002.

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

**Convertible debentures and options**

The Also Group had one convertible debenture outstanding on 31.12.2002:

| | |
|---|---|
| Total amount of issue: | TCHF 51 250 |
| Denomination: | 10 000 bonds at CHF 5 125 |
| Life: | 25.11.1999 to 18.11.2004 |
| Interest: | zero coupon |
| Redemption price: | 114.5% |
| Conversion right: | five shares per bond, i.e. one share at CHF 1 025 |
| Amount outstanding on 31.12.2002 | TCHF 29 633 nominal |

The ALSO HOLDING AG repurchased bonds with a total par value of TCHF 21 617 in 2001 and 2002.

There were no ALSO HOLDING AG options outstanding on December 31, 2002.

## 3. Board of Directors

**Members of the Board of Directors**

**Thomas C. Weissmann**
Born 1951
Chairman of the Board of Directors and Chief Executive Officer
Member since July 1, 1988, elected until GM in 2003

Present position
Chief Executive Officer of the ALSO Group

Previous positions
Director of Corporate Development with Schindler Management AG, Ebikon (Switzerland)
Manager with the Boston Consulting Group, Munich (Germany)

Education and qualifications
Graduate in Business Administration at the University of St. Gallen (Switzerland)
MBA from the Harvard Business School, Boston (USA)

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

III

**René Dreier**
Born 1933, retired since 1998
Member since July 1, 1988, elected until GM in 2003

Previous positions
Director of Mergers & Acquisitions, Schindler AG, Ebikon (Switzerland)
Member of the Board (Finance), Grundig AG, Nuremberg (Germany)
Managing Director of SABA GmbH, Villingen (Germany)
President of Finance, GTE Consumer Electronics Ltd., Zurich (Switzerland)
Director of Corporate Mergers & Acquisition, GTE, Stamford, Connecticut (USA)
Financial Director, W.R. Grace & Co., Paris (France)

Education and qualifications
Graduate in Business Management at the University of Buenos Aires (Argentina)

**Prof. Dr. Karl Hofstetter**
Born 1956
Member since April 22, 1996, elected until GM in 2003

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

### Other activities and interests
Honorary Professor in Civil and Commercial Law at the University of Zurich (Switzerland)
Member of the Board of Directors of Venture Incubator AG

### Previous positions
Practised law in Zurich (Switzerland) and New York (USA)

### Education and qualifications
First degree and doctorate in Law and Economics at the Universities of Zurich (Switzerland), Stanford, UCLA and Harvard (USA); qualified to practise law in Zurich (Switzerland) and New York (USA)

**Prof. Dr. Rudolf Marty**
Born 1949
Member since June 15, 1993, elected until GM in 2003

### Present position
Managing partner of «itopia – corporate information technology» in Zurich (Switzerland)

### Other activities and interests
Professor of Information Technology at the University of Zurich (Switzerland)
President of I-CH «IT vocational training Switzerland»

### Previous positions
Head of Applications Development with the Union Bank of Switzerland (UBS), Zurich (Switzerland)
Head of the Unilab IT Research Laboratory with UBS, Zurich (Switzerland)

### Education and qualifications
Graduate in Economics and a doctorate in IT from the University of Zurich (Switzerland)

All members of the Board of Directors hold Swiss citizenship.

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

**Election and period of office**

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

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

The Board of Directors appoints its own Chairman.

**Internal organization**

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

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

**Delegation of authority and responsibility**

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

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

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

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

**Instruments for the information and control of Group Management**

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

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

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

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

## 4. Group Management

**Members of the Group Management**

**Thomas C. Weissmann**
Born 1951
Chairman of the Board of Directors and Chief Executive Officer

(For details of present and previous responsibilities as well as qualifications and education, see page 17)

**Jürgen Baumgartner**
Born 1963

Present position
Chief Financial Officer of the ALSO Group; in this position since December 1, 1999

Previous positions
Area Controller for Special Projects at Schindler Management AG, Ebikon (Switzerland)
Head of Finance with Schindler Elevator K.K., Tokyo (Japan)
Area Controller with Schindler Management Asia Pacific, Hong Kong (China)
Operational Audit, Sandoz International, Basle (Switzerland)

Education and qualifications
Graduate in Business Management at the University of St. Gallen (Switzerland)

**Dr. Axel Keller**
Born 1953

Present position
Manager of ALSO ABC TRADING GmbH, Straubing (Germany); in this position since July 1, 1997

Previous positions
Self-employed as strategic and distribution consultant, Munich (Germany)
Head of Product Marketing with Softlab GmbH, Munich (Germany)

Education and qualifications
Diploma in IT and Economics at the Institute of Technology, Munich (Germany)
Doctorate in Economics from the University of Regensburg (Germany)

**Marc Schnyder**
Born 1952 III

Present position
Manager of ALSO ABC TRADING AG, Emmen (Switzerland); in this position since January 1, 1988

Other activities and interests
President of the community of Greppen

Previous positions
Head of Personnel with ALSO HOLDING AG, Hergiswil (Switzerland)
Various teaching positions

Education and qualifications
Assistant in Nuclear Medicine, IT and commercial training, teacher training

**Thomas Willenegger**
Born 1955

Present position
Manager of ALSO COMSYT AG, Emmen (Switzerland); in this position since July 1, 2001

Previous positions
Manager of the Customer Services division with Compaq/DEC, Paris (France)
Various positions in service management with DEC and Compaq in Zurich (Switzerland) and Paris (France)

Education and qualifications
Diploma in Business Management at the Oekreal, Zurich (Switzerland)

**Peter Zurbrügg**
Born 1955

Present position
Chief Information Officer of the ALSO Group; in this position since November 1, 2001

Previous positions
Chief Executive Officer, Mount 10, Rotkreuz (Switzerland)
Head of Operations for decentralized systems with UBS Switzerland, Zurich (Switzerland)

Education and qualifications
Degree in Electrical Engineering, Juventus College, Zurich (Switzerland)

With the exception of Axel Keller (German), all members of Group Management hold Swiss citizenship.

### Management agreement

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

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

Management fees, calculated as at arm's length rates, are based on the actual services provided and the expertise of the staff involved. For the year 2002, management fees totalled TCHF 2 820.

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

## 5. Remuneration, interests and loans

### Method used and determination of remuneration and share participation

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

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

### Remuneration to Members of the Board and Group Management

| Recipient | Remuneration* | Allocation of shares during year under review | Options |
|---|---|---|---|
| Executive members of the Board and members of Group Management | TCHF 3 038 | TCHF 24 (129 shares with 50% reduction on market price → CHF 188) | none |
| Non-executive members of the Board | TCHF 50** | none | none |

* Salaries, bonuses, flat-rate expenses and contribution to executive pension scheme (where applicable); variable bonuses are related to the previous year

** paid to two external members of the Board, no remuneration to members employed by Schindler

Members of Group Management are entitled to buy stock under the ALSO Group's employee stock purchase program. This permits each employee to become a shareholder at preferential conditions (50 percent reduction). See also the comment in the notes to the financial statements. There were no payments to former members of the Group's governing bodies who retired during the previous year or earlier. No payments were made either to individuals who retired from their directorial / management duties during the year under review and no other additional remuneration was made. There are no outstanding loans to members of the Board or Group Management.

**Shareholdings as per 31.12.2002**

| Shareholders | Number of shares |
|---|---|
| Executive Board of Directors members and members of Group Management | 2 250 |
| Non-executive Board of Directors members | 202 |

The highest overall remuneration during the year under review was TCHF 1 295. This sum is equivalent to the total amount charged by Schindler Management AG to ALSO for the salary, bonus, flat-rate expenses and contribution to the executive pension scheme of Thomas C. Weissmann (see management agreement). The Chief Executive Officer did not purchase any ALSO Group stock under the participation scheme because he has a contract of employment with Schindler and is thus not eligible for the scheme.

## 6. Participatory rights of shareholders

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

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

### Statutory quorum

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

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

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

### Convening of the General Meeting

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

### Agenda

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

#### Entries in the share register

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

### 7. Take-over bits and defensive measures

Art. 29 of the statutes contains an opting-out from the requirement to make a public offer to purchase shares under Art. 32 and 52 of the Federal Law on Stock Exchanges and Securities Trading Act.

There are no golden parachutes in favour of the members of the Board or the members of the Group management.

### 8. Auditors

The ALSO Group elects Ernst & Young AG as its external auditors and has done so, since the audit of the 1995 financial statements. The person in charge of the mandate took up his duties with the audit for the year 2001.

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

III

#### Overview of fees

| Type of service | Fee |
|---|---|
| Audit | TCHF 226 |
| Ancillary services | TCHF 186 |
| Tax consultancy | TCHF 149 |

#### Monitoring and control of the auditors

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

Ahead of the actual audit, the auditors receive detailed audit instructions from the consolidation department of the main shareholder. Special assignments for the Board of Directors are likewise included in the audit planing.

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

## 9. Information policy

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

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

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

Permanent source of information: www.also.ch

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### Distribution

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### Systems Business

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E-mail: info@also.ch

ALSO IT-SERVICES AG
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The decisive factor in sailing is reading the signs. The crests of the waves, cloud formation, the path of the birds. They show us where and how the wind is blowing and when it's time to set the sails or lower them. When you can read the signs and act on them, you can always be certain of winning. Because you'll be going with the forces of Nature and not against them.

| CHF 1000 | Note | 2001 | 2002 |
|---|---|---|---|
| Revenues from product sales | 3.1 | 1 653 922 | 1 591 662 |
| Service revenues | 3.1 | 117 799 | 93 709 |
| Deductions from revenues | | (48 031) | (32 101) |
| **Total Net Sales** | | **1 723 690** | **1 653 270** |
| Cost of goods sold and service expenses | | (1 516 883) | (1 475 585) |
| **Gross Profit** | | **206 807** | **177 685** |
| | | | |
| Personnel expenses | 3.2 | (134 844) | (110 977) |
| Other operating expenses | 3.3 | (39 940) | (28 975) |
| Increase (decrease) in provisions | 4.12 | 810 | 2 090 |
| Depreciation | 4.5 / 4.6 | (12 958) | (9 091) |
| **Operating Profit (EBIT)** | | **19 875** | **30 732** |
| | | | |
| Financial income | 3.4 | 4 006 | 1 326 |
| Financial expenses | 3.4 | (7 282) | (4 927) |
| Net revenue from associates | | (123) | 0 |
| **Income before Taxes (EBT)** | | **16 476** | **27 131** |
| | | | |
| Income taxes | 3.5 | (5 394) | (7 449) |
| **Net Income** | | **11 082** | **19 682** |
| | | | |
| **EBITDA** | | **32 833** | **39 823** |
| | | | |
| **Earnings per Share in CHF** | | | |
| Undiluted earnings per share | 4.15 | 18.78 | 33.21 |
| Diluted earnings per share | 4.15 | 18.78 | 32.92 |

IV

Assets

| CHF 1000 | Note | 31.12.01 | 31.12.02 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash | 4.1 | 65 383 | 55 379 |
| Accounts receivable | 4.2 | 172 661 | 160 423 |
| Inventories | 4.3 | 59 313 | 61 467 |
| Prepaid expenses and other receivables | 4.4 | 58 671 | 42 381 |
| **Total Current Assets** | | **356 028** | **319 650** |
| | | | |
| **Non-current Assets** | | | |
| Fixed assets | 4.5 | 27 369 | 22 666 |
| Intangible assets | 4.6 | 3 257 | 2 746 |
| Participations in associated companies | 4.7 | 0 | 36 |
| Financial assets | 4.7 | 49 | 53 |
| Deferred tax asset | 4.13 | 8 628 | 4 983 |
| **Total Non-current Assets** | | **39 303** | **30 484** |
| | | | |
| **Total Assets** | | **395 331** | **350 134** |

Liabilities

| CHF 1000 | Note | 31.12.01 | 31.12.02 |
|---|---|---|---|
| **Current Liabilities** | | | |
| Current financial liabilities | 4.8 | 0 | 2 041 |
| Non-current financial liabilities due within one year | 4.11 | 10 000 | 0 |
| Accounts payable | 4.9 | 106 430 | 86 666 |
| Accrued liabilities and other payables | 4.10 | 73 422 | 52 383 |
| Tax liabilities | | 10 256 | 8 442 |
| Provisions | 4.12 | 2 894 | 1 920 |
| **Total Current Liabilities** | | **203 002** | **151 452** |
| | | | |
| **Non-current Liabilities** | | | |
| Non-current financial liabilities | 4.11 | 43 758 | 35 851 |
| Provisions | 4.12 | 2 055 | 934 |
| Deferred tax liabilities | 4.13 | 4 368 | 3 345 |
| **Total Non-current Liabilities** | | **50 181** | **40 130** |
| | | | |
| **Total Liabilities** | | **253 183** | **191 582** |
| | | | |
| **Shareholders' Equity** | | | |
| Share capital | | 5 977 | 6 000 |
| Additional paid-in capital | | 41 975 | 42 070 |
| Reserve for treasury shares | | (22) | (22) |
| Translation differences | | 60 | (381) |
| Retained earnings | | 94 158 | 110 885 |
| **Total Shareholders' Equity** | 4.14 | **142 148** | **158 552** |
| | | | |
| **Total Liabilities and Shareholders' Equity** | | **395 331** | **350 134** |

IV

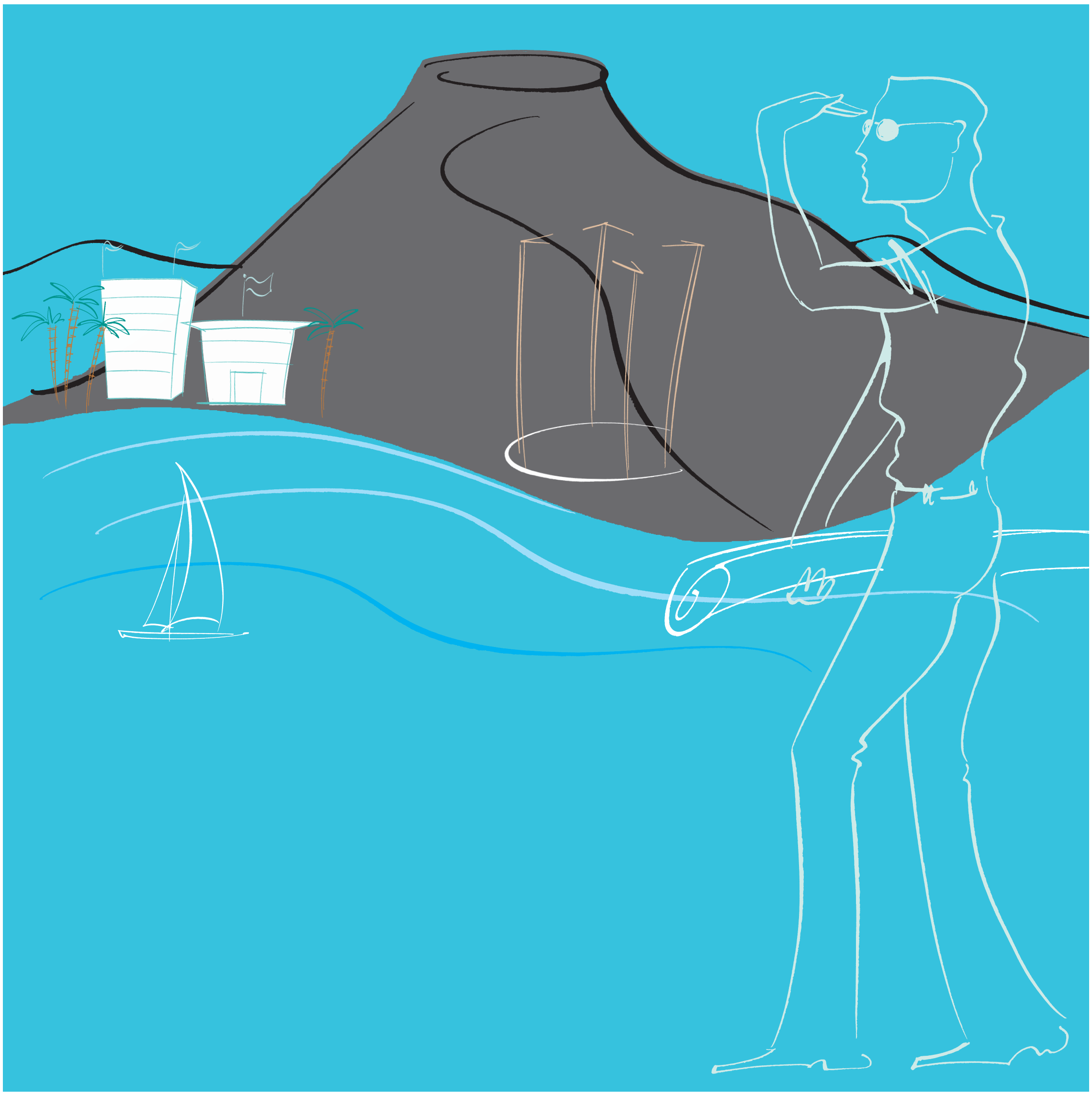
| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Net income | 11 082 | 19 682 |
| Depreciation excluding book gains | 14 406 | 9 421 |
| Increase (decrease) in provisions | (810) | (2 090) |
| Loss (gain) from sale of fixed assets | (1 439) | (330) |
| Other positions with no effect on liquidity | (2 895) | 2 621 |
| **Subtotal** | **20 344** | **29 304** |
| Decrease (increase) accounts receivable | (98 553) | 12 238 |
| Decrease (increase) inventories | 89 930 | (2 154) |
| Decrease (increase) prepaid expenses and other receivables | 57 014 | 16 290 |
| Increase (decrease) accounts payable | (101 131) | (19 764) |
| Increase (decrease) accrued liabilities and other payables | 25 022 | (22 853) |
| **Cash Flow from Operating Activities** | **(7 374)** | **13 061** |
| Disposals of fixed assets | 3 759 | 340 |
| Acquisitions of fixed assets | (7 877) | (3 343) |
| Disposals of intangible assets | 266 | 0 |
| Acquisitions of intangible assets | (608) | (952) |
| Acquisitions of participations in associated companies/financial assets | 0 | (40) |
| **Cash Flow from Investment Activities** | **(4 460)** | **(3 995)** |
| Increase in capital | 252 | 118 |
| Increase (decrease) non-current financial liabilities | (9 531) | (17 907) |
| Dividend paid | (2 647) | (2 955) |
| **Cash Flow from Financing Activities** | **(11 926)** | **(20 744)** |
| **Translation Differences** | **59** | **(367)** |
| **Increase (Decrease) Net Cash** | **(23 701)** | **(12 045)** |
| Net cash at 1 Jan | 89 084 | 65 383 |
| **Net Cash at 31 Dec** | **65 383** | **53 338** |
| Income taxes paid | 2 563 | 6 642 |
| Interest paid | 5 162 | 2 925 |
| Interest received | 2 317 | 1 139 |

| CHF 1000 | Share capital | Additional paid-in capital* | Treasury shares** | Retained earnings | Translation differences | Total |
|---|---|---|---|---|---|---|
| **31 Dec 2000** | **5 948** | **41 752** | **(22)** | **85 723** | **1** | **133 402** |
| Increase in capital | 29 | 579 | 0 | 0 | 0 | 608 |
| Repurchase convertible bond | 0 | (356) | 0 | 0 | 0 | (356) |
| Dividend paid | 0 | 0 | 0 | (2 647) | 0 | (2 647) |
| Net income | 0 | 0 | 0 | 11 082 | 0 | 11 082 |
| Translation differences | 0 | 0 | 0 | 0 | 59 | 59 |
| **31 Dec 2001** | **5 977** | **41 975** | **(22)** | **94 158** | **60** | **142 148** |
| Increase in capital | 23 | 372 | 0 | 0 | 0 | 395 |
| Repurchase convertible bond | 0 | (277) | 0 | 0 | 0 | (277) |
| Dividend paid | 0 | 0 | 0 | (2 955) | 0 | (2 955) |
| Net income | 0 | 0 | 0 | 19 682 | 0 | 19 682 |
| Translation differences | 0 | 0 | 0 | 0 | (441) | (441) |
| **31 Dec 2002** | **6 000** | **42 070** | **(22)** | **110 885** | **(381)** | **158 552** |

* See note 4.14 in the Notes

** The acquisition cost of the treasury shares within the equity is shown as a deduction from the shareholders' equity. The value includes the nominal value, as well as the corresponding share of capital reserves and retained earnings.

IV



The location is a dream, the view breathtaking. The probability of a volcano inactive for 500 years erupting again during the lifetime of the new hotel is virtually nil. But if it does, the potential damage to the property is incalculable. It could be anything from zero to a total loss. Would you build the hotel, especially if the risk could not be insured?

IV

## 1. Overview business activities

The ALSO Group consists of two divisions, Distribution and Systems Business, and has operations in Switzerland and Germany. ALSO's two divisions are covered by the following operating companies:

- Distribution:
  ALSO ABC TRADING AG (Switzerland)
  ALSO ABC TRADING GmbH (Germany)

- Systems Business:
  ALSO COMSYT AG (Switzerland)
  ALSO IT-SERVICES AG (Switzerland)

The Distribution division is active in the IT logistics. It supplies products from the world's leading hard- and software manufacturers to the IT trade and retailers in Switzerland and Germany. These are complemented by products in the high-end technology sector for networks and servers as well as a wide range of logistics services (logistics consultancy, packaging, e-logistics, Webshop fulfilment, logistics outsourcing solutions). In October of the year under review the EUROPEAN WHOLESALE GROUP GmbH (EWG), with registered office in Hergiswil (Switzerland), was founded. The corporate purpose is the wholesale trade in information and communication technology equipment in Europe, like particlarly, the purchase and trade of personal computers and peripherals. ALSO HOLDING AG (Switzerland) and three other european IT distributors hold 22.5 percent each. The remaining 10 percent are held by another shareholder.

The Systems Business division offers IT services and solutions for client / server infrastructures. The company covers the whole of Switzerland and offers a comprehensive service portfolio (procurement services, systems & network integration, mobile computing solutions, operations & support services, managed services, skills placement, efficiency improvement).

With the media release of January 14, 2003, the ALSO Group announced its intention to divest the Systems Business (see also note 5.5 events occuring subsequently to balance sheet date).

IV

## 2. Consolidation and valuation principles

### 2.1 Consolidation principles

**General comments**
The accounting and reporting principles used in these consolidated financial statements fulfill the requirements of the Swiss Company Law, the accounting provisions as contained in the Listing Rules of the Swiss Stock Exchange and the International Financial Reporting Standards (IFRS). The principle of historical cost was applied.

The financial statements, which are in accordance with IFRS, contain assumptions and estimates that affect the figures shown in this report.

**Consolidation scope**
Included in the consolidated financial statements are the year-end accounts as per December 31, of ALSO HOLDING AG, Hergiswil (Switzerland), and those significant participations (essential subsidiaries, see note 6), which ALSO HOLDING AG controls either directly or indirectly through a majority of the voting rights, or through other means.

The consolidation scope has been adjusted for SWIP Handels AG, Opfikon, which was merged retroactively as of January 1, 2002 with ALSO ABC TRADING AG, Emmen. ALSO FINANZ AG, ALSO COMSYT AG as well as ALSO IT-SERVICES AG have switched their registerd offices from Kriens to Emmen.

As of October 24, 2002, the EUROPEAN WHOLESALE GROUP GmbH (EWG), Hergiswil (Switzerland) was founded together with three other ICT distributors Copaco N.V. (Netherlands), Esprinet S.p.A. (Italy) and Westcoast Ltd. (England). This investment is accounted for according to the equity method (investment quote of ALSO HOLDING AG: 22.5 percent).

**Consolidation method**
The consolidated financial statements are based on the annual accounts prepared by the individual Group companies, applying uniform valuation principles throughout. Assets and liabilities, income and expenses are included at their full amounts and minority interests in the shareholder's equity and net income are shown separately.

Consolidation of equity is done according to the Anglo-Saxon purchase method, i.e., the identifiable assets and liabilities of the acquired company are valued at the current market value at time of acquisition, and the difference between the purchase price and the net assets acquired at the current market value is capitalized as goodwill and depreciated over its useful life using the straight-line method. The results of the acquired companies are reported in the consolidated Income Statement from the time of acquisition. When a company leaves the consolidation scope, exclusion from the consolidation affects the operating result from the time of sale, while the results of the sold company prior to that date are included in the consolidated Income Statement.

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

Unconsolidated participations with voting rights between 20 and 50 percent are accounted for according to the equity method. All other unconsolidated participations are included at acquisition cost, minus economically necessary write-offs where appropriate.

**Foreign currencies**
Transactions in foreign currencies are converted at the current rate of exchange at the time of the transaction. Exchange gains and losses arising from transactions in foreign currencies and from the translation of balance sheet positions at balance sheet date are charged or credited to the Income Statement. Open forward exchange contracts are valued at market values. The annual financial statements of foreign subsidiaries in foreign currency are converted to Swiss francs as follows:

– Assets and liabilities at year-end rates
– Shareholders' equity at historical rates
– Income Statement at average annual rates
– Cash Flow Statement at average annual rates

The translation differences resulting from consolidation are taken directly to shareholders' equity and do not affect the operating result. The exchange rates used are shown under note 5.6.

## 2.2 Valuation principles

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

**Revenues from product sales and services**
Revenues from product sales and services is made up of deliveries of goods and services, as well as ancillary operational income. The total of services not yet invoiced, valued according to the percentage of completion method, amounts to TCHF 1 075 (prior year: TCHF 4 858).

Revenues are recognised as soon as the amount can be estimated in a reliable manner and the property is transferred to the buyer respectively as soon as the service is fulfilled and it becomes probable that ALSO will receive an economic gain.

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

For employee benefit plans based on defined benefits principles, the costs for each period are determined through actuarial valuations using the projected unit credit method, and are prepared at least every three years. Actuarial adjustments or consequences arising from plan changes are credited or debited to the employee retirement benefit expense, at the longest over the average remaining service period of the insured employees.

Actuarial gains and losses resulting from the periodical valuation are accounted for over the average employment term, if they exceed 10 percent of either the net present value of future benefits or the market value of the net assets. Any such assets from surpluses arising under defined benefit plans are limited to the amount of the maximum future savings, through premium reductions or refunds. On the other hand, liabilities are fully provided for if they exceed the described corridor.

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

**Income taxes**
The deferred taxes include the income tax effects of temporary differences between the values of assets and liabilities in the group consolidated financial statements and those in the local tax accounts. The deferred taxes are constantly adjusted for any changes occurring in local tax legislation. Deferred taxes are recorded according to the comprehensive liability method. With this method, deferred taxes are created for all temporary differences. Tax loss carry-forwards are reported as deferred tax assets only when it is sufficiently likely that the taxable future profits will be adequate to compensate the loss carry-forward (see note 4.13).

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

**Balance sheet**
The balance sheet of the ALSO Group is generally prepared according to the principle of historical costs. Exceptions are certain financial assets and liabilities as well as certain financial instruments which are valued at market value.

**Cash**
The cash positions are valued at nominal value.

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

**Inventories**
Inventories are valued at the lower of cost or market value, or at the realizable lower net sales value. The valuation is carried out using the first-in-first-out method.

**Fixed assets / Intangible assets / Depreciation**
Fixed assets and intangible assets are valued at acquisition cost, minus economically necessary depreciation. Interest on capital, as well as maintenance and repair costs that do not increase the value, have not been capitalized. Investments which exceed CHF 2 000 or its equivalent in foreign currency are capitalized. The depreciation covers the operational depreciation of fixed and intangible assets, as well as gains / losses from the sale of fixed and intangible assets.

Depreciation is calculated by the straight-line method over the estimated useful life of the asset:

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

**Impairment**
The value of assets is periodically reviewed. In case of an indication of a considerable loss in value an impairment test will be performed. If the market or operating value of an asset is below book value, the asset will be written down to this lower value. This special write-down (impairment) and its later dissolution will be reported separately.

**Provisions**
Provisions for committments and contingencies are recognized if the Group has a present obligation which may lead to a probable cash drain and if a reasonable estimate of that obligation can be made.

### 2.3 Financial risk management

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

**Interest rate risks**
Interest rate risks result from changes in interest rates which could negatively affect the capital or income of the Group. Fluctuations in interest rates cause changes in the interest income and expense in respect of the interest-bearing assets and liabilities.

The management of long-term interest rate risks is done centrally in cooperation with the majority shareholder. Presently, the most significant portion of the Group's long-term financing is at fixed interest rates (see note 4.11).

**Foreign exchange risks**
The Group is active in Switzerland and Germany. Expenditures arise in local currency (CHF / EUR) or – in the case of ALSO ABC TRADING AG (CH) – in USD or EUR. Revenues are in the respective local currency. The entire transaction rate risk of the Group amounts to approx. 14 percent of the costs of goods sold. Transaction rate risks are generally hedged.

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

**Derivative financial transactions**
The financing strategy of the ALSO Group focuses on minimalization of risk, which limits the negative effects from unhedged money market positions. The transactions are restricted and closely monitored. In addition, the necessary liquidity for the daily business must be available at all times. Derivative financial transactions are entered into only with creditworthy counterparties. Events that affect the operating result are recorded currently in the accounting records. In order to monitor risks, off-balance-sheet transactions are regularly evaluated. Profits and losses from hedge transactions which qualify for netting in respect of existing assets and liabilities for fixed contractual obligations, as well as for engagements arising in the future, are recognized in the Income Statement at the same time as the underlying transaction. Profits and losses on instruments that do not qualify as hedges are shown as other financial income and expenses.

## 2.4 Financial assets and liabilities

ALSO distinguishes between the following categories of financial assets and financial liabilities:

- granted financing by the Group includes loans and advances granted
- all other financial assets are allocated to the «available for sale» category
- the financial liabilities comprise primarily the long-term financial debts, which are valued at (discounted) cost. Liabilities arising out of trading activities and derivative financial instruments are valued at market value

The financial assets are valued at cost, including transaction costs. Purchases and sales are booked on trade date. Financial assets available for sale are valued at market value whereby the changes in market value are booked against equity. At the time of sale, impairment or other disposal, the acummulated changes in market value are transferred from equity to the financial result of the current period.

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

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

## 3. Notes to the consolidated income statement 2002

### 3.1 Reporting by segment

**By division**

| CHF 1000 | Distribution 2001 | Distribution 2002 | Systems Business 2001 | Systems Business 2002 | Corporate 2001 | Corporate 2002 | Consolidated 2001 | Consolidated 2002 |
|---|---|---|---|---|---|---|---|---|
| Revenues from product sales | 1 551 759 | 1 539 467 | 102 163 | 52 195 | 0 | 0 | 1 653 922 | 1 591 662 |
| Service revenues | 11 901 | 15 868 | 105 898 | 77 841 | 0 | 0 | 117 799 | 93 709 |
| Total net sales | 1 514 726 | 1 523 238 | 208 964 | 130 032 | 0 | 0 | 1 723 690 | 1 653 270 |
| Inter-company revenue | 30 240 | 23 078 | 103 | 46 | 0 | 0 | 30 343 | 23 124 |
| Operating profit | 30 420 | 31 391 | (10 441) | (417) | (104) | (242) | 19 875 | 30 732 |
| Operating profit as % of sales | 2.0 | 2.1 | (5.0) | (0.3) | 0.0 | 0.0 | 1.2 | 1.9 |
| Segment assets | 301 225 | 240 944 | 51 778 | 27 736 | 42 328 | 81 454 | 395 331 | 350 134 |
| Segment liabilities | 156 644 | 135 529 | 31 622 | 15 522 | 64 917 | 40 531 | 253 183 | 191 582 |
| Investments | 7 290 | 2 483 | 1 190 | 1 816 | 5 | 36 | 8 485 | 4 335 |
| Depreciation | (4 723) | (5 044) | (7 984) | (3 718) | (251) | (329) | (12 958) | (9 091) |

**By geographical market**

| CHF 1000 | Switzerland 2001 | Switzerland 2002 | Foreign Countries 2001 | Foreign Countries 2002 | Total 2001 | Total 2002 |
|---|---|---|---|---|---|---|
| Total net sales | 1 119 100 | 1 070 518 | 604 590 | 582 752 | 1 723 690 | 1 653 270 |
| Segment assets | 254 772 | 246 268 | 140 559 | 103 866 | 395 331 | 350 134 |
| Investments | 6 537 | 3 913 | 1 948 | 422 | 8 485 | 4 335 |

Segment reporting is primarily by division:

- Distribution (distribution of hard- and software and logistics services)
- Systems Business (IT Services and Solutions)
- Corporate (central financial and service unit)

The segment results include all income and costs that can be directly allocated to a specific segment, as well as group overheads that can be reasonably allocated to the business units. Included in segment assets and liabilities are all balance sheet items that can be directly allocated to a specific segment or that can be reasonably allocated to the business units. Investments include costs for the acquisition of fixed- and intangible assets. All transactions between ALSO Group companies are carried out according to the arm's length principle.

## 3.2 Personnel expenses and headcount / Employee retirement benefit plan

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Wages and salaries | (116 107) | (94 520) |
| Social charges | (11 458) | (9 462) |
| Employee related costs | (7 279) | (6 995) |
| **Total Personnel Expenses** | **(134 844)** | **(110 977)** |

Included in the position wages and salaries are management fees in the amount of TCHF 2 820 (prior year: TCHF 3 053), which have been paid to Schindler Management AG for the use of central services.

| | Average headcount 2001 | Average headcount 2002 | Changes in % | Year-end headcount 2001 | Year-end headcount 2002 | Changes in % |
|---|---|---|---|---|---|---|
| Distribution | 601 | 525 | (12,6) | 596 | 528 | (11,4) |
| Systems Business | 864 | 638 | (26,2) | 747 | 570 | (23,7) |
| Corporate | 12 | 14 | 16,7 | 12 | 14 | 16,7 |
| **Total** | **1 477** | **1 177** | **(20,3)** | **1 355** | **1 112** | **(17,9)** |
| | | | | | | |
| Switzerland | 1 258 | 994 | (21,0) | 1 149 | 931 | (19,0) |
| Foreign countries | 219 | 183 | (16,4) | 206 | 181 | (12,1) |
| **Total** | **1 477** | **1 177** | **(20,3)** | **1 355** | **1 112** | **(17,9)** |

The following definitions apply to the headcount:

- Average headcount on the basis of equivalent full-time employees incl. temporary employees.
- Year-end headcount on the basis of equivalent full-time employees incl. temporary employees.

**Employee stock purchase program**

On January 1, 2001, a stock purchase program was introduced for the employees of the ALSO Group. This gives all employees of the Group the possibility of becoming a shareholder at preferential conditions and therefore the possibility of participating in the success of ALSO HOLDING AG. The following parameters apply to the stock purchase program:

| | |
|---|---|
| Duration of the program: | 5 years |
| Max. purchase amount / year: | 2.5 percent of the annual gross salary |
| Basis for purchase price: | average closing share price 1 – 15 April |
| Price reduction: | 50 percent |
| Restriction period: | 2 years |

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

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For the purpose of making available the necessary shares for this program, the general assembly 2001 authorised a contingent capital in the amount of TCHF 243 nominal, respectively 24 250 shares. In the current year 2 290 shares were issued. (prior year: 2 930) The purchase price after the price reduction of 50 percent amounted to CHF 188 per share.

As the stock purchase program is optional for employees and does not form part of the bonus program, the price reduction of 50 percent is not shown in the personnel expenses. Only the related social security contributions are shown.

**Employee retirement benefit plans**
The employee retirement benefit plans of the ALSO Group are in accordance with the legal requirements of each respective country. As of the beginning of 2002 the employee retirement benefit plans of the ALSO companies in Switzerland were integrated into the semi-autonomous pension scheme. For this purpose the assets of a collective pension fund with a Swiss insurance (for all ALSO subsidiaries with the exception of ALSO IT-SERVICES AG) as well as the respective portion of the pension plan of the Credit Suisse Group (ALSO IT-SERVICES AG) were transferred to the new pension plan.

**Defined benefit plan**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Net assets at market value | 57 023 | 64 210 |
| Net present value of future benefits | (56 080) | (68 410) |
| Over/under coverage | 943 | (4 200) |
| Unamortized actuarial gains and losses / past service cost | 0 | 4 200 |
| Assets not shown in the balance sheet | (943) | 0 |
| Total net book value | 0 | 0 |
| | | |
| Reported in the balance sheet as | | |
| – Employee benefits under the assets | 0 | 0 |
| – Employee benefits under the liabilities | 0 | 0 |

**Statement of changes**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Book value 1 Jan | 0 | 0 |
| Periodic pension cost | (6 160) | (5 329) |
| Contributions paid | 6 160 | 5 329 |
| Book value 31 Dec | 0 | 0 |
| Changes | 0 | 0 |

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

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Service expense for the current period | (9 964) | (6 842) |
| Interest cost for the benefit obligation | (3 005) | (2 491) |
| Expected income from assets | 2 694 | 2 787 |
| Minus employee contributions | 4 115 | 3 553 |
| Changes in assets not shown in the balance sheet | 0 | (2 336) |
| **Net Employee Retirement Benefit Expenses** | **(6 160)** | **(5 329)** |

**Calculation basis**

| (Weighted averages) | 2001 | 2002 |
|---|---|---|
| Technical interest rate | 4.0 % | 4.0 % |
| Expected returns on investments | 5.5 % | 5.0 % |
| Development of wages and salaries | 1.3 % | 2.5 % |
| Development of annuities | 1.5 % | 0.5 % |
| Fluctuation rate | 35.0 % | 15.0 % |

## 3.3 Other operating expenses

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Rent, leasing, maintenance and repair costs | (19 524) | (14 742) |
| Insurance and consulting fees | (5 910) | (3 557) |
| General administrative expenses | (13 733) | (11 123) |
| Other operating expenses | (773) | 447 |
| **Total Other Operating Expenses** | **(39 940)** | **(28 975)** |

## 3.4 Financial results

**Financial income**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Interest income | 3 185 | 956 |
| Interest income from related parties | 207 | 88 |
| Other financial income | 614 | 282 |
| **Total Financial Income** | **4 006** | **1 326** |

**Financial expenses**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Interest expenses | (6 961) | (4 673) |
| Interest expenses paid to related parties | 0 | (11) |
| Other financial expenses | (321) | (243) |
| **Total Financial Expenses** | **(7 282)** | **(4 927)** |

| | | |
|---|---|---|
| **Financial Results** | **(3 276)** | **(3 601)** |

Financial income includes income from interest and securities, as well as gains from price and exchange rate changes (both realized and unrealized) in the amount of TCHF 282 (prior year: TCHF 614). In addition, financial income includes profits of TCHF 88 from the revaluation of the open interest rate swap at the end of the year (prior year: TCHF 867).

In addition to interest expenses, financial expenses also include accumulated valuation adjustments of monetary investments, as well as realized and unrealized price and exchange rate change losses in the amount of TCHF 243 (prior year: TCHF 321).

The interest income and interest expenses related to the interest rate swaps (see also note 5.2, Open derivative financial instruments) are recorded gross, i.e., they were included under interest income or interest expenses respectively.

## 3.5 Income taxes

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Income tax on earnings for the accounting period | (8 289) | (4 827) |
| Deferred taxes | 2 895 | (2 622) |
| **Total Income Taxes** | **(5 394)** | **(7 449)** |

**Analysis of tax expenses**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Income before taxes | 16 476 | 27 131 |
| **Weighted Tax Rate** | **16.0 %** | **27.8 %** |
| | | |
| Expected income tax on earnings | (2 640) | (7 532) |
| Creation/use of tax loss carry forwards not recorded as assets | 814 | 977 |
| Tax-exempt income/non-deductible expenses | 510 | 1 056 |
| Reduction in deferred tax rate | 0 | (943) |
| Write-off of deferred tax asset | 0 | (2 074) |
| Tax effect from prior periods | 0 | 1 271 |
| Other factors | (4 078) | (204) |
| **Effective Income Tax Expense** | **(5 394)** | **(7 449)** |
| | | |
| **Effective Income Tax Expense in %** | **32.7 %** | **27.5 %** |

The weighted income tax rate is calculated from the anticipated applicable rates for the income taxes of the individual Group companies in their respective tax jurisdictions.

For the year 2002 a net deferred tax asset in the amount of TCHF 2 622 was eliminated (prior year: elimination of net deferred tax liability of TCHF 2 895). The deferred taxes were revalued by reducingt the applied rate from 25 percent to a more realistic 21 percent; which lead to a reduction of the deferred tax asset as well as the deferred tax liability. In addition the deferred tax asset of ALSO COMSYT AG was revalued (reduction by TCHF 2 074).

## 4. Notes to the consolidated balance sheet as at 31 Dec 2002

### 4.1 Cash

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Cash, postal checking account and bank balances | 27 989 | 11 029 |
| Short-term cash deposits with related parties | 64 | 0 |
| Time deposits up to max. three months | 37 330 | 44 350 |
| **Total Cash** | **65 383** | **55 379** |

Cash includes cash, postal checking account and bank balances. In addition, those short-term cash deposits with the majority shareholder are included, for which ALSO has the right of disposal at any time. Out of the total cash TCHF 11 859 are held in EURO and TCHF 711 are held in USD.

### 4.2 Accounts receivable

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Accounts receivable from third parties | 177 648 | 165 336 |
| Accounts receivable from related parties | 140 | 28 |
| Provision for bad debts | (5 127) | (4 941) |
| **Total Accounts Receivable** | **172 661** | **160 423** |

Out of the total accounts receivables TCHF 87 796 are held in EURO.

The valuation provision includes individual provisions of TCHF 2 155 (prior year: TCHF 2 441) and general bad debt provisions in the amount of the expected losses. In the reporting year a net provision for bad debts was dissolved in the amount of TCHF 186 (prior year: additional net provision of TCHF 211). The valuation provision is based on the total accounts receivable (including the receivables sold).

In the Distribution business unit, the bad debt risks are covered by insurance.

For financing purposes, the ALSO Group sold accounts receivable to an independent bank. At year end, accounts receivable in the amount of TCHF 55 291 (2001: TCHF 44 705) had been sold. Accounts receivable from third parties are shown net after the deduction of the receivables sold. A reserve kept by the bank and therefore not paid out in cash is shown under various receivables (see note 4.4).

## 4.3 Inventories

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Goods assigned to projects | 3 190 | 3 058 |
| Trading stock | 58 263 | 60 443 |
| **Subtotal Inventories** | **61 453** | **63 501** |
| Downpayments to suppliers | 7 | 7 |
| Valuation adjustment | (2 147) | (2 041) |
| **Total Inventories** | **59 313** | **61 467** |

The gross value of the value-adjusted goods is TCHF 10 109 (prior year: TCHF 7 785).

Goods assigned to projects are covered by purchase obligations from customers. For most of the trading stock, the suppliers provide price decline protection, at least for a limited period. The ALSO companies usually purchase goods in local currency. Local companies purchase only small amounts in foreign currency, if necessary hedging these through forward exchange contracts (see also note 5.2, Open derivative financial instruments). Recognizable loss of value due to lower inventory turnover, over-reaching, etc. is taken into account by appropriate valuation adjustments against the inventory items.

## 4.4 Prepaid expenses and other receivables

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Various tax credits | 630 | 148 |
| Various receivables | 10 939 | 12 185 |
| **Subtotal Other Receivables** | **11 569** | **12 333** |
| Prepaid expenses | 47 102 | 30 048 |
| **Total Prepaid Expenses and Other Receivables** | **58 671** | **42 381** |

The prepaid expenses include invoices for goods which have not yet been physically received. These amount to TCHF 8 720 (prior year: TCHF 25 476).

## 4.5 Fixed assets

| CHF 1000 | **Total 2001** | Land and buildings | Equipment | Motor vehicles | **Total 2002** |
|---|---|---|---|---|---|
| **Acquisition Value 1 Jan** | 82 264 | 40 785 | 41 903 | 32 | 82 720 |
| Additions | 7 877 | 420 | 2 916 | 7 | 3 343 |
| Disposals | (7 159) | (228) | (730) | 0 | (958) |
| Translation differences | (262) | (79) | (116) | 0 | (195) |
| **Total Acquisition Value 31 Dec** | **82 720** | **40 898** | **43 973** | **39** | **84 910** |
| **Accumulated Depreciation 1 Jan** | (47 531) | (21 796) | (32 961) | (29) | (54 786) |
| Additions | (12 369) | (2 551) | (5 066) | (5) | (7 622) |
| Disposals | 4 956 | (63) | 681 | 0 | 618 |
| Translation differences | 158 | 36 | 75 | 0 | 111 |
| **Total Depreciation 31 Dec** | **(54 786)** | **(24 374)** | **(37 271)** | **(34)** | **(61 679)** |
| **Impairment 1 Jan** | (565) | (565) | 0 | 0 | (565) |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **Total Impairment 31 Dec** | **(565)** | **(565)** | **0** | **0** | **(565)** |
| Book Value at 1 Jan | 34 168 | 18 424 | 8 942 | 3 | 27 369 |
| Book Value at 31 Dec | 27 369 | 15 959 | 6 702 | 5 | 22 666 |
| **Fire Insurance Value** | **62 189** | **19 969** | **48 796** | **0** | **68 765** |

The item Land and buildings includes land valued at TCHF 2 002 (prior year: TCHF 2 002). Of this amount TCHF 1 000 relates to a land reserve. Equipment consists primarily of machinery and installations, furniture and fixtures, as well as IT and communication systems.

Gains and losses from the sale of fixed assets are included in the depreciation and amount to TCHF 330 (prior year: TCHF 1 439).

## 4.6 Intangible assets

| CHF 1000 | Total 2001 | Goodwill | Other intangible assets | Total 2002 |
|---|---|---|---|---|
| **Aquisition Value 1 Jan** | **9 486** | **2 977** | **6 859** | **9 836** |
| Additions | 608 | 0 | 952 | 952 |
| Disposals | (251) | 0 | (419) | (419) |
| Translation differences | (7) | 0 | (7) | (7) |
| **Total Acquisition Value 31 Dec** | **9 836** | **2 977** | **7 385** | **10 362** |
| **Accumulated Depreciation 1 Jan** | **(4 812)** | **(1 191)** | **(5 388)** | **(6 579)** |
| Additions | (2 037) | (595) | (874) | (1 469) |
| Disposals | 251 | 0 | 419 | 419 |
| Translation differences | 19 | 0 | 13 | 13 |
| **Total Depreciation Value 31 Dec** | **(6 579)** | **(1 786)** | **(5 830)** | **(7 616)** |
| **Impairment 1 Jan** | **0** | **0** | **0** | **0** |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| **Total Impairment 31 Dec** | **0** | **0** | **0** | **0** |
| Book Value at 1 Jan | 4 674 | 1 786 | 1 471 | 3 257 |
| Book value at 31 Dec | 3 257 | 1 191 | 1 555 | 2 746 |

On January 1, 2000 the IT service business of the Credit Suisse Group was taken over and brought into the newly founded ALSO IT-SERVICES AG. The resulting goodwill amounted to TCHF 2 977 and is being written off over 5 years.

The item «Other intangible assets» consists primarily of application software for Group companies.

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### 4.7 Participations in associated companies/financial assets

ALSO HOLDING AG founded, together with four other shareholders, the EUROPEAN WHOLESALE GROUP GmbH (EWG). The company's capital amounts to TCHF 160. ALSO HOLDING AG holds 22.5 percent in the company.

The participation in ICG B.V. Amsterdam is 3 percent, which is insignificant, as is the 9.5 percent participation in ICG SERVICES Ltd. Both are reported at book value since the market value cannot be adequately determined.

### 4.8 Net cash

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Cash | 65 383 | 55 379 |
| Current financial liabilities | 0 | (2 041) |
| **Net Cash** | 65 383 | 53 338 |

### 4.9 Accounts payable

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Accounts payable to third parties | 106 387 | 86 637 |
| Accounts payable to related parties | 43 | 29 |
| **Total Accounts Payable** | **106 430** | **86 666** |

Out of the total accounts payables TCHF 50 426 are held in EURO and TCHF 7 920 are held in USD.

## 4.10 Accrued liabilities and other payables

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| **Accrued Liabilities** | **35 268** | **29 991** |
| Other tax payables | 5 665 | 4 899 |
| Various payables to third parties | 31 902 | 17 213 |
| Various payables to related parties | 587 | 280 |
| **Subtotal Other Payables** | **38 154** | **22 392** |
| **Total Accrued Liabilities and Other Payables** | **73 422** | **52 383** |

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

## 4.11 Non-current financial liabilities

| CHF 1000 | Book value at 31.12.2001 | Interest rate | Book value at 31.12.2002 | Interest rate |
|---|---|---|---|---|
| **Financial Liabilities at Fixed Interest Rates** | | | | |
| Convertible bond 1999 to 2004 | 38 758 | 5.1% | 30 851 | 5.1% |
| Fixed advance in CHF | 15 000 | 4.5% | 5 000 | 5.2% |
| **Total Financial Liabilities** | **53 758** | **5.0%** | **35 851** | **5.1%** |
| **Financial Liabilities at Variable Interest Rate** | | | | |
| None | 0 | 0.0% | 0 | 0.0% |

The fixed advance and loans are not secured and can be called at short notice. On November 25, 1999, ALSO HOLDING AG issued a 0 percent convertible bond in the amount of TCHF 51 250, payable after 5 years in 2004 at 114.5 percent. A bond with a nominal value of CHF 5 125 entitles the holder to acquire 5 shares. As of December 31, 2002, the value of the convertible bonds was 104.5 percent. The valuation of the convertible bond according to IFRS results in an interest rate of 5.1 percent (see note 4.14).

In the current year ALSO HOLDING AG repurchased convertible bonds in the nominal amount of TCHF 9 501 (prior year: TCHF 12 116), resulting in a gain of TCHF 311 (prior year: TCHF 782). The repurchased conversion right in the amount of TCHF 277 (prior year: TCHF 356) was charged to the additional paid in capital.

## 4.12 Provisions

| CHF 1000 | Guarantees, returned goods complaints | Restructuring costs | Other provisions | Total |
|---|---|---|---|---|
| Current provisions | 397 | 1 523 | 0 | 1 920 |
| Non-current provisions | 0 | 509 | 425 | 934 |
| **Total 2002** | **397** | **2 032** | **425** | **2 854** |
| | | | | |
| **Movement 31 Dec 2001** | **1 781** | **2 241** | **927** | **4 949** |
| Income statement<br>– Expenditures / creation | 0 | 946 | 75 | 1 021 |
| – Income / use | (199) | (1006) | (347) | (1 552) |
| – Income / release | (1181) | (149) | (230) | (1 560) |
| Transfers | 0 | 0 | 0 | 0 |
| Translation differences | (4) | 0 | 0 | (4) |
| **31 Dec 2002** | **397** | **2 032** | **425** | **2 854** |

The income in relation to the release of the provision in the amount of TCHF 1 560 is mainly the result of a final agreement in the case of a potential guarantee case. Included in the restructuring provision are provisions for terminated rental contracts for locations which are not used anymore.

## 4.13 Deferred taxes

**Net book values**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Temporary differences | | |
| – Net current assets | (3 623) | (3 241) |
| – Convertible bond | (207) | (83) |
| – Provisions | (538) | (21) |
| – Tax loss carry-forwards | 8 628 | 4 983 |
| – Other temporary differences | 0 | 0 |
| **Total Net Book Value deferred taxes** | **4 260** | **1 638** |

| The above is shown in the balance sheet as | | |
|---|---|---|
| – Deferred tax liabilities | (4 368) | (3 345) |
| – Deferred tax asset | 8 628 | 4 983 |

**Movement**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| 1 January | 1 365 | 4 260 |
| Creation and release of temporary differences | 2 895 | (2 622) |
| Translation differences | 0 | 0 |
| **31 December** | **4 260** | **1 638** |

Deferred taxes were calculated according to the comprehensive liability method. They result primarily from the different valuation of the items inventories and accounts receivable in the tax accounts, as well as from the loss carry-forward of ALSO COMSYT AG.

The deferred taxes were revalued by reducing the applied rate from 25 percent to a more realistic 21 percent (see note 3.5). In addition the deferred tax asset of ALSO COMSYT AG was revalued (reduction by TCHF 2 074).

**Tax loss carry-forwards**

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| **Total Tax Loss Carry-forwards** | **78 366** | **80 412** |
| Considered as deferred tax asset | 27 964 | 23 728 |
| **Total not considered as Deferred Tax Asset** | **50 402** | **56 684** |
| To be carried forward: | | |
| – in two to five years | 0 | 4 248 |
| – more than five years | 50 402 | 52 436 |
| **Tax Effect on Forwards not considered as Deferred Tax Asset** | **17 746** | **16 505** |

### 4.14 Shareholders' equity

As of December 31, 2002, the number of outstanding shares amounts to 599 970 registered shares of a nominal value of CHF 10 each.

The increase in nominal capital compared to previous year is the result of the employee participation in the stock purchase program (note 3.2).

An equity component of TCHF 3 499 (prior year: TCHF 3 776), which is shown under additional paid-in capital, resulted from the valuation of the convertible bonds according to IFRS under consideration of the repurchase (note 4.11). No bonds were converted up to December 31, 2002.

**Treasury shares**
ALSO HOLDING AG holds 6 610 (prior year: 6 659) of its own registered shares. The acquisition value of these treasury shares includes the nominal value, as well as the applicable portions of the share premium and reserves.

**Major shareholders**

| | 31 Dec 2001 | 31 Dec 2002 |
|---|---|---|
| – Schindler Holding AG, Hergiswil (Switzerland) | 63.3% | 64.5% |
| – Julius Baer Multistock SICAV, Luxembourg | 6.1% | 6.0% |

(according to share register)

**Regulations regarding the restricted transferability of shares**

The Articles of Incorporation contain a 5 percent limitation on registration and voting rights.

**Retained earnings**

Retained earnings are distributable only with limitations:

- Special reserves of ALSO HOLDING AG according to a resolution of the General Meeting to this effect
- Reserves of subsidiaries to the parent company first and subject according to local tax and legal regulations

**Opting out**

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

### 4.15 Per share information

| Undiluted per Share Information | | 2001 | 2002 |
|---|---|---|---|
| Number of shares issued (./. treasury shares) | number | 590 060 | 592 577 |
| Net income | CHF | 18.78 | 33.21 |

| Diluted per Share Information | | 2001 | 2002 |
|---|---|---|---|
| Number of shares issued (./. treasury shares) | number | 642 453 | 640 517 |
| Net income | CHF | 18.78 | 32.92 |

The company has 6 610 treasury shares in its securities portfolio. In the above table, these treasury shares are deducted from the total of issued shares. The diluted figures show the effects of the possible exercise of conversion rights from the 0 percent convertible bonds 1999/2004 (under consideration of the repurchase; note 4.11) as well as the contingent capital reserved for the stock purchase program.

## 5. Further information to the consolidated financial statements

### 5.1 Contingent liabilities

There are no sureties and no guarantees in favour of third parties, neither in 2002 nor in 2001.

### 5.2 Open derivative financial instruments

| | Contract values | Replacement values positive | Replacement values negative | Contract values | Replacement values positive | Replacement values negative |
|---|---|---|---|---|---|---|
| **CHF 1000** | **2001** | **2001** | **2001** | **2002** | **2002** | **2002** |
| Foreign exchange | | | | | | |
| – Forward contracts | 73 799 | 196 | 231 | 82 090 | 485 | 535 |
| – Options | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Foreign Exchange** | **73 799** | **196** | **231** | **82 090** | **485** | **535** |
| Interest rate swap | 30 000 | 0 | 88 | 0 | 0 | 0 |
| **Total** | **103 799** | **196** | **319** | **82 090** | **485** | **535** |

All the transactions in derivative financial instruments were conducted with the sole purpose of reducing the currency and interest risks directly related to business activities and they are valued, identically to the underlying business transactions, at fair value. The remaining interest rate swap was due in April 2002. The forward exchange contracts are concluded for a term of max. three months.

### 5.3 Pledged assets serving as collateral for liabilities

In the ALSO Group no pledged assets serve as a collateral for liabilities.

### 5.4 Rent and leasing commitments (nominal values)

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| **Payments in Respect of Contracts with Fixed Periods** | | |
| Due in 1st year | 8 485 | 7 415 |
| Due in 2nd – 5th year | 25 076 | 19 664 |
| Due from the 6th year onwards | 39 324 | 35 672 |

The payments for contracts with a fixed term are mainly in relation to the operational lease of the logistics centre in Emmen. The remaining term of the leasing contract is 18 years.

### 5.5 Events occurring subsequently to balance sheet date

With the media release of January 14, 2003, the ALSO Group announced its intention to divest the Systems Business. Through this concentration ALSO is expecting to respond to opportunities in the distribution sector more quickly.

The decision by the Board of Directors to move out of the Systems Business did not require additional impairments. The additional provisions for restructuring in the Systems Business as well as the reduction of the deferred tax asset are independent of that decision.

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

| CHF 1000 | 2001 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Continuing operations | Discon-tinuing operations | Total | Continuing operations | Discon-tinuing operations | Total |
| **Balance sheet** | | | | | | |
| Assets | 343 553 | 51 778 | 395 331 | 322 398 | 27 736 | 350 134 |
| Liabilities | 221 561 | 31 662 | 253 183 | 176 060 | 15 522 | 191 582 |
| **Income statement** | | | | | | |
| Total net sales | 1 514 726 | 208 964 | 1 723 690 | 1 523 238 | 130 032 | 1 653 270 |
| Operating expenses | (75 287) | (111 645) | (186 932) | (67 723) | (79 230) | (146 953) |
| Operating profit | 30 316 | (10 441) | 19 875 | 31 149 | (417) | 30 732 |
| Income before taxes | 28 118 | (11 642) | 16 476 | 27 806 | (675) | 27 131 |
| Income taxes | (4 191) | (1 203) | (5 394) | (3 974) | (3 475) | (7 449) |
| Net income | 23 927 | (12 845) | 11 082 | 23 832 | (4 150) | 19 682 |
| **Cash flow Statement** | | | | | | |
| Cash flow from operating activities | (8 222) | 848 | (7 374) | 8 825 | 4 236 | 13 061 |
| Cash flow from investment activities | (3 516) | (944) | (4 460) | (2 501) | (1 494) | (3 995) |
| Cash flow from financing activities | (11 926) | 0 | (11 926) | (20 744) | 0 | (20 744) |

The operating expenses of the discontinuing operations include management fees in the amount of TCHF 2 064 (prior year: TCHF 2 245) that are charged from ALSO FINANZ AG to the Systems Business.

### 5.6 Foreign currency translation

The following exchange rates were used for conversion of items in the Income Statement and Balance Sheet which are denominated in foreign currency into Swiss francs, as well as for the valuation of off-balance-sheet transactions.

| | | Year-end rate | | Average rate | |
|---|---|---|---|---|---|
| **Conversion Rates into CHF** | | **2001** | **2002** | **2001** | **2002** |
| USD | 1 | 1.68 | 1.39 | 1.69 | 1.56 |
| EUR | 1 | 1.48 | 1.45 | 1.51 | 1.47 |
| GBP | 1 | 2.43 | 2.23 | 2.44 | 2.34 |

IV

## 6. Essential subsidiaries

| Companies in Switzerland | Currency | Share capital in 1000 | Investment quote 2002 | Code | Type of Consol-idation |
|---|---|---|---|---|---|
| ALSO HOLDING AG, Hergiswil | CHF | 6 000 | – | C | F |
| ALSO FINANZ AG, Emmen | CHF | 2 500 | 100% | C | F |
| ALSO ABC TRADING AG, Emmen | CHF | 100 | 100% | D | F |
| ALSO COMSYT AG, Emmen | CHF | 1 950 | 100% | S | F |
| ALSO IT-SERVICES AG, Emmen | CHF | 250 | 100% | S | F |
| ALSO COMEDIA-VERLAGS AG, Hergiswil | CHF | 100 | 100% | C | F |
| EWG GmbH, Hergiswil | CHF | 160 | 22.5% | D | E |

| Companies Abroad | | | | | |
|---|---|---|---|---|---|
| ALSO ABC TRADING GmbH, Straubing | EUR | 103 | 100% | D | F |

Codes: C = Corporate; D = Distribution; S = Systems Business
Consolidation method: F = Full consolidation; E = Equity Method

### 6.1 Changes in consolidation scope

The consolidation scope has been adjusted for SWIP Handels AG, Opfikon, which was merged retroactively as of January 1, 2002 with ALSO ABC TRADING AG, Emmen. ALSO FINANZ AG, ALSO COMSYT AG as well as ALSO IT-SERVICES AG have switched their registerd offices from Kriens to Emmen.

On October 24, 2002, the EUROPEAN WHOLESALE GROUP GmbH (EWG), Hergiswil (Switzerland) was founded together with three other ICT distributors Copaco N.V. (Netherlands), Esprinet S.p.A. (Italy) and Westcoast Ltd. (England).

### 6.2 Transactions with related parties

The members of the Board of Directors are entitled to a fee of TCHF 50 (previous year: TCHF 50).

All transactions with the Schindler Group are made at arm’s length. There were no unusual or non-market-conform transactions either with the main shareholder or with the Schindler Group.

Following transactions with the main shareholder and their respective volume have taken place in the reporting year:

| | | |
|---|---|---|
| Net sales: | TCHF | 259 |
| Management fee: | TCHF | 2 820 |
| Net interest income | TCHF | 77 |

### 6.3 Approval of the ALSO Group consolidated financial statement

The ALSO Group consolidated financial statements were approved by the Board of Directors on February 7, 2003.

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

As auditors of the Group, we have audited the consolidated financial statements (Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Group Capital and Reserves and Notes, pages 31 to 62) of ALSO HOLDING AG, Hergiswil (Switzerland), for the year ended December 31, 2002.

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

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession as well as in accordance with the International Standards on Auditing published by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made, and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reparting Standards (IFRS), and comply with Swiss law.

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

Lucerne, February 4, 2003

Ernst & Young AG

| | |
|---|---|
| Peter Bühler | Rudolf Mahnig |
| Certified accountant | Certified accountant |
| (in charge of the audit) | |

IV

Just 200 metres to the summit. You have the very best equipment. Your team is in high spirits. But suddenly the sun disappears behind streaks of cloud. The wind picks up. The temperature drops. Now is the time for a rational assessment of the situation and the risks involved. ‹That’s far enough, we’re going back.›

V

## Financial Statements of ALSO HOLDING AG – Income Statement

| **CHF 1000** | **2001** | **2002** |
|---|---|---|
| Income from participations | 10 000 | 15 500 |
| Interest income | 8 377 | 3 866 |
| Other financial income | 0 | 0 |
| **Total Income** | **18 377** | **19 366** |
| | | |
| Expenses from participations | 0 | 0 |
| Administrative expenses | (621) | (664) |
| Interest expenses | (5 186) | (2 466) |
| Other financial expenses | (92) | 0 |
| Taxes | (312) | 37 |
| **Total Expenses** | **(6 211)** | **3 093** |
| | | |
| **Net Income** | **12 166** | **16 273** |

V

Assets

| CHF 1000 | 31.12.01 | 31.12.02 |
|---|---|---|
| Cash | 37 030 | 40 026 |
| Securities | 22 | 22 |
| Accounts receivable | | |
| – from third parties | 336 | 42 |
| – from Group companies | 76 430 | 68 496 |
| – from major shareholder | 64 | 0 |
| Prepaid expenses | 461 | 1 071 |
| **Total Current Assets** | **114 343** | **109 657** |
| | | |
| Participations | 68 313 | 68 349 |
| **Total Non-current Assets** | **68 313** | 68 349 |
| | | |
| **Total Assets** | **182 656** | **178 006** |

Liabilities

| CHF 1000 | 31.12.01 | 31.12.02 |
|---|---|---|
| Accounts payable | | |
| – to third parties | 1 | 37 |
| – to Group companies | 7 127 | 7 918 |
| – to major shareholder | 0 | 2 038 |
| Due to banks | 15 000 | 5 000 |
| Convertible bonds 1999 to 2004 | 39 135 | 29 633 |
| Accrued liabilities | 4 681 | 2 956 |
| Provisions | 0 | 0 |
| **Total Liabilities** | **65 944** | **47 582** |
| | | |
| Share capital | 5 977 | 6 000 |
| Legal reserves | | |
| – General legal reserve | 1 100 | 1 100 |
| – Reserve for treasury shares | 66 | 66 |
| – Share premium reserves | 38 739 | 39 110 |
| Special reserves | 48 000 | 58 000 |
| Available earnings | | |
| – Balance brought forward | 10 664 | 9 875 |
| – Net income | 12 166 | 16 273 |
| **Total Equity** | **116 712** | **130 424** |
| | | |
| **Total Liabilities and Equity** | **182 656** | **178 006** |

V

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

## Convertible bonds 1999 to 2004

As a consequence of the partial repurchase of the convertible bonds (note 4.11), the liability has been further reduced to TCHF 29 633 (prior year: TCHF 39 135).

## Shareholders' equity

With reference to the treasury shares kept by ALSO HOLDING AG as well as to the amount of the contingent capital increase, please refer to notes 4.14 and 3.2 to the ALSO Group Consolidated Financial Statements.

## Contingent liabilities

| CHF 1000 | 31.12.01 | 31.12.02 |
|---|---|---|
| Sureties in favour of third parties | 2 765 | 2 733 |
| Guarantees in favour of third parties | 606 | 593 |
| **Total** | **3 371** | **3 326** |

The sureties and the guarantees are in favour of ALSO Group companies and are normally issued for one year (January 1 to December 30). Therefore these sureties and guarantees are not shown in above table as per December 31. The volume of the renewable sureties and guarantees as of January 1, 2003, amounts to TCHF 124 371 (prior year: TCHF 147 696).

## Proposal of the Board of Directors for the appropriation of the available earnings 2002

| CHF 1000 | 2001 | 2002 |
|---|---|---|
| Balance brought forward | 10 664 | 9 875 |
| Net income | 12 166 | 16 273 |
| **Total Available Earnings as of 31 December** | **22 830** | **26 148** |
| Dividends | (2 955) | (4 153) |
| Allocation to special reserves | (10 000) | (10 000) |
| **Earnings Carried Forward** | **9 875** | **11 995** |

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

As Statutory Auditors, we have audited the accounts and the financial statements (Income Statement, Balance Sheet and Notes) shown on pages 67 to 70 of ALSO HOLDING AG, Hergiswil (Switzerland), for the year ended 31 December 2002.

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

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

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

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

Lucerne, February 4, 2003

Ernst & Young AG

| | |
|---|---|
| Peter Bühler | Rudolf Mahnig |
| Certified Accountant | Certified Accountant |
| (in charge of the audit) | |

V