



SFS Group AG
Half-Year Report 2023

Inventing success together

23
1H

Table of contents

Financial overview	3
Key takeaways	4
Letter to shareholders	5
Segment Report	8
Engineered Components	8
Fastening Systems	10
Distribution & Logistics	12
Financial Report consolidated	14
Income statement	15
Balance sheet	16
Statement of changes in equity	17
Cash flow statement	18
Notes	19
Further information	22

Financial overview

Constant development

Income statement	2023	2022	2021	2020	2019
In CHF million (unaudited)	1H	1H	1H	1H	1H
Third party sales	1,580.7	1,223.6	957.8	773.7	867.8
Change to previous year in %	29.2	27.8	23.8	-10.8	1.4
thereof currency impact	-4.3	-1.3	-1.2	-3.8	-0.8
thereof change in scope	32.7	19.3	1.4	3.4	4.6
thereof organic growth	0.8	9.8	23.6	-10.4	-2.4
Net sales	1,573.7	1,224.1	960.3	775.6	868.4
EBITDA	253.1	217.1	215.0	120.3	152.6
As a % of net sales	16.1	17.7	22.4	15.5	17.6
Operating profit (EBIT)	189.9	162.9	164.1	71.0	105.5
As a % of net sales	12.1	13.3	17.1	9.2	12.1
Operating profit (EBIT) adjusted ¹	189.9	179.5	161.0	71.0	109.2
As a % of net sales	12.1	14.7	16.8	9.2	12.6
Net income	134.5	131.5	134.1	53.9	88.6
As a % of net sales	8.5	10.7	14.0	7.0	10.2
Balance sheet	6/30/2023				
In CHF million	(unaudited)	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Assets	2,572.1	2,574.2	1,839.1	1,684.1	1,638.6
Net cash (+)/ (debt) (-)	-504.3	-477.7	279.1	144.3	68.7
Average capital employed ²	1,747.5	1,557.6	1,143.6	1,134.0	1,134.9
Invested capital ²	3,333.7	3,290.9	2,194.0	2,149.5	2,153.2
Equity	1,319.8	1,303.6	1,450.4	1,278.2	1,237.2
As a % of assets	51.3	50.6	78.9	75.9	75.5
Cash flow statement	2023	2022	2021	2020	2019
In CHF million (unaudited)	1H	1H	1H	1H	1H
Cash flow from operating activities	151.2	62.5	135.8	102.5	105.1
Purchase of property, plant, equipment and intangible assets	-81.8	-60.7	-46.9	-56.6	-56.4
Acquisition (-)/Disposal (+) of subsidiaries, net of cash	-	-515.1	-	-59.5	-91.6
Employees	6/30/2023				
	(unaudited)	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Full-time equivalents (FTE)	13,253	13,282	10,509	10,692	10,571
Financial key ratios	2023	2022	2021	2020	2019
(unaudited)	1H	1H	1H	1H	1H
ROCE in % ² (Return on capital employed)	21.7	27.6	28.3	12.5	19.2
ROIC in % ² (Return on invested capital)	9.4	9.0	12.0	5.5	8.4

¹ Adjustments are explained in the Half-Year Report on page 22.

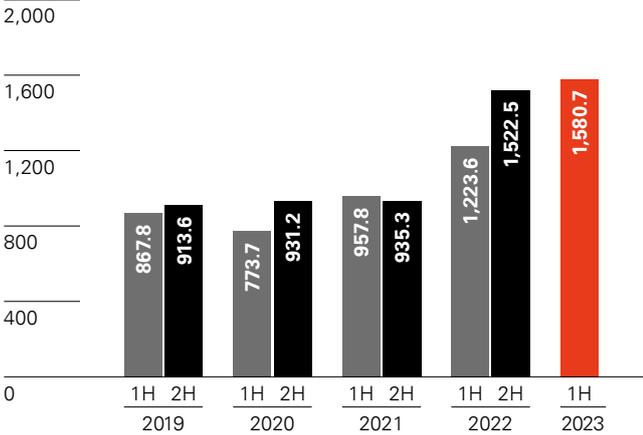
² The calculation methodology of the key figure is shown in the Annual Report 2022 on pages 112 and 113. The capital employed is based on the average of the last twelve months.

Key takeaways

Progress achieved

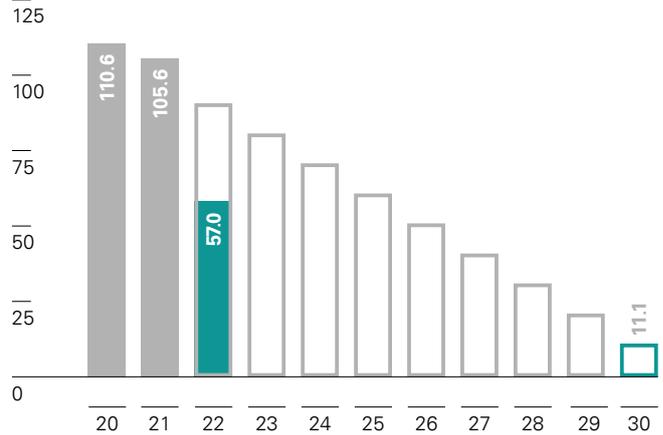
Sales increased by 29.2%

Third party sales in CHF million



Clear emissions reduction of -48.4% achieved

CO₂ emissions in metric tons/million value-added francs



Solid profitability in challenging environment reached

EBIT as a % of net sales

12.1%

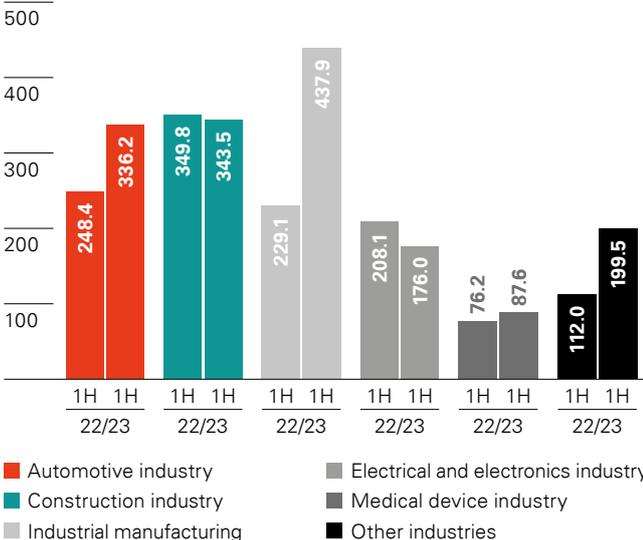
Share of renewable electricity expanded greatly in 2022

Renewable electricity in % of total electricity demand

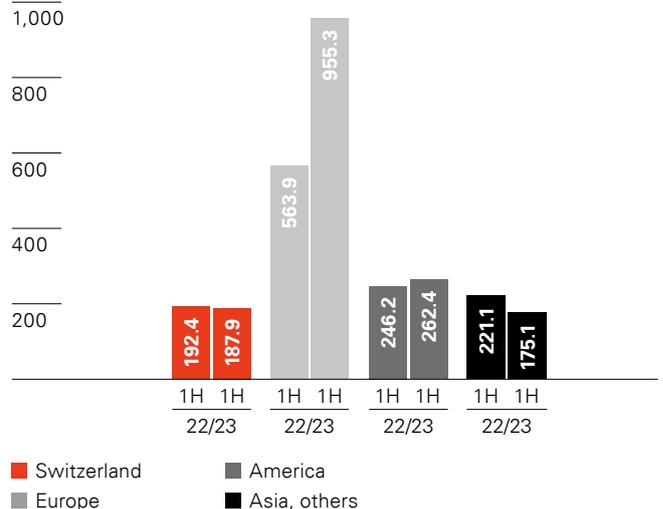
49.7%

Inclusion of Hoffmann shapes distribution of sales

Third party sales by end market in CHF million



Third party sales by region in CHF million



Letter to shareholders

Leveraging change in the environment

The SFS Group looks back on the first half of 2023, which was characterized by mixed business performance and destocking effects in the end markets. Renewed strong sales growth of 29.2% was mainly driven by the inclusion of Hoffmann. Sales amounted to CHF 1,580.7 million. At CHF 189.9 million, operating profit (EBIT) rose by 16.6% year-over-year. The Sustainability Report 2022 impressively demonstrates how SFS is pressing ahead with its sustainability transformation.

Dear Shareholders

We find ourselves in an era shaped by change. Progress is particularly necessary with respect to sustainable mindsets and practices – and that opens up new opportunities. Geopolitical and macroeconomic developments come with consequences that can be drastic. While the SFS Group can benefit from opportunities arising in many business areas thanks to the attractive offering as well as its broad positioning across different end markets and regions, it still feels the impact of challenging regional and global developments. Business in the first half of 2023 clearly reflects this by a mixed performance and effects from destocking. The Distribution & Logistics International (D&L International) and Electronics divisions are good examples of this. With its extensive range of products and services, the D&L International division leveraged good market demand from the strong customer basis in Europe to generate strong growth. New business areas arising as a result of close collaboration with the Distribution & Logistics Switzerland division provide new opportunities for sustainable growth going forward. The Electronics division in Asia, on the other hand, found itself confronted with inventory reductions by large customers and lower consumer demand.

At SFS, we need to make forward-looking decisions in a fragmented world so that we can innovatively and reliably satisfy our customers' needs. To that end, we continued to work on forward-looking projects that had already been launched and made further strategically important decisions.

Constant development achieved

The SFS Group generated third party sales (sales) of CHF 1,580.7 million in the first half of 2023. Consolidation effects led to growth of 32.7%, stemming from the inclusion of Hoffmann as per May 1, 2022. Currency effects reduced sales growth by –4.3%. On a like-for-like basis, a slight organic growth of 0.8% was achieved. In total, this corresponds to another strong increase of 29.2%.

Profitability was impacted by mix effects, uneven capacity utilization and partially increased cost basis. The Distribution & Logistics segment developed positively and contributed significantly to the increase in operating profit. All in all, the SFS Group generated operating profit (EBIT) of CHF 189.9 million, which corresponds to strong growth of 16.6%. The EBIT margin amounted to 12.1% of net sales.

Operating free cash flow recovered and, at CHF 69.4 million, is considerably higher than in the same period of the previous year (CHF 1.8 million). Recovery was mainly driven by normalization of Net Working Capital on the basis of improved product availability and supply chain readiness. Earnings per share (EPS) of CHF 3.37 (PY CHF 3.42) have been supported by the Distribution & Logistics segment.

Innovation programs and investments made to implement growth projects continued in all regions. Investments in the first half of 2023 totaled CHF 81.8 million, which is equivalent to 5.2% of net sales.

Engineered Components (EC)

The development of the EC segment in the first half of 2023 was significantly shaped by challenges in the business with customers from the electronics industry. Growth in the other application areas was predominantly positive. The segment generated CHF 479.0 million in sales in the first half of 2023, down by –8.5% compared to the previous year. The resulting EBIT margin stood at 9.4% (PY 15.9%). The large strategic projects aimed at creating the additional capacity needed for growth proceeded according to plan.

Fastening Systems (FS)

The overall stable market demand of the recent years in the construction industry continued in the first half of 2023. The Construction division took advantage of this and achieved good results in both the Europe and North America regions. The application areas in the Riveting division performed positively. Segment sales amounted to CHF 330.4 million in the first half of the year, an decrease of –1.2% year-over-year. The EBIT margin was in line with expectations at 16.2%. On July 1, 2023, the Construction division acquired the business concerning fasteners and other products of Connective Systems & Supply, Inc. (CSS), which is located in the Denver (USA) region.

Distribution and Logistics (D&L)

The D&L segment achieved strong results in the first half of 2023 and continued its positive trend. Sales of CHF 771.3 million represent growth of 110.9% compared to the first half of 2022. This was mainly driven by consolidation effects stemming from the inclusion of Hoffmann as of May 1, 2022. On a like-for-like basis, growth amounts to 4.8%. Thanks to strong sales growth, prudent cost and price management, and the first-time consolidation of Hoffmann from January to April, operating profit (EBIT) of CHF 92.8 million was gen-

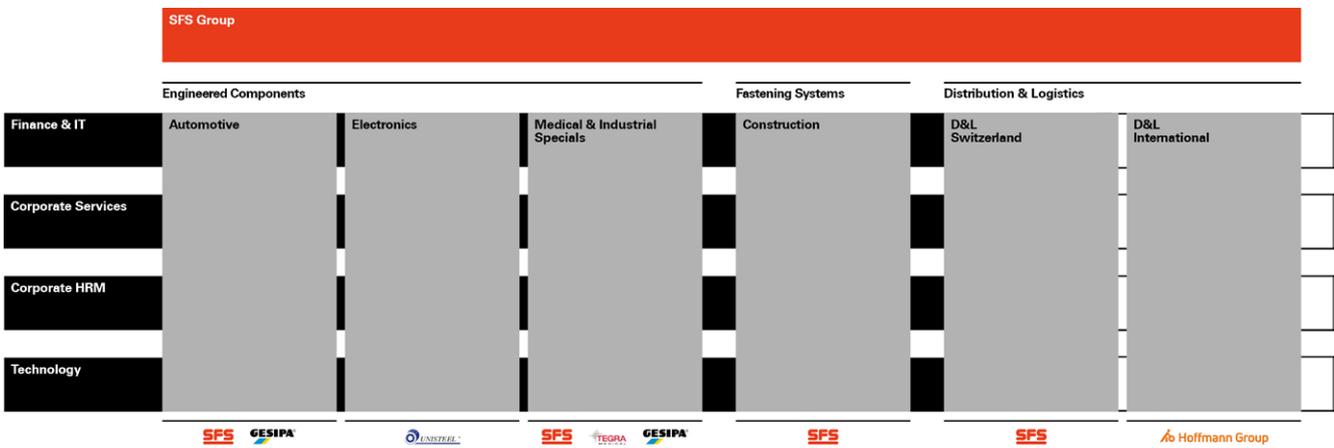
erated in the first half of the year. Both divisions continue to communicate closely and benefit from the realization of initial potentials opened up by the collaboration.

Organizational development to strengthen the customer focus

To guarantee a strong customer focus and better leverage cross-selling potentials as well as both operational and application-oriented synergies, the current Automotive and Industrial divisions are being complemented with the respective end market specific business areas of the Riveting division. This change will be implemented within the organization as of January 1, 2024. Accordingly, the results of the Riveting division will be shown in the EC segment in the future as well. The growth and profitability targets of the EC and FS segments will remain unchanged.

In the interests of a farsighted succession planning, the Board of Directors appointed Urs Langenauer as the future head of the expanded Automotive division. He will take over from Alfred Schneider on January 1, 2024, who will continue to support SFS in selected projects until his retirement on May 31, 2024. The Board of Directors and Group Executive Board would like to take this opportunity to thank Alfred Schneider for his farsighted positioning of the Automotive division as well as for his enormous, longstanding commitment to SFS.

To make better use of the collaboration potentials in the area of technology between the Industrial and Medical divisions, the two divisions will be merged into one division called “Medical & Industrial Specials”. This change will be implemented as of January 1, 2024. Walter Kobler, who had been heading up the Industrial division as well as the Medical division, will take charge of this new division. With this step, the organizational structure of the Group will also become leaner.



The current Automotive and Industrial divisions are being complemented with the business areas of the Riveting division as of January 1, 2024. At the same time, the Industrial and Medical divisions will be merged into the new “Medical & Industrial Specials” division.

Sustainability-related transformation driven

SFS published its Sustainability Report 2022 → in accordance with the new requirements of the Global Reporting Initiative (GRI Standards 2021) at the end of May. Not only did the SFS Group experience strong growth in 2022, but it also produced good results with respect to sustainability. An increase in the share of energy from renewable sources and a substantial reduction in direct emissions helped the Group make enormous headway on environmental issues. In fact, these achievements let us come close to reaching our 2025 target of having at least 50% of our electricity come from renewable resources already in 2022. The focus in the social sphere was on employee satisfaction and development. Progress made in occupational safety reduced the number of accidents per million hours worked by -1.4%. The SFS Group maintained its high compliance standards in the area of governance. In dialog with our stakeholder groups, we defined new key topics.

SFS shareholders approve all proposals at Annual General Meeting

The 30th Annual General Meeting was held at Sportzentrum Aegeten in Widnau (Switzerland) on April 26, 2023, with physical attendance possible for the first time in three years. The shareholders approved all proposals of the Board of Directors. The shareholders accepted the proposed amendments to the Articles of Association in full and elected Fabian Tschan to the Board of Directors. The proposed dividend of CHF 2.50 per share was approved.

Expectations for the 2023 financial year updated

The Group's maximum customer focus and ongoing efforts to pursue forward-looking innovation and organizational projects continue to take top priority. We want to identify the chances and opportunities that go hand-in-hand with the current changes and systematically seize them.

SFS updates the outlook on the 2023 financial year and expects sales of CHF 3.1–3.3 billion, including the first-time consolidation of Hoffmann for the full year. This corresponds to expected sales growth on a like-for-like basis along the mid-term guidance of 3–6%. For the SFS Group as a whole, an EBIT margin of around 12% is expected, at the lower end of the mid-term guidance of 12–15%.

The outlook is based on the assumption that there will be no significant deterioration in the underlying economic conditions or geopolitical, energy or pandemic-related restrictions.

At this point, we would like to sincerely thank our SFS colleagues. As our value creators, their enormous commitment, expertise and innovative spirit made the good results of the first half of 2023 possible.



Thomas Oetterli
President of the
Board of Directors



Jens Breu
CEO

Engineered Components

Organizational course-setting

The development of the Engineered Components (EC) segment in the first half of 2023 was significantly impacted by challenges in the business with customers from the electronics industry. Growth in the other application areas was predominantly positive. To guarantee a strong customer focus and better leverage cross-selling potentials as well as both operational and application-oriented synergies, the Riveting division of the Fastening Systems segment will complement the EC segment as of January 1, 2024.

Development in the divisions of the EC segment was mixed in the first half of 2023. The Electronics division found itself confronted with inventory reductions by major customers (in Hard Disk Drives) as well as reduced consumer demand (in Mobile Phones and Lifestyle Electronics). Demand had begun to cool down toward the end of the second half of 2022 and this trend persisted as expected. By contrast, there was a continued upward trend in the Automotive division, which generated good growth. The division harnessed its successful positioning as a development and supply partner in applications with strong growth potential. Stable growth was likewise achieved by the Medical Devices and Aircraft application areas.

The segment generated CHF 479.0 million in sales in the first half of 2023, which corresponds to a reduction of -8.5% compared to the previous year. Foreign currency effects had an impact of -4.2%. Profitability was impacted by mix effects, uneven capacity utilization from new program ramp-ups and partially increased cost basis due to inflation. The resulting EBIT margin stood at 9.4% (PY 15.9%).

Implementation of capital expenditures projects proceed according to plan

Major strategic projects to create the additional capacity needed for growth proceeded as planned:

- As part of the ramp-up of precision components and assemblies for a new generation of electric brake systems at the Heerbrugg (Switzerland) site, five new manufacturing machines were put into operation during the period under review.

Key figures Engineered Components

In CHF million (unaudited)	2023 1H	+/- PY	2022 1H	2021 1H
Third party sales	479.0	-8.5%	523.4	492.1
Growth on a like-for-like basis ¹		-4.3%		
Net sales	469.4	-11.5%	530.3	497.8
EBITDA	81.5	-32.5%	120.8	128.9
As a % of net sales	17.4		22.8	25.9
Operating profit (EBIT)	44.2	-47.8%	84.6	93.1
As a % of net sales	9.4		15.9	18.7
Average capital employed	815.5	8.5%	751.9	733.8
Capital employed	821.6	4.9%	783.3	740.1
thereof assets	980.4	1.4%	967.1	905.2
thereof liabilities	158.8	-13.6%	183.8	165.1
Net working capital	270.9	-4.0%	282.1	257.3
Investments	59.3	40.2%	42.3	33.8
Full-time equivalents (FTE)	6,554	-8.6%	7,168	6,955
ROCE (%) ²	10.8		22.5	25.4
(Return on capital employed)				

¹ At constant exchange rates and on the same scope of consolidation

² EBIT annualized in % of average capital employed

- The first phase of expansion at the Nantong (China) site is currently being completed. The new space gained will mainly be used for producing stamped precision components for the electronics industry.
- Work continued on the expansion of manufacturing facilities in Heredia (Costa Rica) for local medical device customers.

Organizational development

To guarantee a strong customer focus and better leverage cross-selling potentials as well as both operational and application-oriented synergies, the current Automotive and Industrial divisions are being complemented with the business areas of the Riveting division. This change will be implemented within the organization as of January 1, 2024. Accordingly, the results of the Riveting division will be reported as part of the EC segment in the future as well. The growth and profitability targets of the EC segment will remain unchanged.

To make better use of the collaboration potentials in the area of technology between the Industrial and Medical divisions, the two divisions will be merged into one division called “Medical & Industrial Specials”. This change will be implemented as of January 1, 2024. Walter Kobler, who had been heading up the Industrial division as well as the Medical division, will take charge of this new division. With this step, the organizational structure of the Group will also become leaner.

New head of Automotive division appointed

Alfred Schneider has been working for SFS since 1987 and has headed up the Automotive division for the past eight years. He will be stepping down from this position at the end of 2023 but will continue to support SFS in selected projects until his retirement on May 31, 2024. Alfred Schneider has left an indelible mark on the Automotive division during those approximately 35 years and was pivotal in its successful positioning.

The Board of Directors has appointed Urs Langenauer as new Division Head as of January 1, 2024. He joined SFS in 1995 as an apprentice at the Heerbrugg site and was in charge of the Automotive business in Medina (USA) from 2013 to 2019. The past four years saw him heading up the Riveting division in Frankfurt (Germany). His extensive knowledge and expertise make him the ideal candidate to head up the Automotive division, which will also include the business with customers from the automotive industry of the Riveting division from 2024 on.

Outlook

In the further course of the year, SFS expects for the EC segment a slight improvement of the market environment compared to the first half, supported by seasonal product ramp-ups and growth projects. For the full year 2023, SFS Group expects a flat sales development on a like-for-like basis compared to the previous year.



The business areas Automotive Riveting and Equipment Manufacturer of the Riveting division will complement the Automotive division as of January 1, 2024.



The business areas Distribution & Retail and Industrial Riveting of the Riveting division will complement the new “Medical & Industrial Specials” division as of January 1, 2024.

Fastening Systems

Stable market demand

In a stable market environment with inventories partially at high levels along the entire value chain, the Fastening Systems (FS) segment generated good results during the first half of 2023. To guarantee a strong customer focus and better leverage cross-selling potentials as well as both operational and application-oriented synergies with the Engineered Components (EC) segment, the Riveting division will complement the EC segment as of January 1, 2024.

The first half year 2023 saw an enduring market demand in the construction industry. However, supply chain bottlenecks from during the COVID-19 pandemic triggered high inventory levels throughout the entire supply chain. This resulted in more intense competition. In this environment, the Construction division generated good results in both the Europe and North America regions. The application areas in the Riveting division performed positively.

Segment sales amounted to CHF 330.4 million in the first half of the year, a decrease of -1.2% year-over-year. Currency effects of -5.4% continued to impact performance. The EBIT margin was in line with expectations at 16.2%.

Expansion of production capacity in North America

In order to continue to make use of the strong demand in the future and maintain the high delivery capability, the Construction division is expanding its production capacity at the site in Exeter, Pennsylvania (USA). To that end, the existing manufacturing facilities were expanded through the addition of another building in the past year. Major progress was made in efforts to optimize the flow of goods and manufacturing processes during the period under review.

Organizational development

The Riveting division, which specializes in applications related to riveting technology, mainly serves customers in the industrial manufacturing and automotive industries with its portfolio of blind rivets, nuts and processing tools. In most cases, the same production processes are used as in the Engineered Components (EC) segment. To guarantee a strong customer focus and make better use of cross-selling potentials as well as both operational and application-oriented synergies, the current Automotive and Industrial divisions

Key figures Fastening Systems

In CHF million (unaudited)	2023 1H	+/- PY	2022 1H	2021 1H
Third party sales	330.4	-1.2%	334.5	293.1
Growth on a like-for-like basis ¹		4.2%		
Net sales	336.7	-1.5%	341.8	300.2
EBITDA	62.4	-15.1%	73.5	62.2
As a % of net sales	18.5		21.5	20.7
Operating profit (EBIT)	54.5	-16.4%	65.2	53.0
As a % of net sales	16.2		19.1	17.7
Average capital employed	315.0	13.2%	278.2	262.8
Capital employed	324.9	8.5%	299.5	262.8
thereof assets	407.1	3.6%	392.9	355.6
thereof liabilities	82.2	-12.0%	93.4	92.8
Net working capital	212.9	13.4%	187.8	139.1
Investments	9.7	73.2%	5.6	4.2
Full-time equivalents (FTE)	2,576	0.0%	2,575	2,522
ROCE (%) ²	34.6		46.9	40.3
(Return on capital employed)				

¹ At constant exchange rates and on the same scope of consolidation

² EBIT annualized in % of average capital employed

are being complemented with the business areas of the Riveting division. The corresponding organizational changes will be implemented as of January 1, 2024. Accordingly, the results of the Riveting division will be reported as part of the EC segment in the future and the reporting of the FS segment will exclusively refer to the Construction division going forward. The growth and profitability targets of the FS segment will remain unchanged.

Expand market presence in the US

On July 1, 2023, the Construction division acquired the business concerning fasteners and other products of Connective Systems & Supply, Inc. (CSS), which is located in the region of Denver (USA). With a headcount of around 20 employees at two distribution sites, CSS generated sales of USD 15 million in this business area in 2022. In organizational terms, the business will be incorporated into the Triangle Fastener

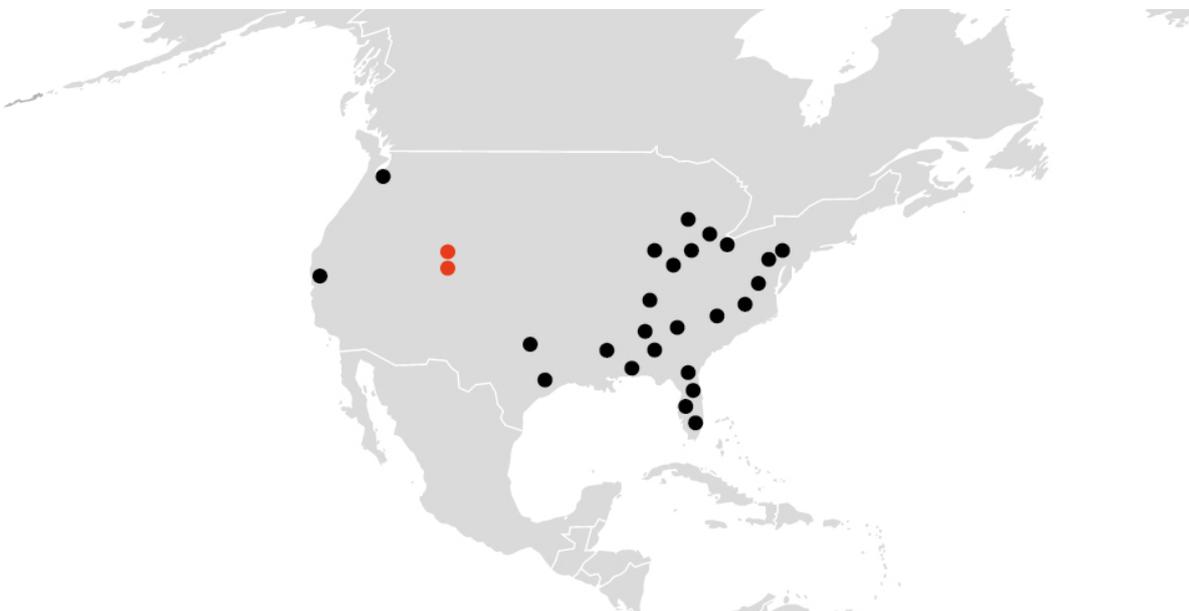
Corporation (TFC), which is part of the SFS Group. The local presence that CSS has will remain and all 20 employees in the business area will be kept. The current management will remain in post at both sites.

With over 25 locations in the United States, TFC supplies fastening systems and other products to end users in the construction industry. The Denver region is seen as a region of growth in the United States. The acquisition strengthens TFC’s positioning in this attractive market.

Outlook for 2023

For the FS segment, SFS expects a reduced dynamic in the second half year compared to the first half year 2023. SFS Group expects sales growth along the Group’s target bandwidth for the full year 2023 on a like-for-like basis.

Locations of Triangle Fastener Corporation (TFC) in North America



The 25 current locations plus, in red, the two newly acquired locations from Connective Systems & Supply, Inc. (CSS)

Distribution & Logistics

Realizing potential

The Distribution & Logistics (D&L) segment achieved strong results in the first half of 2023 and continued its positive trend. Both divisions continue to communicate closely and are realizing initial potentials opened up by the collaboration.

Market demand in industrial manufacturing remained strong and the segment's comprehensive range of products and services helped it leverage that demand to achieve high growth in most regions during the first half of the year. Compared to the strong prior-year period, business with customers in Switzerland slowed down. The CHF 771.3 million in sales generated represent growth of 110.9% compared to the first half of 2022. This sales growth was mainly driven by consolidation effects of 109.5% stemming from the inclusion of Hoffmann as of May 1, 2022. Foreign currency effects amounted to -3.4%. On a like-for-like basis, growth amounts to 4.8%.

Thanks to strong sales growth, prudent cost and price management and the first-time consolidation of Hoffmann from January to April, the segment generated operating profit (EBIT) of CHF 92.8 million in the first half of the year. This corresponds to growth of 407.1%. The EBIT margin of 12.1% rose by 7.1 percentage points year-over-year.

Exploiting the potential of collaboration

Major progress was made in implementing the defined potential opened up by the collaboration and initial benefits are being realized:

- Roadmap for evaluating and implementing shared, efficient processes and platforms for an optimized customer journey
- Roadmap for penetrating existing key accounts and high-potential customers with a complementary portfolio of mechanical fastening systems and electronic procurement solutions
- Optimize the supply chain of D&L Switzerland by using the procurement and logistics capacities of D&L International
- Launch of joint IT projects in the areas of cybersecurity and license management, for example
- Successful incorporation of D&L International into the Financial and Sustainability Report

Key figures Distribution & Logistics

In CHF million (unaudited)	2023 1H	+/- PY	2022 1H	2021 1H
Third party sales	771.3	110.9%	365.7	172.6
Growth on a like-for-like basis ¹		4.8%		
Net sales	766.4	109.9%	365.2	175.4
EBITDA	107.1	328.4%	25.0	18.7
As a % of net sales	14.0		6.8	10.7
Operating profit (EBIT)	92.8	407.1%	18.3	16.2
As a % of net sales	12.1		5.0	9.2
Operating profit (EBIT) adjusted ²	92.8	165.9%	34.9	16.2
As a % of net sales	12.1		9.6	9.2
Average capital employed ³	603.3	138.2%	253.3	126.8
Capital employed	590.7	-3.0%	608.7	131.3
thereof assets	800.9	-2.6%	821.9	166.6
thereof liabilities	210.2	-1.5%	213.2	35.2
Net working capital	278.7	-49.7%	553.8	94.9
Investments	7.8	56.0%	5.0	2.2
Full-time equivalents (FTE)	3,703	-1.6%	3,764	591
ROCE (%) ⁴	30.8		27.6	25.6
(Return on capital employed)				

¹ At constant exchange rates and on the same scope of consolidation

² 1H 2022 adjusted for amortization of inventory step-up related to purchase price allocation of Hoffmann SE acquisition and for first-time intra-segment profit elimination in inventory

³ The average capital employed is based on the previous twelve months. Therefore in 1H 2022 the effect of the acquisition of Hoffmann SE is included on a pro rata basis.

⁴ EBIT annualized and adjusted in % of average capital employed

Customers, suppliers and employees share positive, encouraging feedback regarding the cooperation to date.

Making efficient use of LogisticCity for partner companies and customers

Strategically important decisions were made during the period under review enabling D&L International to supply the customers of three distribution partners directly from LogisticCity. The customers of the partner companies will be able to enjoy the advantages of the most modern tool logistics in Europe. The highest delivery capacity with at the same time optimal connection of logistics partners will ensure that the delivery performance to the customer will improve notice-

ably and the customers can be served even better. From the beginning of 2024, approx. 10% more goods will be shipped out of LogisticCity with another increase of around 10% from 2025 onward. Having these customers supplied directly from LogisticsCity will allow to achieve substantial synergies going forward.

Outlook for 2023

In the D&L segment, SFS expects a slightly reduced dynamic in the second half year compared to the strong first half year 2023. SFS Group expects sales growth above the Group's target bandwidth for the full year 2023 on a like-for-like basis.



Presentation of the Annual Report 2022 at Bühler AG in Uzwil (Switzerland), a reference customer for Distribution & Logistics Switzerland. At a factory tour, interested participants were provided detailed insights into the business model of the Distributions & Logistics segment with its portfolio of quality tools, fastening systems, C parts and procurement solutions.

Financial Report consolidated

Income statement	15
Balance sheet	16
Statement of changes in equity	17
Cash flow statement	18
Notes	19

Income statement

In CHF million (unaudited)	Notes	2023 1H		2022 1H		+/-%
Net sales	6	1,573.7	100.0%	1,224.1	100.0%	28.6%
Other operating income		20.8		13.6		
Change in work in progress and finished goods		-10.3		9.6		
Material expenses		-674.4		-508.9		
Contribution margin		909.8	57.8%	738.4	60.3%	23.2%
Personnel expenses		-420.9		-337.3		
Other operating expenses		-235.8		-184.0		
Depreciation property, plant and equipment		-58.2		-51.5		
Amortization of intangible assets		-5.0		-2.7		
Total operating expenses		-719.9	-45.7%	-575.5	-47.0%	25.1%
Operating profit (EBIT)		189.9	12.1%	162.9	13.3%	16.6%
Financial result		-9.0		-4.1		
Share of profit/(loss) from associates/joint ventures		0.6		0.3		
Earnings before tax		181.5	11.5%	159.1	13.0%	14.1%
Income taxes	7	-47.0		-27.6		
Net income		134.5	8.5%	131.5	10.7%	2.3%
Attributable to non-controlling interests		3.5		1.9		
Attributable to owners of SFS Group AG		131.0		129.6		
Earnings per share of the owners of SFS Group (in CHF) basic and diluted	9	3.37		3.42		-1.6%

The notes on pages 19 to 21 are an integral part of this Half-Year Report 2023.

Balance sheet

Assets in CHF million	Notes	06/30/2023 (unaudited)		12/31/2022 (audited)		+/-%
Cash and cash equivalents		224.7		221.5		
Trade receivables		428.2		412.7		
Other current receivables		90.3		104.3		
Inventories		610.1		630.6		
Prepayments and accrued income		30.3		25.4		
Current assets		1,383.6	53.8%	1,394.5	54.2%	-0.8%
Property, plant and equipment		1,005.7		1,001.5		
Intangible assets		58.5		57.7		
Financial assets	10	81.4		75.1		
Deferred tax assets		42.9		45.4		
Non-current assets		1,188.5	46.2%	1,179.7	45.8%	0.7%
Assets		2,572.1	100.0%	2,574.2	100.0%	-0.1%

Liabilities and equity in CHF million	Notes	06/30/2023 (unaudited)		12/31/2022 (audited)		+/-%
Current borrowings		25.8		27.2		
Trade payables		167.9		202.6		
Other current payables		122.0		125.9		
Accrued liabilities and deferred income		137.6		142.9		
Current liabilities		453.3	17.6%	498.6	19.4%	-9.1%
Non-current borrowings	11	703.2		672.0		
Other non-current payables		6.1		6.4		
Pension benefit obligations		13.8		13.4		
Non-current provisions		14.7		15.4		
Deferred tax liabilities		61.2		64.8		
Non-current liabilities		799.0	31.1%	772.0	30.0%	3.5%
Liabilities		1,252.3	48.7%	1,270.6	49.4%	-1.4%
Share capital	12	3.9		3.9		
Capital reserves	12	131.2		179.8		
Treasury shares	12	0.0		-1.5		
Retained earnings		1,163.2		1,102.5		
Equity attributable to SFS		1,298.3	50.5%	1,284.7	49.9%	1.1%
Non-controlling interests		21.5		18.9		
Total equity		1,319.8	51.3%	1,303.6	50.6%	1.2%
Liabilities and equity		2,572.1	100.0%	2,574.2	100.0%	-0.1%

The notes on pages 19 to 21 are an integral part of this Half-Year Report 2023.

Statement of changes in equity

In CHF million	Notes	Share capital	Capital reserves	Treasury shares	Goodwill offset against equity	Cash flow hedges	Net investment hedges	Currency translation adjustments	Other retained earnings	Retained earnings	Equity attributable to SFS	Non-controlling interests	Total equity
Balance as at 12/31/2021 (audited)		3.8	11.6	-7.4	-1,022.7	2.6	-	-70.4	2,514.2	1,423.7	1,431.7	18.7	1,450.4
Capital increase	0.1	166.0	-	-	-	-	-	-	-	-	166.1	-	166.1
Changes of hedges	-	-	-	-	-	-2.6	16.6	-	-	14.0	14.0	-	14.0
Acquisitions	-	-	-	-	-482.5	-	-	-	-	-482.5	-482.5	-	-482.5
Currency translation adjustments	-	-	-	-	-	-	-	-9.7	-	-9.7	-9.7	-1.5	-11.2
Net income	-	-	-	-	-	-	-	-	129.6	129.6	129.6	1.9	131.5
Dividend for 2021	-	-	-	-	-	-	-	-	-82.0	-82.0	-82.0	-0.8	-82.8
Purchase of treasury shares	-	-	-	-20.7	-	-	-	-	-	-	-20.7	-	-20.7
Disposal of treasury shares	-	-	-0.9	24.5	-	-	-	-	-	-	23.6	-	23.6
Other changes	-	-	-	-	-	-	-	-	0.2	0.2	0.2	-	0.2
Balance as at 06/30/2022 (unaudited)		3.9	176.7	-3.6	-1,505.2	0.0	16.6	-80.1	2,562.0	993.3	1,170.3	18.3	1,188.6
Capital increase	-	3.2	-	-	-	-	-	-	-	-	3.2	-	3.2
Changes of hedges	-	-	-	-	-	0.0	15.4	-	-	15.4	15.4	-	15.4
Acquisitions	-	-	-	-	-4.4	-	-	-	-	-4.4	-4.4	-	-4.4
Currency translation adjustments	-	-	-	-	-	-	-	-39.5	-	-39.5	-39.5	-0.3	-39.8
Net income	-	-	-	-	-	-	-	-	137.1	137.1	137.1	2.0	139.1
Dividend for 2021	-	-	-	-	-	-	-	-	-	-	-	-1.1	-1.1
Disposal of treasury shares	-	-	-0.1	2.1	-	-	-	-	-	-	2.0	-	2.0
Other changes	-	-	-	-	-	-	-	-	0.6	0.6	0.6	-	0.6
Balance as at 12/31/2022 (audited)		3.9	179.8	-1.5	-1,509.6	-	32.0	-119.6	2,699.7	1,102.5	1,284.7	18.9	1,303.6
Changes of hedges	-	-	-	-	-	-1.8	4.3	-	-	2.5	2.5	-	2.5
Currency translation adjustments	-	-	-	-	-	-	-	-24.2	-	-24.2	-24.2	-0.2	-24.4
Net income	-	-	-	-	-	-	-	-	131.0	131.0	131.0	3.5	134.5
Dividend for 2022	-	-	-48.6	-	-	-	-	-	-48.6	-48.6	-97.2	-0.7	-97.9
Disposal of treasury shares	-	-	0.0	1.5	-	-	-	-	-	-	1.5	-	1.5
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 06/30/2023 (unaudited)		3.9	131.2	0.0	-1,509.6	-1.8	36.3	-143.8	2,782.1	1,163.2	1,298.3	21.5	1,319.8

The notes on pages 19 to 21 are an integral part of this Half-Year Report 2023. The capital reserves stem from the statutory capital reserve as well as other capital reserves of SFS Group AG.

Cash flow statement

In CHF million (unaudited, condensed version)	Notes	2023 1H	2022 1H	+/-%
Cash flow before changes in net working capital		201.5	173.4	16.2%
Changes in net working capital		-50.3	-110.9	
Cash flow from operating activities		151.2	62.5	141.9%
Purchases of property, plant and equipment		-75.8	-51.1	
Proceeds from sale of property, plant and equipment		2.9	1.7	
Purchases of intangible assets		-6.0	-9.6	
Proceeds from government grants		0.7	-	
Acquisition of subsidiaries, net of cash acquired	13	-	-515.1	
Changes in loans granted		-0.2	45.0	
Investment in/dividends from associates/joint ventures		0.2	0.7	
Proceeds from interest and securities		0.6	0.7	
Cash flow from investing activities		-77.6	-527.7	-85.3%
Proceeds (+)/repayment from/of current borrowings (-)		-1.4	-53.7	
Proceeds (+)/repayment from/of non-current borrowings (-)		32.4	546.7	
Dividends to the shareholders	8	-97.2	-82.0	
Dividends to non-controlling interests		-0.7	-0.8	
Purchase (-)/disposal of treasury shares (+)		-	-20.7	
Cash flow from financing activities		-66.9	389.5	
Translation adjustment on cash and cash equivalents		-3.5	-0.8	
Changes in cash and cash equivalents		3.2	-76.5	
Cash and cash equivalents at beginning of period		221.5	286.0	
Cash and cash equivalents at end of period		224.7	209.5	

The notes on pages 19 to 21 are an integral part of this Half-Year Report 2023.

Notes

1 General information

SFS Group is a limited company according to Swiss law, incorporated and domiciled in Heerbrugg, municipality of Widnau/SG (Switzerland). SFS Group AG is the parent company of all SFS Group companies and therefore the ultimate holding company of the SFS Group. It is listed on the SIX Swiss Stock Exchange AG in Zurich with the security code symbol SFSN.

All amounts are in CHF million unless otherwise stated.

2 Summary of significant accounting policies

This consolidated and condensed Half-Year Financial Report has been prepared in accordance with Swiss GAAP FER 31 para 9 to 12 Interim Reporting. It is to be considered in conjunction with the consolidated financial statements 2022 and has been prepared using the same accounting and valuation methods. No new standards have been adopted.

3 Critical accounting estimates and judgments

Recognized critical accounting estimates and judgments as well as the financial risk management used in the consolidated financial statements 2022 have remained unchanged in the first half of the year 2023. Likewise, there are no material changes in the financial risk.

4 Seasonality and other effects

Due to seasonal variations in the segments, higher net sales and a higher operating profit are typically achieved in the second half of the year. The strongest characteristics results from the end user markets electronic industry and construction industry. In the electronic industry, new products of important end customers will be launched as well as higher sales due to the holiday season can be realized. The construction industry generally benefits from seasonally strong autumn months. In the other end markets, sales are more balanced throughout the year.

5 Segment information

SFS Group is divided into the three segments Engineered Components, Fastening Systems and Distribution & Logistics.

The monitoring and assessment of the financial results and the valuation of the assets are in line with the same principles as in the Financial Report 2022.

Detailed information about segments are presented on pages 8 to 13.

In addition to the elimination of intercompany transactions, the segment "Corporate" contains corporate data relating to Technology, Corporate Services as well as Corporate IT & Finance.

As of January 1, 2024 the Riveting division, which is part of the Fastening Systems segment, will be allocated to the Automotive and Industrial divisions. Therefore the disclosure, monitoring and assessment of the financial results of the Riveting division will be included in the Engineered Components segment. In addition, as of January 1, 2024 the Industrial and Medical divisions will be merged into one division called "Medical & Industrial Specials" which will be part of the Engineered Components segment. The monitoring and assessment of the financial results of the three existing segments for the year 2023 remains unchanged.

Reconciliation of segment results to income statement and balance sheet

Assets	06/30/2023	12/31/2022
Engineered Components	980.4	995.7
Fastening Systems	407.1	399.4
Distribution & Logistics	800.9	804.4
Corporate	77.5	76.9
Operating assets	2,265.9	2,276.4
+ Cash and cash equivalents	224.7	221.5
+ Derivative financial instruments	0.1	1.2
+ Financial assets	81.4	75.1
Assets	2,572.1	2,574.2

Liabilities and equity	06/30/2023	12/31/2022
Engineered Components	158.8	203.2
Fastening Systems	82.2	96.4
Distribution & Logistics	210.2	203.4
Corporate	64.4	62.0
Operating liabilities	515.6	565.0
+ Current borrowings	25.8	27.2
+ Current derivative financial instruments	1.6	-
+ Other non-current payables	6.1	6.4
+ Long-term borrowings	703.2	672.0
Liabilities	1,252.3	1,270.6
Equity (Net assets)	1,319.8	1,303.6

6 Sales

	2023 1H	2022 1H
Third party sales	1,580.7	1,223.6
Other items	-7.0	0.5
Net sales	1,573.7	1,224.1

7 Income taxes

In the Financial Report the income taxes have been recorded on the basis of local tax rates.

8 Dividend

The dividend distribution for fiscal year 2022 of CHF 2.50 per share was approved at the annual general meeting and paid out in the total amount of CHF 97.2 million in May 2023.

9 Earnings per SFS share

	2023 1H	2022 1H
Weighted average number of outstanding shares	38,891,498	37,844,212
Net income attributable to owners of SFS Group AG	131.0	129.6
Earnings per share (in CHF) basic and diluted	3.37	3.42

10 Financial assets

	06/30/2023	12/31/2022
Loans to third parties	3.8	3.7
Investments	14.2	14.7
Assets from employer contribution reserves	22.1	22.1
Economic benefit from pension plans	1.8	-
Derivative financial instruments	36.3	32.0
Other financial assets	3.2	2.6
Total	81.4	75.1

Marketable securities and financial assets are measured at market value through profit or loss. In absence of a market value, marketable securities and financial assets are measured at historical costs less any impairment. "Investments" include investments in associates, joint ventures and immaterial subsidiaries which are not included in the scope of consolidation.

In connection with the financing of the Hoffmann SE acquisition and the corresponding issuance of two bonds with a volume of CHF 400 million (refer to note 11), SFS Group has entered into two cross-currency-swaps (CHF/EUR) in 2022 with the same volume and maturity. The cross-currency-

swaps (designated as hedging instruments) are used to hedge the foreign currency exposure which arises from the translation of net investments in foreign entities (designated as hedged items) into the Group's presentation currency. Changes in the fair values of the cross-currency-swaps (net investment hedges) are recognized in equity and reversed through profit and loss upon disposal of the entity. As of June 30, 2023, the fair values of the cross-currency-swaps amount to CHF 36.3 million (December 31, 2022: CHF 32.0 million).

11 Non-current borrowings

	06/30/2023	12/31/2022
Bonds	400.0	400.0
Bank borrowings	289.5	241.1
Non-current borrowings against third parties	13.7	30.9
Total	703.2	672.0

In connection with the financing of the Hoffmann SE acquisition SFS Group has issued two bonds in June 2022 for a total of CHF 400 million. The first bond over CHF 250 million has a coupon of 1.00% and a maturity of three years (maturity date June 6, 2025) and the second bond over CHF 150 million has a coupon of 1.45% and a maturity of five years (maturity date June 8, 2027). Bonds are recognized in the balance sheet at nominal value. Deviations from the nominal value in the case of below- or above-par issues are offset with the emission costs and recognized as accruals and deferrals and afterwards reversed on a straight-line basis over the term of the bonds. Due to the acquisition of Hoffmann SE the existing loan contract was prematurely renewed and two additional banks were included in the syndicat. The new contract term is for five years and ends on May 10, 2027. The committed and uncollateralized revolving credit line amounts to CHF 600 million. It may be increased by a maximum amount of an additional CHF 100 million, provided the lenders agree to the request of SFS Group.

12 Equity

In connection with the financing of the Hoffmann SE acquisition in 2022 the share capital of SFS Group AG was increased by 1,400,000 shares with a nominal value of CHF 0.10 per share. The premium on the issuance of shares amounted to CHF 169.2 million. As of June 30, 2023 the share capital of SFS Group AG amounts to CHF 3,890,000 and is divided into 38,900,000 registered shares with a nominal value of CHF 0.10 each.

Part of the purchase price of Hoffmann SE was paid by transferring 200,000 treasury shares with a fair value of CHF 24.5 million.

13 Changes in scope of consolidation

	2023	2022
Changes in scope of consolidation	1H	
Purchase price	–	
Non-cash part of purchase price	–	–520.1
Cash and cash equivalents	–	–25.2
Consideration cash flow statement	–	519.1

As of May 1, 2022, SFS Group acquired 100% of Hoffmann SE. Hoffmann was incorporated into the SFS organization as an individual division with the name “D&L International” within the Distribution & Logistics segment. Headquartered in Munich (Germany), Hoffmann SE has around 3,000 employees and is on site in over 50 countries. Hoffmann is a leading international systems partner for quality tools that is well-known on European markets and serves more than 100,000 customers with a product range comprising around 500,000 items. Customers appreciate not only the company’s comprehensive range of products but also its high level of product and logistics expertise. The transaction did not include Contorion, the eCommerce subsidiary of Hoffmann SE, which is geared toward a different customer segment. The Russian subsidiary of Hoffmann is also not included in the scope of consolidation. Contract clauses do not include any contingent consideration (earnout). The disclosure of CHF 515.1 million as “acquisition of subsidiaries, net of cash acquired” in the cash flow statement of the half-year report 2022 was based on the preliminary purchase price allocation as of June 30, 2022.

14 Exchange rates

	2023	2022
Income statement average rates	1H	1H
CNY 100	13.167	14.570
EUR 1	0.986	1.032
GBP 1	1.124	1.225
USD 1	0.912	0.944
Balance sheet closing rates	06/30/2023	12/31/2022
CNY 100	12.393	13.382
EUR 1	0.979	0.985
GBP 1	1.140	1.110
USD 1	0.901	0.923

15 Events after the reporting period

As of July 1, 2023, the assets of the business concerning fasteners and other products of Connective Systems & Supply, Inc. (CSS) were acquired in an asset deal. In organizational terms, this business unit of the company based in Denver (US) will be incorporated into Triangle Fastener Corporation (TFC). This business unit of CSS generated sales of USD 15 million in 2022 with around 20 employees.

The Board of Directors approved this Half-Year Financial Report on July 17, 2023. SFS is not aware of any other events that occurred after the balance sheet date that could have a material impact on the consolidated statements for this Financial Report.

Further information

Explanation regarding alternative performance measurements

In addition to financial key figures defined by general accounting principles, SFS Group uses alternative performance measurements for its segments and divisions. The basis of calculation and the explanation of alternative performance measurements are described in the Financial Report 2022 on page 112–113. The reconciliation to the adjusted operating profit (EBIT) for the first half of the year 2023 is presented below.

Adjusted operating profit (EBIT) and adjusted EBIT margin

In CHF million	2023 1H	2022 1H	2021 1H	2020 1H	2019 1H
Operating profit (EBIT)	189.9	162.9	164.1	71.0	105.5
+ Amortization of inventory step-up related to purchase price allocation of Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory (Segment D&L)	–	16.6	–	–	–
– Book gain on disposal of non-operating assets	–	–	–3.1	–	–4.8
+ Relocation cost Nantong (China)	–	–	–	–	8.5
Operating profit (EBIT) adjusted	189.9	179.5	161.0	71.0	109.2
Net sales	1,573.7	1,224.1	960.3	775.6	868.4
EBIT margin adjusted	12.1%	14.7%	16.8%	9.2%	12.6%

The registered shares of the SFS Group AG of CHF 0.10 each are listed on the SIX Swiss Exchange AG since May 7, 2014. Swiss GAAP FER was applied for the first time at the end of 2017.

Number of shares in 1,000	06/30/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Number of registered shares	38,900	38,900	37,500	37,500	37,500
Number of shares ranking for dividend	38,900	38,900	37,500	37,500	37,500
Weighted average number of outstanding shares	38,891	38,365	37,460	37,500	37,500
Number of shareholders	8,649	8,691	7,910	7,825	8,353
Stock exchange closing quotation (in CHF)					
Year high	128.80	140.90	143.00	106.90	97.00
Year low	87.90	80.90	103.90	58.85	68.60
End price	117.80	87.50	126.20	105.00	93.10
Share key data					
Earnings per share in CHF	3.37	6.95	6.51	4.90	5.47
Distribution per share in CHF	n/a	2.50	2.20	1.80	1.80
Payout ratio in % of consolidated net income	n/a	35.9	33.1	36.5	32.7
Price/earnings ratio (P/E end price)	n/a	12.6	19.4	21.4	17.0
Market capitalization					
In CHF million (end price × number of shares ranking for dividend)	4,582.4	3,403.8	4,732.5	3,937.5	3,491.3
As a % of net sales	145.6	124.3	249.4	230.7	195.9
As a % of equity	347.2	261.1	326.3	308.1	282.2

Agenda

Friday, January 19, 2024	First information on financial year 2023
Friday, March 1, 2024	Publication of financial year results 2023
Wednesday, April 24, 2024	31 th Annual General Meeting of SFS Group AG

Security-no.	23.922.930
ISIN	CH 023 922 930 2
SIX Swiss Exchange AG	SFSN
Reuters	SFSN.S
Bloomberg	SFSN SW
Fact Set	SFSN-CH

Half-Year Report 2023

The Half-Year Report is available in German and English. The German language version of the Half-Year Report is the only legally binding version.

Exclusion of liability

This Half-Year Report includes forward-looking statements. These statements reflect SFS Group's current assessment of market conditions and future events. The statements are therefore subject to risks, uncertainties and assumptions. Unforeseen events may lead to deviations of the actual results from the forecasts made and information published in this Half-Year Report. To this extent, all forward-looking statements contained in this Half-Year Report are subject to this provision.

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Publisher	SFS Group AG
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Contact

SFS Group AG
Rosenbergsaustasse 8
9435 Heerbrugg
Switzerland

T +41 71 727 51 51
corporate.communications@sfs.com
www.sfs.com

23

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