SFS Group AG
Half year report 2018

Inventing success together

1H 18

Table of contents

Financial overview

Solid profitability

Income statement in CHF million (unaudited)	**2018 1H**	2017 1H	2016 1H
Third party sales	855.9	778.6	688.8
Change to previous year in %	9.9	13.0	2.7
thereof currency impact	3.1	–1.3	2.1
thereof change in scope	–0.3	6.9	0.7
thereof organic growth	7.1	7.4	–0.1
Net sales	854.6	779.5	688.2
EBITDA	159.5	153.0	140.2
As a % of net sales	18.7	19.6	20.4
EBITA	117.4	112.0	97.9
As a % of net sales	13.7	14.4	14.2
Operating profit (EBIT)	116.0	80.7	58.8
As a % of net sales	13.6	10.4	8.5
Operating profit (EBIT) adjusted[1]	116.0	110.9	88.9
As a % of net sales	13.6	14.2	12.9
Net income	88.9	61.0	42.7
As a % of net sales	10.4	7.8	6.2

Balance sheet in CHF million	**30.06.2018 (unaudited)**	31.12.2017	31.12.2016
Assets	1,553.5	1,519.0	1,469.7
Net cash (+) / -debt (–)	–0.4	34.7	0.5
Average Capital Employed	1,017.0	927.0	800.0
Invested Capital I[2]	1,104.3	1,052.3	948.0
Invested Capital II[3]	2,012.9	1,960.9	1,692.2
Equity	1,103.9	1,087.0	987.8
As a % of assets	71.1	71.6	67.2

Cash flow statement in CHF million (unaudited)	**2018 1H**	2017 1H	2016 1H
Cash flow from operating activities	104.3	81.5	94.8
Purchase of property, plant, equipment and software	–69.5	–48.3	–30.1
Acquisition (–) / Disposal (+) of subsidaries, net of cash	0.6	–3.1	–32.6

Employees			
Full-time equivalents (FTE)	9,601	9,478	9,021

1 Adjusted for amortization customer relationship Unisteel (1H 2017 CHF 30.1 million; 1H 2016 CHF 31.5 million) and for book gains on the disposal of non-core assets (1H 2016: CHF 1.4 million)
2 Equity less net cash
3 Equity before goodwill offset less net cash

Key takeaways

Advance outlays

Sustained growth momentum
Increased sales 1H 2018 compared to 1H 2017

+9.9%

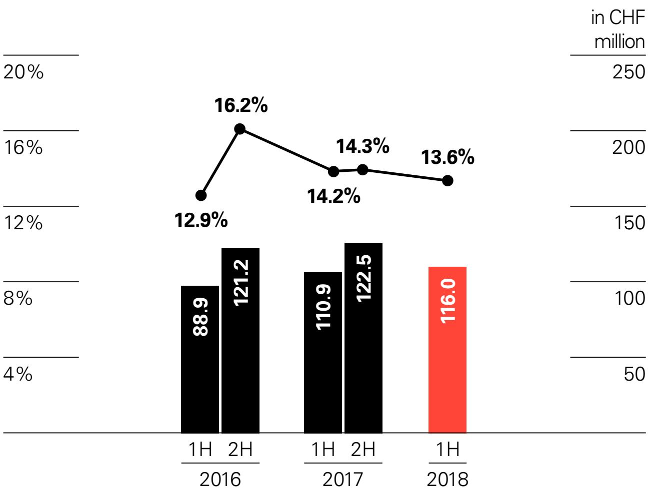
The growth momentum was sucessfully sustained. Organic sales growth came in at 7.1 % and was broadly based in terms of end markets and regions.

High advance outlays in future growth
Increased investments 1H 2018 compared to 1H 2017

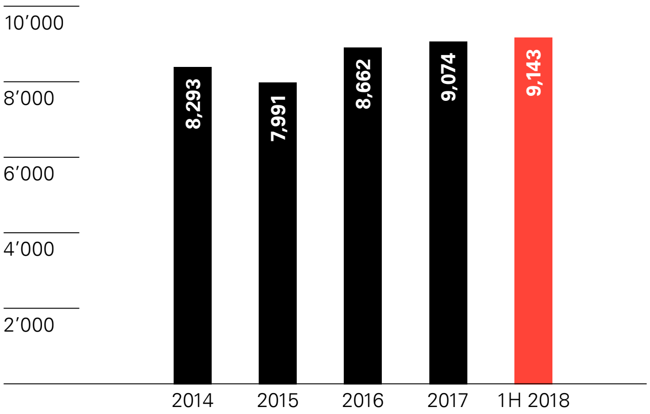
+44.0%

Particularly noteworthy are the extensive investments in production facilities to realise demanding new projects, and the construction of a new production hub in Nantong north of Shanghai, China.

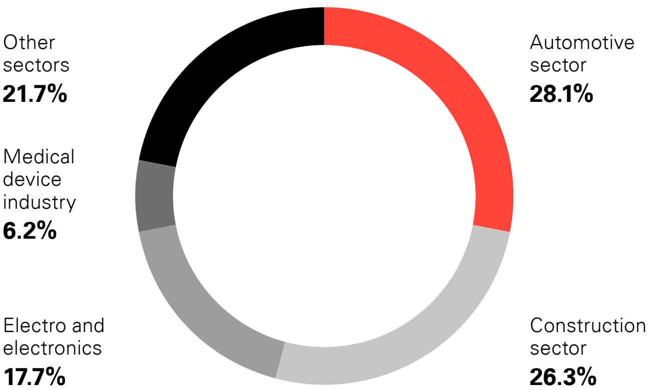
Earnings power impacted by operating effects
Development adjusted EBIT and EBIT margin



Competitiveness increased
Number of employees at period-end



Share of sales by end markets 1H 2018
Automotive displays the highest percentage



Share of sales by region 1H 2018
Well balanced geographical exposure

Letter to the shareholders

Sustained growth momentum

SFS sustained its high sales growth and expanded its market positions during the first half of 2018. Compared to the adjusted previous year the operating profit rose by 4.6%. High advance outlays, structural adaptions and increased raw material costs still pressured the operating profit.

Dear Shareholders,

We managed to sustain the strong growth momentum from the previous financial year throughout the first half of 2018. Sales amounted to CHF 855.9 million, which corresponds to an increase of 9.9 % from the previous-year period. Organic sales growth came in at 7.1 % and was broadly based in terms of end markets and regions, with positive contributions from all three segments. Currency translation and changes in scope of consolidation had with 2.8 % a positive effect on reported sales growth.

Influencing factors	in CHF million	Growth
Third party sales 1H 2017	**778.6**	
Currency impact	24.2	3.1 %
Change in scope	–2.2	–0.3 %
Organic growth	55.3	7.1 %
Third party sales 1H 2018	**855.9**	9.9 %

Share of sales by region	2018 1H	2017 1H
Switzerland	20.8 %	21.5 %
Europe	42.7 %	41.5 %
Americas	17.6 %	17.9 %
Asia	18.6 %	18.8 %
Rest of world	0.3 %	0.3 %

Earnings power impacted by extraordinary operating effects
Although significant progress has been made, extraordinary operating effects continued to weigh on profitability during the first half of 2018, as had been forecast in the presentation of the annual results 2017. These temporary operating effects related to the sharp increase in the cost of materials, which was passed through to customers with a time lag, substantial advance outlays for pending growth projects, and additional costs associated with the sharpening of production profiles. Against this backdrop, EBIT amounted to CHF 116.0 million, which corresponds to an EBIT margin of 13.6 % (prior-year period: 10.4 %, adjusted 14.2 %). Whereas the second half of the financial year 2017 was distinguished by weak results – due to the above-mentioned extraordinary effects – SFS expects the opposite pattern in the current financial year. Profitability is forecast to improve significantly during the second half of the year thanks to the measures taken, the positive seasonal effects in the second half, as well as the passing on of price increases to customers.

Net income for the period amounted to CHF 88.9 million or 10.4 % of the net sales.

Major investment in future growth

Capital expenditure on property, plant and equipment amounted to CHF 69.5 million, which corresponds to an increase of 44.0 % from the previous-year-period. Most of these investments (75.9 %) were made in the Engineered Components segment, which also displays the highest return on capital employed.

Particularly noteworthy are the extensive investments in production facilities to realise demanding new projects, and the construction of a new production hub in Nantong, north of Shanghai, China. This new hub will be the second largest manufacturing site operated by SFS Group.

The high level of capital expenditure triggered by key customer projects will continue into the second half of the year. We expect capital expenditure for the year as a whole to equal over 8.5 % of net sales.

Engineered Components
Growth maintained

The healthy growth momentum witnessed during the preceding fiscal year continued into the first half of 2018. Organic growth amounted to 7.6 %. Supported by positive currency effects, reported sales of CHF 473.2 million were up 10.5 % over the figure from the prior-year period. As in 2017, the two key contributors to this growth were the Automotive and the Electronics divisions. We were also pleased to see the Medical division return to a growth trajectory. Due to high levels of inventory within the supply chain for the A350 jet, business with the aircraft industry was slack.

The earnings power of Engineered Components continued to be pressured in the first half of 2018 by high levels of advance outlays in preparation for future growth projects and by increased raw material costs. EBIT amounted to CHF 83.9 million, or 17.6 % of net sales (prior-year period: 12.7 %, adjusted 19.6 %). We expect margins to recover during the second half of 2018, thanks to the pass-through of the higher costs to customers, which has taken longer than expected to achieve, and new product launches.

Fastening Systems
Growth driven by innovation

The good sales momentum from the previous fiscal year was maintained during the period under review. Sales amounted to CHF 213.0 million, 12.0 % more than in the first half of 2017. Organic growth amounted to a high 6.9 %. Fastening Systems continued to strengthen its market position amid a robust market environment, thanks to its offering of compelling products and services. Both divisions contributed broadly to overall sales growth.

Thanks to good progress on the operating front, the reported EBIT of CHF 20.7 million for the first half of 2018 topped the previous-year figure by 12.2 %. The EBIT margin came in at 9.4 % (prior-year period: 9.3 %). Outlays on projects to sharpen the segment's production profiles were offset by the increase in sales. Higher material costs have been passed-through gradually via price mark-ups. Projects to sharpen the production profiles will be completed by the end of 2018. Segment sales and earnings should show positive trends in the second half of 2018.

Thanks to the increase in SFS's stake in HECO to 51 %, growth and synergy potential and the core competencies of each partner are now being exploited even more effectively. HECO has been fully consolidated by SFS Group since 1 July 2018.

Medical division returned back to growth track thanks to its strong pipeline of innovative customer projects.

Distribution & Logistics
Accelerated sales growth
The Distribution & Logistics (D&L) segment reported faster sales growth than in 2017. Sales amounted to CHF 169.7 million, which corresponds to an increase of 5.9 % compared with the previous-year period. This is also much faster than the growth rate of the Swiss economy, which serves as a key benchmark in assessment of D&L's sales performance. The segment's growth was broadly based.

Several D&L activities improved their distinctive market profiles during the period under review. Examples are the launch of the new online shop, a more focused offering for specialty retailers and the sale of the security systems business that belonged to the unit of architectural hardware operations. Sharply higher procurement costs continued to impact D&L's profits in 2018. These increased costs on the supply side were passed through to customers after a longer-than-expected time lag. Nevertheless, segment operating profit rose by 9.2 % year-on-year to CHF 12.4 million. The EBIT margin came in at 7.2 % (prior-year period: 7.0 %). We expect a positive trend in the second half of 2018.

In order to ensure an orderly succession process, the Board of Directors announced that Iso Raunjak will succeed Josef Zünd as Head of the D&L segment. SFS Group is pleased to appoint a highly experienced and long-term oriented SFS executive, who began his career with SFS in 1992. As Head of the D&L segment Iso Raunjak will also become a member of the Group Executive Board of SFS Group AG on 1 January 2020.

Positive developments expected
On the assumption that the general economic environment remains basically unchanged, SFS expects sales to continue to grow in the second half of 2018 and full-year sales growth to amount to 7–9 % over the previous financial year. Due to the subsiding impact of the above-mentioned extraordinary operating effects and the positive seasonal trends in the second half, profitability should improve and SFS reiterates its projection of an EBIT margin in excess of 14.3 % for the financial year 2018.

Heinrich Spoerry
Chairman of the Board
of Directors

Jens Breu
CEO

Engineered Components

Growth maintained

Strong growth momentum maintained, driven by challenging new projects. Earnings power diminished by an increase in raw material costs and substantial capital expenditure for pending growth projects.

Automotive and Electronics confirm their role as growth drivers

The healthy growth momentum witnessed during the preceding fiscal year continued into the first half of 2018. Organic growth amounted to 7.6 %. Supported by positive currency effects, reported sales of CHF 473.2 million were up 10.5 % over the figure from the prior-year period. As in 2017, the two key contributors to this growth were the Automotive and the Electronics divisions. We were also pleased to see the Medical division return to a growth trajectory which was expected in the view of the project pipeline. Due to high levels of inventory within the supply chain for the A350 jet, business with the aircraft industry was slack.

Earnings power still under pressure

The earnings power of Engineered Components continued to be pressured in the first half of 2018 by high levels of advance outlays in preparation for future growth projects and by increased raw material costs. EBIT amounted to CHF 83.9 million, or 17.6 % of net sales (prior-year period: 12.7 %, adjusted 19.6 %). We expect margins to recover during the second half of 2018, thanks to the pass-through of the higher costs to customers, which has taken longer than expected to achieve, and new product launches.

High investment in future growth

Capital expenditure was maintained at high levels, as planned. In addition to the installation of project-specific production systems to implement growth projects, the most important capex project currently under way is the construction of a new production platform for the Electronics division in Nantong (China), a city north of Shanghai. All investment projects are proceeding as planned. The attractive new projects won by SFS corroborate its competitiveness as an engineering partner for mission-critical precision components and assemblies – and affirm its value proposition of "Inventing success together".

Key figures Engineered Components

in CHF million (unaudited)	**2018 1H**	+/– PY	2017 1H	2016 1H
Third party sales	473.2	10.5%	428.2	355.6
Sales growth comparable*		7.6%		
Net sales	476.1	9.5%	434.7	363.0
EBITDA	112.5	–1.3%	114.0	98.6
As a % of net sales	23.6		26.2	27.1
EBITA	84.2	–1.5%	85.5	72.2
As a % of net sales	17.7		19.7	19.9
EBIT	83.9	51.9%	55.2	34.4
As a % of net sales	17.6		12.7	9.5
Investments	52.8	98.5%	26.6	17.2
Assets	781.5	10.9%	704.9	673.2
Liabilities	136.0	5.7%	128.7	109.2
Net operating assets	645.5	12.0%	576.2	564.0
Of which NWC	245.9	10.2%	223.2	183.9
Employees (FTE)	6,600	3.0%	6,409	5,320

in CHF million (audited)	31.12.17	31.12.16
Assets	793.3	751.1
Liabilities	174.7	155.3
Net operating assets	618.6	595.8
Of which net working capital (NWC)	242.2	209.7

* at constant exchange rates and on the same scope of consolidation

Construction of the new production platform in Nantong (China) is proceeding as scheduled.

Automotive

Driven by stable innovation trends
The Automotive division once again confirmed its role as key growth driver. Amid a healthy market environment, much of the division's sales growth came from the implementation of new projects. Innovation trends in vehicle safety, comfort and efficiency, and in a more general sense, the electrification of motor vehicles and the autonomous driving continue to serve as stable and important sources of growth.

Pass through of the recent increase in raw material costs took longer than expected to achieve, despite intensive efforts. The Automotive division is also affected by the recently imposed US import tariffs on certain raw materials. However, we assume, that these additional costs will be passed through to customers without delay. Various projects to expand our global manufacturing and technology platform (e.g. heat-treating capacity at the Czech plant) are nearing completion and will further sharpen our competitive edge.

Electronics

On the growth track
Again the Electronics division reported strong, broad based sales growth in the first half of 2018. Attention is drawn to its sustained sales growth in the hard disc drives business. Electronics again managed to boost its sales in this market, which although steadily shrinking is nevertheless still attractive. Growth was achieved by improvement of its position in key accounts, implementation of innovation projects and capture of new application opportunities.

A weaker US dollar, higher raw material prices and substantial advance outlays for new projects weighed on divisional profitability. The realisation of these projects in a new targeted application area involving the use of cold forming technology is proceeding as planned and will produce initial sales during the second half of 2018.

Construction of the new production platform in Nantong (China), about an hour's drive north of Shanghai is proceeding as scheduled. With a gross floor area of about 77,000 m^2, the plant in Nantong will be the second-largest site operated by SFS Group.

Industrial

Mixed performance by application area
The Industrial division, which targets a range of very different application areas, reported a mixed performance. Some areas showed strong to very strong growth rates, while the aircraft business experienced a slowdown. Due to lower production rates of the A380 and high inventory levels across the A350 supply chain.

New projects acquired in the dental technology and plastic injection moulding sectors demonstrate SFS's competitiveness in its targeted niche applications, and are expected to provide a steady stream of future growth.

Medical

Back on the growth path
As expected, the Medical division returned back to growth track thanks to its strong pipeline of innovative customer projects. For the second half of the year the order booking for new and existing products is expected to further firm up and provide the basis for further accelerated growth.

SFS

Fastening Systems

Growth driven by innovation

Sales growth in Fastening Systems maintained through product innovation, but higher raw material costs and capital outlays to implement transformative projects continue to pressure margins. The acquisition of a majority interest in HECO has clearly strengthened its position in this market.

Sales growth momentum maintained
The good sales momentum from the previous fiscal year was maintained during the period under review. Sales amounted to CHF 213.0 million, 12.0 % more than in the first half of 2017. Organic growth amounted to 6.9 %. Fastening Systems continued to strengthen its market position amid a healthy market environment, thanks to its offering of compelling products and services. Both divisions contributed broadly to overall sales growth.

Temporary profitability headwinds due to materials and project costs
Thanks to good progress on the operating front, the reported EBIT of CHF 20.7 million for the first half of 2018 topped the previous-year figure by 12.2 %. The EBIT margin came in at 9.4 % (prior-year period: 9.3 %). Outlays on projects to sharpen the segment's production profiles were offset by the increase in sales. Higher material costs have been passed-through gradually via price mark-ups. Projects to sharpen the production profiles will be completed by the end of 2018. Segment sales and earnings should show positive trends in the second half of 2018.

Key figures Fastening Systems

in CHF million (unaudited)	**2018 1H**	+/– PY	2017 1H	2016 1H
Third party sales	213.0	12.0%	190.2	176.7
Sales growth comparable*		6.9%		
Net sales	221.1	11.2%	198.9	184.7
EBITDA	29.5	12.3%	26.3	23.9
As a % of net sales	13.3		13.2	12.9
EBITA	21.0	12.1%	18.8	15.9
As a % of net sales	9.5		9.4	8.6
EBIT	20.7	12.2%	18.5	15.7
As a % of net sales	9.4		9.3	8.5
Investments	8.2	–36.9%	13.0	9.4
Assets	331.1	11.7%	296.5	282.4
Liabilities	71.9	12.0%	64.2	65.5
Net operating assets	259.2	11.6%	232.3	216.9
Of which NWC	129.1	19.8%	107.8	103.4
Employees (FTE)	2,012	3.0%	1,954	1,826

in CHF million (audited)	31.12.17	31.12.16
Assets	316.5	274.2
Liabilities	75.7	67.9
Net operating assets	240.8	206.3
Of which net working capital (NWC)	106.2	90.8

* at constant exchange rates and on the same scope of consolidation

Innovative products, such as the iBird Pro® by GESIPA®, were key contributors to top-line growth.

SFS

Construction

Market position strengthened
The Construction division successfully expanded its position in an ongoing healthy market environment thanks to its innovative products. Significant progress was made, in particular in the areas of flat roof solutions, hinge technology and fastening solutions for exterior wall cladding systems. In the latter product category, the acquisition of Ncase Ltd. has clearly made the division's overall offering much more attractive to customers.

Substantial progress was also achieved with various projects designed to sharpen production profiles. These will be completed by the end of 2018, as scheduled.

Thanks to the increase in SFS's stake in HECO to 51 %, growth and synergy potential and the core competencies of both partners can now be exploited even more effectively (see text below). HECO has been fully consolidated by SFS Group since 1 July 2018.

Riveting

Broad based sales growth achieved
Solid sales growth in the Riveting division was broadly based and solutions for the automotive industry again showed the fastest growth. Innovative products were key contributors to top-line growth. GESIPA® presented a new generation of battery-powered rivet setting tool, the iBird Pro®, which offers extensive electronic functionality in addition to the acknowledged superior mechanical riveting properties, translating into considerable added value for the customer.

The Riveting division also made considerable progress in its efforts to improve its production profiles. The situation in the US was stabilised and a significant improvement in productivity has been observed. Achievement of full utilisation at the expanded production site in Thal, Germany, has been a challenge due not least to the very tight labour market in the region. Production volumes at the plant in China showed renewed high growth. Costs related to various transformative projects and the increase in material costs are similarly temporary challenges at the Riveting division.

Competitive position strengthened with the majority interest in HECO

In mid-May, SFS deepened its strategic partnership with HECO (Ludwig Hettich GmbH & Co. KG), a leading manufacturer of fastening solutions for structural timberwork, by increasing its interest in the company to 51 %, effective since 1 July 2018. This strategic partnership dates back to August 2015, when SFS acquired a minority interest of 30 %. Both companies are active in the structural timber market and have built strong reputations for quality and innovation. The combination of the two companies largely complementary product portfolios has allowed them to offer a more comprehensive range of products and services to customers. Through their close collaboration, both companies benefit from manufacturing synergies and further enhance their market position and competitiveness.

This strategic partnership is regarded very positively by both companies. Benefits on the sales and production fronts are becoming increasingly tangible. Thanks to the increase in SFS's stake in HECO, growth and synergy potential and the core competencies of the two partners can now be exploited even more effectively. The ongoing improvement in HECO's performance as a member of SFS Group will have a positive effect on headcount and business trends at HECO's various sites. HECO generated sales of approximately EUR 41 million in 2017 and employed 322 people (year-end 2017). The company has been consolidated by SFS Group since 1 July 2018.

Distribution & Logistics

Accelerated sales growth

Accelerated sales growth and sharpened market profiles highlighted the first half of 2018. Higher procurement costs influenced profitability.

Accelerated sales growth achieved

The Distribution & Logistics (D&L) segment reported faster sales growth than in 2017. Sales amounted to CHF 169.7 million, which corresponds to an increase of 5.9 % compared with the previous-year period. This is also much faster than the growth rate of the Swiss economy, which serves as a key benchmark in assessment of D&L's sales performance. The segment's growth was broadly based.

Profitability influenced by higher procurement costs

The considerable increase in procurement costs continued to weigh on D&L's profits in 2018. Increased costs in our supply chain were passed through to customers after some delay, and proved to be a challenging undertaking. Nevertheless, segment operating profit rose by 9.2 % year-on-year to CHF 12.4 million. The EBIT margin came in at 7.2 % (prior-year period: 7.0 %). We expect a positive trend in the second half of 2018.

Market profile sharpened

Several D&L activities improved their distinctive market profiles during the period under review.

With the launch of its new online store (www.sfs.ch →) in February 2018, D&L now offers professionals in the manufacturing and handcraft sectors a modern, user-friendly online store that complements the other sales channels and helps to distinguish it from the competition. The new online store has been well received by customers and has generated attractive sales growth.

Customers in the commercial trade business used to be supplied by either SFS or Allchemet (a wholly-owned subsidiary of SFS), depending on the product category in question. Now this group of customers is supplied exclusively by Allchemet, the specialist for products for specialty retailers and distributors. This new arrangement allows these customers to reduce their supplier base and thus reduce their procurement-related expenses.

Key figures Distribution & Logistics

in CHF million (unaudited)	**2018 1H**	+/– PY	2017 1H	2016 1H
Third party sales	169.7	5.9%	160.2	156.5
Sales growth comparable*		5.8%		
Net sales	172.7	5.8%	163.2	159.5
EBITDA	15.4	8.1%	14.2	16.2
As a % of net sales	8.9		8.7	10.2
EBITA	12.5	9.2%	11.4	12.7
As a % of net sales	7.2		7.0	8.0
EBIT	12.4	9.2%	11.4	12.7
As a % of net sales	7.2		7.0	8.0
Investments	3.2	18.5%	2.7	0.9
Assets	181.4	1.5%	178.7	182.1
Liabilities	36.1	3.1%	35.0	33.4
Net operating assets	145.3	1.1%	143.7	148.7
Of which NWC	101.6	1.9%	99.7	96.4
Employees (FTE)	618	–2.7%	635	612

in CHF million (audited)	31.12.17	31.12.16
Assets	169.6	162.7
Liabilities	35.4	31.7
Net operating assets	134.2	131.0
Of which net working capital (NWC)	90.2	86.6

* at constant exchange rates and on the same scope of consolidation

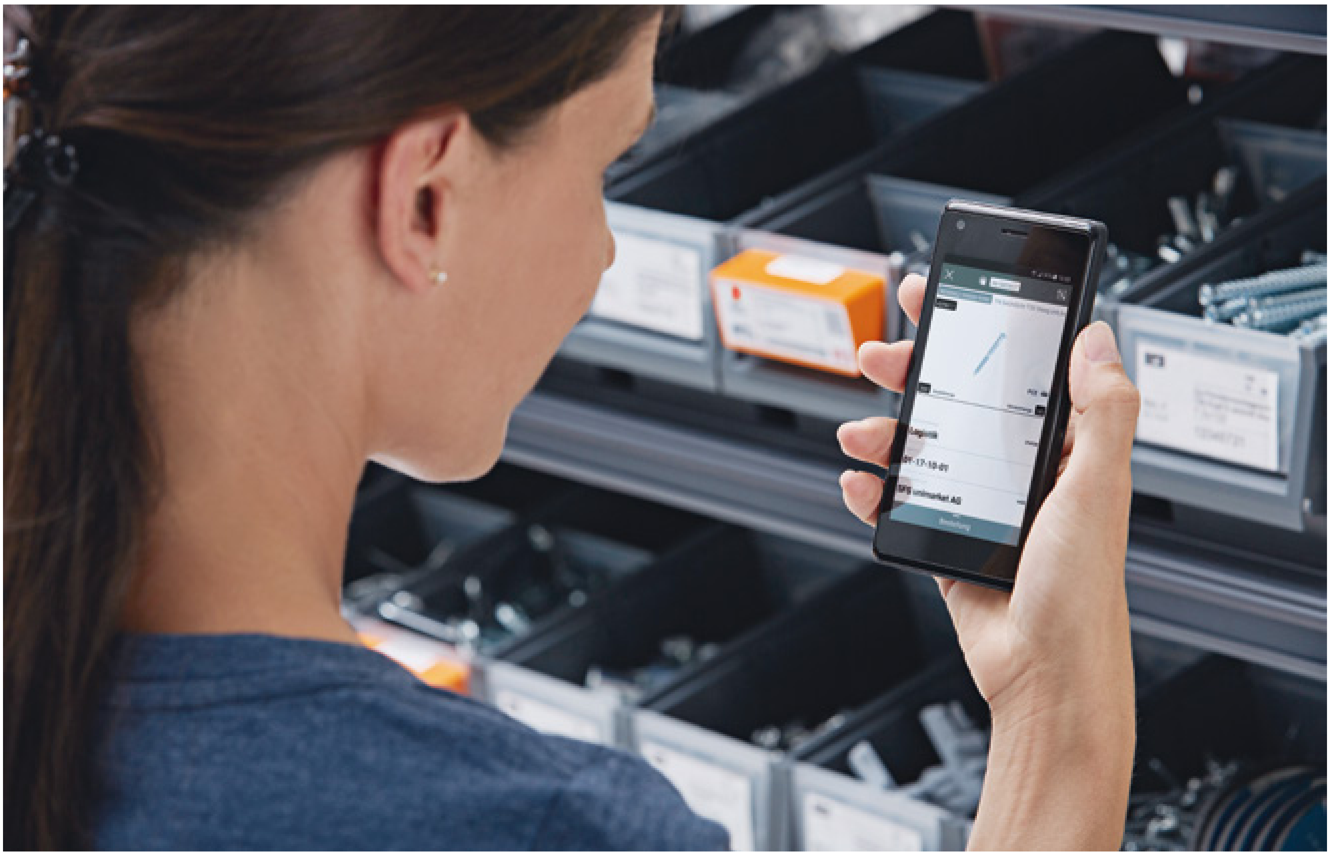
Several D&L activities improved their distinctive market profiles during the period under review.

The architectural hardware unit has discontinued its security systems business to focus more squarely on its business with window, door and kitchen manufacturers. After evaluation of several strategic options, this activity was sold to a company that has the best requirements to develop the business successfully.

D&L strives constantly to defend and extend its leadership position as a provider of logistics solutions for C class parts. For example, the app "M2M by SFS", gives customers quick and easy access to information relating to their SFS logistics systems (such as item-specific data, order status or order history) from any mobile device. The app can also be used to place express orders, modify unprocessed orders, update product information, or to go directly to SFS's online shop to view products.

Succession management for D&L segment

In the interests of early planning, the Board of Directors has chosen Iso Raunjak to succeed Josef Zünd as Head of D&L segment. In Iso Raunjak, the SFS Group has a highly experienced and long-term manager who started his career at SFS in 1992. As Head of the D&L segment, Iso Raunjak will also become a member of the Group Executive Board of the SFS Group AG on 1 January 2020.



The app "M2M by SFS", gives customers quick and easy access to information relating to their SFS logistics systems from any mobile device.

Financial report

Consolidated balance sheet

Assets in CHF million	**30.6.2018 (unaudited)**		31.12.2017 (audited)	
Cash and cash equivalents	133.0		112.8	
Trade receivables	314.5		324.0	
Other current receivables	28.9		37.0	
Inventories	320.9		311.2	
Prepayments and accrued income	10.7		9.7	
Current assets	**808.0**	**52.0%**	794.7	52.3%
Property, plant and equipment	658.0		638.2	
Intangible assets	12.9		13.0	
Financial assets	59.8		59.0	
Deferred tax assets	14.8		14.1	
Non-current assets	**745.5**	**48.0%**	724.3	47.7%
Assets	**1,553.5**	**100.0%**	1,519.0	100.0%

Liabilities and equity in CHF million	**30.6.2018 (unaudited)**		31.12.2017 (audited)	
Trade payables	88.3		126.9	
Current borrowings	120.4		34.8	
Other current payables	50.6		64.4	
Accrued liabilities and deferred income	86.6		78.9	
Current liabilities	**345.9**	**22.3%**	305.0	20.1%
Non-current borrowings	13.0		43.3	
Pension benefit obligations	4.6		4.7	
Non-current provisions	17.0		16.5	
Deferred tax liabilities	69.1		62.5	
Non-current liabilities	**103.7**	**6.6%**	127.0	8.3%
Liabilities	**449.6**	**28.9%**	432.0	28.4%
Share capital	3.8		3.8	
Capital reserves	73.8		145.0	
Retained earnings	1,020.6		933.0	
Equity attributable to SFS	**1,098.2**	**70.7%**	1,081.8	71.2%
Non-controlling interests	5.7		5.2	
Total equity	**1,103.9**	**71.1%**	1,087.0	71.6%
Liabilities and equity	**1,553.5**	**100.0%**	1,519.0	100.0%

The notes on pages 18 and 19 are an integral part of this financial report as of 30 June 2018.

Consolidated income statement

in CHF million (unaudited)	Notes	2018 1H		2017 1H	
Net sales	6	**854.6**	**100.0%**	779.5	100.0%
Other operating income		7.3		7.5	
Change in work in progress and finished goods		2.4		10.3	
Material expenses		–313.2		–285.3	
Contribution margin		551.1	64.5%	512.0	65.7%
Personnel expenses		–256.0		–236.2	
Other operating expenses		–135.6		–122.8	
Depreciation property, plant and equipment		–42.1		–41.0	
Amortization of intangible assets		–1.4		–31.3	
Total operating expenses		**–435.1**	**–50.9%**	–431.3	–55.3%
Operating profit (EBIT)		**116.0**	**13.6%**	80.7	10.4%
Financial result		–4.0		–1.2	
Share of profit/(loss) from related entities		–0.2		–0.1	
Earnings before tax		**111.8**		79.4	
Income taxes	7	–22.9		–18.4	
Net income		**88.9**	**10.4%**	61.0	7.8%
Attributable to non-controlling interests		0.0		0.0	
Attributable to owners of SFS Group AG		88.9		61.0	
Earnings per share of the owners of SFS Group (in CHF) basic and diluted	9	**2.37**		1.63	

The notes on pages 18 and 19 are an integral part of this half year financial report as of 30 June 2018.

Statement of changes in equity

in CHF million (consolidated version)	**Share capital**	**Capital reserves**	Goodwill offset against equity	Cash flow hedging	Currency translation adjustments	Other retained earnings	**Retained earnings**	**Equity attributable to SFS**	**Non-controlling interests**	**Total equity**
Balance as at 31.12.2016 (audited)	**3.8**	**210.6**	–907.1	–0.2	–3.7	1,674.1	**763.1**	**977.5**	**10.3**	**987.8**
Changes of cash flow hedges	**–**	**–**	–	–0.5	–	–	**–0.5**	**–0.5**	**–**	**–0.5**
Acquisitions	**–**	**–**	–	–	–	–	**–**	**–**	**–0.9**	**–0.9**
Sale of investments	**–**	**–**	–	–	–	–	**–**	**–**	**–0.1**	**–0.1**
Currency translation adjustments	**–**	**–**	–	–	–10.5	–	**–10.5**	**–10.5**	**–0.1**	**–10.6**
Net income	**–**	**–**	–	–	–	61.0	**61.0**	**61.0**	**–**	**61.0**
Dividend for 2016	**–**	**–65.6**	–	–	–	–	**–**	**–65.6**	**–0.2**	**–65.8**
Other changes	**–**	–	–1.5	–	–	0.2	**–1.3**	**–1.3**	**–**	**–1.3**
Balance as at 30.06.2017 (unaudited)	**3.8**	**145.0**	–908.6	–0.7	–14.2	1,735.3	**811.8**	**960.6**	**9.0**	**969.6**
Changes of cash flow hedges	**–**	**–**	–	–2.5	–	–	**–2.5**	**–2.5**	**–**	**–2.5**
Acquisitions	**–**	**–**	–	–	–	–	**–**	**–**	**–3.5**	**–3.5**
Sale of investments	**–**	**–**	–	–	–	–	**–**	**–**	**–0.2**	**–0.2**
Currency translation adjustments	**–**	**–**	–	–	23.9	–	**23.9**	**23.9**	**–0.1**	**23.8**
Net income	**–**	**–**	–	–	–	98.1	**98.1**	**98.1**	**–**	**98.1**
Other changes	**–**	**–**	–	–	–	1.7	**1.7**	**1.7**	**–**	**1.7**
Balance as at 31.12.2017 (audited)	**3.8**	**145.0**	–908.6	–3.2	9.7	1,835.1	**933.0**	**1,081.8**	**5.2**	**1,087.0**
Changes of cash flow hedges	**–**	**–**	–	3.2	–	–	**3.2**	**3.2**	**–**	**3.2**
Currency translation adjustments	**–**	**–**	–	–	–4.5	–	**–4.5**	**–4.5**	**0.5**	**–4.0**
Net income	**–**	**–**	–	–	–	88.9	**88.9**	**88.9**	**–**	**88.9**
Dividend for 2017	**–**	**–71.2**	–	–	–	–	**–**	**–71.2**	**–**	**–71.2**
Balance as at 30.06.2018 (unaudited)	**3.8**	**73.8**	–908.6	–	5.2	1,924.0	**1,020.6**	**1,098.2**	**5.7**	**1,103.9**

The notes on pages 18 and 19 are an integral part of this half year financial report as of 30 June 2018.

Consolidated cash flow statement

in CHF million (unaudited, condensed version)	Notes	**2018 1H**	2017 1H
Cash flow before changes in net working capital		143.0	125.5
Changes in net working capital		–38.7	–44.0
Cash flow from operating activities		**104.3**	81.5
Purchases of property, plant and equipment		–68.7	–47.6
Proceeds from sale of property, plant and equipment		0.2	0.6
Purchases of intangible assets		–0.8	–0.7
Acquisition of subsidiaries, net of cash acquired	10	–	–3.1
Proceeds from disposal of subsidiaries	10	0.6	–
Changes in loans granted		–2.2	–2.1
Dividends from joint ventures and associates		–	0.5
Proceeds from interest and securities		0.4	0.6
Cash flow from investing activities		**–70.5**	–51.8
Proceeds/repayment from/of current borrowings		57.2	–5.0
Dividends to the shareholders		–71.2	–65.6
Dividends to non-controlling interests		–	–0.2
Cash flow from financing activities		**–14.0**	–70.8
Translation adjustment on cash and cash equivalents		0.4	–2.4
Changes in cash and cash equivalents		**20.2**	–43.5
Cash and cash equivalents at beginning of period		112.8	163.8
Cash and cash equivalents at end of period		**133.0**	120.3

The notes on pages 18 and 19 are an integral part of this half year financial report as of 30 June 2018.

Notes

1 General information

SFS Group is a global development, manufacturing and supply partner for customized precision cold formed parts, special fasteners and assemblies as well as tailor-made logistic solutions which are sold under the brand names SFS, Unisteel, GESIPA and Tegra Medical.

The parent company SFS Group AG is a limited company according to Swiss law, incorporated and domiciled in Widnau, Switzerland. It is listed on the SIX Swiss Stock Exchange AG in Zurich with the security code symbol SFSN.

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 2017 and has been prepared using the same accounting and valuation methods. No new standards have been implemented.

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 2017 have been continued unchanged in the first half of the year 2018. Similarly, there are no material changes in the financial risk.

4 Seasonality and other effects

Due to seasonal variations in the segments, usually higher net sales and a higher operating profit can be achieved in the second half of the year.

Usually SFS Group expects the strongest characteristics in the end user markets electronic industry and construction sector. 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 sector generally benefits from seasonally strong fall 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 2017.

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

In addition to the elimination of intercompany transactions, the segment «Corporate» contains corporate revenues and expenses relating to Technology, the cross-functions Corporate Services as well as Corporate IT and Finance.

Reconciliation of segment results to income statement and balance sheet

Income statement in CHF million	**2018 1H**	2017 1H
Engineered Components	83.9	55.2
Fastening Systems	20.7	18.5
Distribution & Logistics	12.4	11.4
Corporate	–1.0	–4.4
Operating profit (EBIT)	**116.0**	80.7
Financial result	–4.0	–1.2
Share of profit from related entities	–0.2	–0.1
Earnings before tax	**111.8**	79.4

Assets in CHF million	**30.6.2018**	31.12.2017
Engineered Components	781.5	793.3
Fastening Systems	331.1	316.5
Distribution & Logistics	181.4	169.6
Corporate	66.0	67.8
Operating assets	**1,360.0**	1,347.2
+ Cash and cash equivalents	133.0	112.8
+ Derivative financial instruments	0.7	–
+ Financial assets	59.8	59.0
Assets	**1,553.5**	1,519.0

Liabilities and equity in CHF million	**30.6.2018**	31.12.2017
Engineered Components	136.0	174.7
Fastening Systems	71.9	75.7
Distribution & Logistics	36.1	35.4
Corporate	71.0	63.2
Operating liabilities	**315.0**	349.0
+ Current borrowings	120.4	34.8
+ Long-term borrowings	13.0	43.3
+ Derivative financial instruments	1.2	4.9
Liabilities	**449.6**	432.0
Equity (Net assets)	**1,103.9**	1,087.0

6 Net sales

in CHF million	**2018 1H**	2017 1H
Third party sales	855.9	778.6
Other items	–1.3	0.9
Total	**854.6**	779.5

7 Income taxes

In the financial report the income taxes have been recorded on the basis of local tax rates. There have been no significant changes in the tax rates within the first half of 2018.

8 Dividend

The dividend distribution for fiscal year 2017 of CHF 1.90 per share was approved at the annual general meeting and paid out in the total amount of CHF 71.2 million in April 2018.

9 Earnings per SFS share

	2018 1H	2017 1H
Weighted average number of shares	37,500,000	37,500,000
Net income attributable to owners of SFS Group AG	88.9	61.0
Earnings per share (in CHF) basic and diluted	**2.37**	1.63

10 Changes in scope of consolidation

2018

In May 2018, SFS unimarket AG disposed the business unit security systems. In 2017 the disposed unit generated a turnover of CHF 10 million in 2017 with 26 employees. A smaller part of the sales price depends on conditions to be fulfilled in the second half 2018.

2017

During first half year the earnouts and purchase price allocations of Stamm AG and Tegra Medical became final. This resulted in a cash outflow of CHF 2.2 million.

In June 2017, SFS Group increased its share in Tegra Medical by CHF 0.9 million from 98.1 % to 98.8 %.

In July 2017, SFS Group sold its subsidiary Sonic Clean in Singapore and in September 2017 the participation Pusalkar Fluid Power Pvt. Ltd in India. In 2016 each company achieved a turnover of less than CHF 2 million.

in CHF million	**2018 1H**	2017 1H
Purchase non-controlling interests	–	–0.9
Contingent consideration	–	–2.2
Acquisition of subsidiaries	**–**	–3.1
Disposal business unit	**0.6**	–

11 Exchange rates

Income statement average rate	**2018 1H**	2017 1H
1 EUR	1.169	1.076
1 USD	0.966	0.994

Balance sheet closing rate	**30.6.2018**	31.12.2017
1 EUR	1.157	1.093
1 USD	0.992	0.958

12 Events after the reporting period

In May 2018, SFS signed a purchase contract to increase its share in HECO Group from 30 % to 51 % with effect as of 1 July 2018. HECO achieved a turnover of EUR 41 million in 2017 with 322 employees.

The Board of Directors has approved this half year financial report on 19 July 2018. SFS is not aware of other events that occurred after the balance sheet date that could have a material impact on the consolidated statements for this financial report.

Information for shareholders

	30.6.2018	31.12.2017	31.12.2016	31.12.2015
Number of registered shares (in million)	37.5	37.5	37.5	37.5
Number of shares ranking for dividend (in million)	37.5	37.5	37.5	37.5
Weighted average number of shares (in million)	37.5	37.5	37.5	37.5
Number of shareholders	7,924	7,530	6,641	6,941
Stock exchange closing quotation (in CHF)				
Year high	121.00	123.50	83.15	79.00
Year low	103.80	82.55	60.45	56.90
End price	104.80	113.20	83.10	70.00
Share key data				
Earnings per share in CHF	2.37	4.24	3.32	2.39
Distribution per share in CHF	n/a	1.90	1.75	1.50
Payout ratio in % of consolidated net income	n/a	44.8	52.6	62.7
Price/earnings ratio (P/E end price)	n/a	26.7	24.9	29.3
Market capitalization				
In CHF million (end price x number of shares ranking for dividend)	3,930.0	4,245.0	3,116.3	2,625.0
As a % of net sales	n/a	259.7	216.9	191.4
As a % of equity	356.0	390.5	315.5	233.0

Agenda

Friday, 25 January 2019	First information on business year 2018
Friday, 8 March 2019	Publication results business year 2018
Wednesday, 1 May 2019	26th 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

Annual report 2018
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 the SFS Group's current assesment of market conditions and future events. The statements are therefore subject to risks, uncertainities and assumptions. Unforseen events may lead to deviations of the actual results from the forecasts and estimates made in this presentation and in other published information. To this extent, all forward looking statements in this half year report are subject to such limitations.

Imprint

Publisher:	SFS Group AG
Design:	SFS Group AG
Text:	SFS Group AG
Printing:	galledia ag

1H 18

SFS Group AG
Rosenbergsaustrasse 8
CH-9435 Heerbrugg

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