SFS Group AG
Half-Year Report 2022

Inventing success together

22
1H

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Financial overview

Market position expanded

Income statement In CHF million (unaudited)	**2022 1H**	2021 1H	2020 1H	2019 1H	2018 1H
Third party sales	1,223.6	957.8	773.7	867.8	855.9
Change to previous year in %	27.8	23.8	–10.8	1.4	9.9
thereof currency impact	–1.3	–1.2	–3.8	–0.8	3.1
thereof change in scope	19.3	1.4	3.4	4.6	–0.3
thereof organic growth	9.8	23.6	–10.4	–2.4	7.1
Net sales	1,224.1	960.3	775.6	868.4	854.6
EBITDA	217.1	215.0	120.3	152.6	159.5
As a % of net sales	17.7	22.4	15.5	17.6	18.7
Operating profit (EBIT)	162.9	164.1	71.0	105.5	116.0
As a % of net sales	13.3	17.1	9.2	12.1	13.6
Operating profit (EBIT) adjusted[1]	179.5	161.0	71.0	109.2	116.0
As a % of net sales	14.7	16.8	9.2	12.6	13.6
Net income	131.5	134.1	53.9	88.6	88.9
As a % of net sales	10.7	14.0	7.0	10.2	10.4

Balance sheet In CHF million	**30.06.2022 (unaudited)**	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets	2,543.0	1,839.1	1,684.1	1,638.6	1,619.3
Net cash (+)/debt (–)	–587.7	279.1	144.3	68.7	59.1
Average Capital Employed[2]	1,299.7	1,143.6	1,134.0	1,134.9	1,070.8
Invested Capital[2]	3,281.5	2,194.0	2,149.5	2,153.2	2,058.3
Equity	1,188.6	1,450.4	1,278.2	1,237.2	1,204.6
As a % of assets	46.7	78.9	75.9	75.5	74.4

Cash flow statement In CHF million (unaudited)	**2022 1H**	2021 1H	2020 1H	2019 1H	2018 1H
Cash flow from operating activities	62.5	135.8	102.5	105.1	104.3
Purchase of property, plant, equipment and software	–60.7	–46.9	–56.6	–56.4	–69.5
Acquisition (–)/Disposal (+) of subsidaries, net of cash	–515.1	0.0	–59.5	–91.6	0.6

Employees	**30.06.2022 (unaudited)**	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Fulltime equivalents (FTE)	13,894	10,509	10,692	10,571	10,231

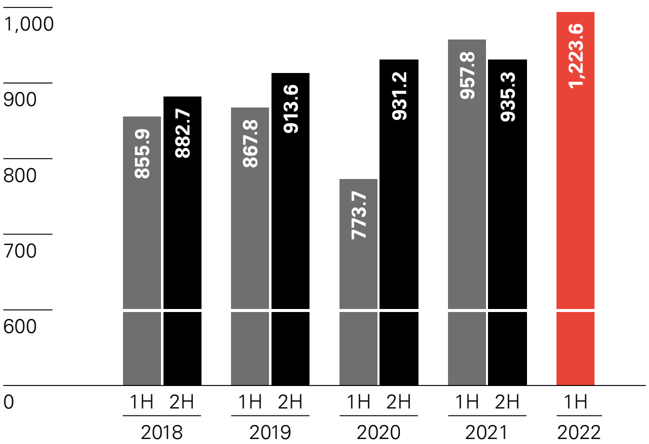
Financial key ratios (unaudited)	**2022 1H**	2021 1H	2020 1H	2019 1H	2018 1H
ROCE in %[2] (Return on Capital Employed)	27.6	28.3	12.5	19.2	21.7
ROIC in %[2] (Return on Invested Capital)	9.0	12.0	5.5	8.4	9.3

[1] Adjustments are explained in the half year report on page 26.
[2] The calculation methodology of the key figure is shown in the annual report 2021 on pages 111 to 112. The average Capital Employed is based on the previous four quarters. The effect of the acquisition of Hoffmann SE is therefore included on a pro rata basis.

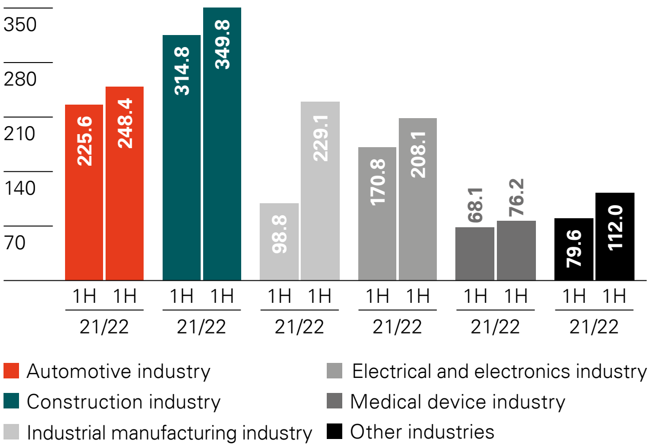
Key takeaways

Higher performance

Increase in sales of 27.8% achieved
Sales in CHF million



Share of industrial manufacturing and construction up
Breakdown of sales by end market in CHF million



Attractive profitability
Adjusted EBIT margin 1H 2022

14.7%

In light of uneven utilization of production capacity overall and rising prices generally, SFS realized an attractive adjusted EBIT margin of 14.7% (PY 16.8%) thanks to high delivery capability and prudent cost management. As a result of inventory revaluations at the companies acquired, the reported result is weighed down by acquisition effects (CHF 16.6 million).

Internationalization of trade business
Initial consolidation of Hoffmann

May 1

Hoffmann SE was consolidated into the SFS Group for the first time as of May 1. The addition of Hoffmann lends the D&L segment an internationally strong position in the attractive area of quality tools. The combination of Hoffmann and SFS will open up extensive cross-selling potential. Together, the two companies can leverage advantages with respect to digitalization, logistics, software and purchasing.

CO_2 emissions reduced
CO_2 emissions in 2021 compared to 2020

–11.9%

SFS published its Sustainability Report 2021 → at the beginning of June. Important progress has been made towards achieving the ambitious targets presented in the Report, for example CO_2 has been reduced by –11.9% and occupational accidents by –12.8%.

SFS family strengthened
Number of employees in FTE as at June 30, 2022

13,894

In the course of the inclusion of Hoffmann, the number of employees (FTE) went up by approx. 3,000. This results in an increase of 3,385 employees in total (as at 31.12.2021: 10,509).

Letter to shareholders

Growth exceeds expections

In a challenging environment shaped by considerable uncertainty, the SFS Group exceeded its growth targets in all regions and end markets – with the exception of the automotive industry – in the first half of 2022. The completion of the transaction with Hoffmann at the beginning of May marked the internationalization of the trading activities conducted by the Distribution & Logistics segment. At CHF 1,223.6 million, sales in the first half of 2022 were 27.8% up on the year, while the EBIT margin adjusted for one-off effects stood at 14.7%.

Dear Shareholders

In a challenging environment, SFS performed well in the first half of 2022. Demand for our products remained high over the period in most end markets and regions – regardless of the considerable uncertainty due to the war in Ukraine, sustained disruption in supply chains, further waves of COVID-19 in Asia and Europe and an environment of rising interest rates and inflation. The divisions took advantage of the starting position and were able to serve their customers reliably and generate solid growth thanks to good overall availability of material. In the automotive industry, besides the ongoing tense situation regarding supplies of semiconductor material, the continuing war in Ukraine put a strain on the availability of other relevant product groups. On the customer side, this increasingly led to reduced product call-offs, which affected the results of both, the Automotive and Riveting divisions.

As in the previous financial year, a high level of delivery readiness remained a strong competitive advantage. The continued ability to deliver to customers was maintained thanks to local production sites, robust and largely regional supply chains and the tremendous commitment of the workforce. We again managed to make selective market share gains.

In this market environment, the SFS Group generated gross sales of CHF 1,223.6 million in the first half-year, which corresponds to year-on-year growth of 27.8%. In addition to organic growth of 9.8%, there were consolidation effects of 19.3% mainly resulting from the inclusion of Hoffmann as of May 1. Currency effects reduced sales growth by –1.3%.

Profitability affected by uneven capacity utilization

The weakening in customer demand in the automotive industry seen in the course of the first half of the year had a negative impact on capacity utilization in automotive-related business areas. This led to an uneven utilization of production capacities overall. Profitability was also affected by the rising costs of commodities, energy and personnel. These were largely passed on through the value chain thanks to prudent cost management. The adjusted EBIT margin was 14.7% in the first half of 2022, down 210 basis points year-on-year. As a result of inventory revaluations at the companies acquired, the reported result is weighed down by acquisition effects of CHF 16.6 million. Adjusted EBIT rose by 11.5% to CHF 179.5 million, due to the first-time consolidation of Hoffmann as of May 1.

Innovation programs and investments made for the purpose of implementing growth projects continued in all regions. Investments totaled CHF 60.7 million in the first half of the year, which corresponds to 5.0% of net sales (PY 4.9%).

Cash flow from operating activities amounted to CHF 62.5 million in the first half of 2022 (PY CHF 135.8 million). In order to secure delivery capability, disproportionately high inventories were built up compared to previous years. At the same time, more funds were tied up in trade receivables than in previous years as a result of the sales growth.

Engineered Components (EC)

Varying conditions in end markets

Demand was mainly positive in the individual divisions. The Industrial and Medical divisions in particular made use of the favorable market environment and met growth expectations in the first half of 2022. The Electronics division consolidated the exceptionally strong growth from the corresponding period in the previous year and in turn realized a considerable increase in sales. In the automotive industry, the supply chain bottlenecks that emerged in the course of the previous year also impacted the performance of the division in the first half of 2022. The segment generated sales of CHF 523.4 million, which corresponds to year-on-year growth of 6.4%.

The planned capacity expansions progressed according to plan:

- The new production building at the site in Heerbrugg (Switzerland) for the realization of projects in the field of electric brake systems has been completed and production activities are about to get underway.
- In Nantong (China), construction work has begun to expand the existing site and develop a plot of land in the immediate vicinity. The expansion will enlarge the production area by approx. 70%. The new space should be ready in the third quarter of 2023.
- As a result of the persistently good demand situation, the Medical division plans to acquire an additional building at the La Aurora de Heredia (Costa Rica) site to expand the production capacity of Tegra Medical.

Uneven utilization of production capacity in the individual business areas and rising prices generally had a negative impact on profitability. An EBIT margin of 15.9% was achieved in the first half of 2022 (PY 18.7%).

Fastening Systems (FS)

Market dynamics unchanged

The two divisions of the Fastening Systems segment took advantage of the opportunities presented by the continuing dynamic market environment in the construction industry. The strong demand that has existed since the end of 2020 continued unabated in the first half of 2022. The performance of the Riveting division was also positive in most of its other application areas. Business with customers from the automotive industry continued to be characterized by supply chain bottlenecks on the customer side. Segment sales amounted to CHF 334.5 million, which corresponds to year-on-year growth of 14.1%.

The high demand and new, regional COVID-19 lockdowns continued to affect the availability of construction materials and components. In an environment of ongoing supply chain bottlenecks and cost increases along the entire supply chain, the high delivery capability remained a major competitive advantage. In order to continue to make use of the strong demand in the future and maintain the high delivery capability, the Construction division expanded its production capacity in North America.

Thanks to high capacity utilization and prudent cost and price management, the segment realized an EBIT margin of 19.1% and again increased profitability year-on-year by 23.0%.

Distribution & Logistics (D&L)

Transaction with Hoffmann completed

The transaction with Hoffmann was completed at the beginning of May once regulatory approvals were obtained. The activities to realize medium and long-term growth potential are currently being planned and systematically implemented. Hoffmann's CEO, Martin Reichenecker, joined the Group Executive Board of SFS upon conclusion of the transaction.

Thanks to continued high product availability overall, both divisions of the Distribution & Logistics (D&L) segment generated strong growth in the first half of 2022. This performance was driven by customer call-offs from industrial manufacturing, which also remained stable in the second quarter. Market demand from the construction industry in Switzerland was positive at a high level. As a result of the transaction with Hoffmann, the share of sales with customers of the construction industry has fallen to below 10% of total segment D&L sales. Overall, sales amounted to CHF 365.7 million in the period under review. This corresponds to growth of 111.9% year-on-year. The main drivers of this growth were consolidation effects of 105.4% as a result of the first-time consolidation of Hoffmann as of May 1.

With the addition of Hoffmann from May 1, SFS was able to realize an adjusted operating profit (EBIT) of CHF 34.9 million in the first half year, which corresponds to growth of 115.4%. As a result of inventory revaluations at the companies acquired, the reported result is weighed down by acquisition effects of CHF 16.6 million.

Sustainability Report 2021 published

In early June, SFS published its Sustainability Report 2021 → in accordance with the GRI Standards ("Core" option). Despite the challenging environment in the financial year 2021, further important progress was made towards achieving the ambitious targets, for example occupational accidents were reduced by –12.8% and CO_2 emissions by –11.9% (on a like-for-like basis). Scope 1 and Scope 2 CO_2 emissions (measured in tons of CO_2 per CHF of added value) shall be reduced by ≥90% by 2030 compared with 2020. SFS already only uses carbon-neutral electricity at all its production sites in Switzerland and its photovoltaic installation in Heerbrugg is one of the largest in Eastern Switzerland. Major efforts are being made to build more photovoltaic modules at our sites outside Switzerland, for example Nantong (China) and Johor Bahru (Malaysia).

Stable financing for the Hoffmann transaction
To partly finance the purchase price, the shareholders of SFS Group approved the proposal to create authorized capital in the amount of no more than CHF 160,000 (which corresponds to a maximum of 1,600,000 shares) at the Extraordinary General Meeting on January 31, 2022. On the day of completion of the transaction, a part of the purchase price was paid in the form of 1,400,000 new shares and 200,000 existing shares. The share capital of SFS Group AG now amounts to CHF 3,890,000 and is divided into 38,900,000 registered shares with a nominal value of CHF 0.10 each.

The new share capital created took the form of a capital contribution. This means that a proportion of the dividends can be distributed to private individuals resident in Switzerland free of withholding and income tax. The total capital contribution reserve that can be used in this way amounts to around CHF 165 million.

On May 18, 2022, two fixed-rate bonds with terms of three (CHF 250 million) and five years (CHF 150 million) were successfully placed. The settlement date was June 8, 2022. The coupon rates for the two bonds are 1.00% and 1.45% respectively. The proceeds of the placement are being used to refinance the Hoffmann transaction. SFS received a good rating (BBB+) from Zürcher Kantonalbank and Credit Suisse (outlook "stable"). The borrowing at attractive rates reduces the weighted average cost of capital (WACC).

SFS shareholders approve all proposals at Annual General Meeting
At the 29th Annual General Meeting on April 27, 2022, the shareholders of SFS Group approved all proposals of the Board of Directors by a large majority. Thomas Oetterli was elected as the successor to Heinrich Spoerry as Chairman of the Board of Directors and Dr. Peter Bauschatz, Chairman of the Supervisory Board of Hoffmann SE, was elected to the Board of Directors as an additional member. In May, a dividend of CHF 2.20 per share was distributed. The Annual General Meeting was held without shareholders being physically present.

Visualization of the planned wind turbine at the Heerbrugg site (Switzerland)

Own wind turbine

To help fight climate change, ensure regional energy security and achieve national energy policy goals, a wind turbine is planned to be built on the company's premises in Heerbrugg (Switzerland).

- Annual electricity production of 5 GWh (equivalent to the consumption of approx. 1,300 households)
- The energy generated is used directly for production facilities in Heerbrugg
- Around 10% of SFS's electricity needs in Switzerland are covered by existing photovoltaic installations
- The electricity generated by the new wind turbine will make up approx. another 10% of the electricity needs
- Additional future photovoltaic installations offer the potential for approx. another 10%, which would mean that a total of around 30% of the electricity required throughout Switzerland could be self-generated
- Next steps: approval procedures and taking wind measurements by setting up a temporary measuring tower at the planned location
- The goal is to reduce the CO_2 emissions by more than 90% by 2030. This is to be done by increasing efficiency, reducing consumption, using own energy and purchasing green energy

High level of flexibility still required
How the economy will perform in the second half of 2022 is far from certain: geopolitical tensions, the war in Ukraine, an impending energy shortage in Europe, sustained disruption in supply chains and ongoing restrictions as a result of the COVID-19 pandemic are increasingly having an impact on the global economy. The associated high inflation is having a negative impact on consumers and supply chains in the form of rising prices and costs. Against this backdrop, SFS expects business activities to slow in the second half of 2022. This outlook is based on the assumption that there will be no significant worsening in the underlying economic conditions or pandemic-related restrictions.

SFS expects sales growth to remain unchanged at 3–6% for the year as a whole – before the consolidation of Hoffmann – even though uncertainty has increased in the course of the financial year. In addition, a sales effect of CHF 720–770 million is expected for the current financial year as a result of the consolidation of Hoffmann (eight months of consolidation in 2022). For SFS Group as a whole, including Hoffmann, an adjusted EBIT margin of 12–15% is expected due to mix shifts resulting from the acquisition of Hoffmann.

Due to the strategic international positioning of the D&L segment and the resulting mix shifts, SFS revises its medium-term guidance. While the sales growth target for the entire company remains unchanged at 3–6%, the target range for the adjusted EBIT margin is newly set at 12–15%.

At this point, we would like to sincerely thank all SFS colleagues. Without their tremendous commitment and expertise, such good half-year results for 2022 would not have been possible.

Thomas Oetterli
Chairman of the
Board of Directors

Jens Breu
CEO

SFS

Engineered Components

Varying conditions in end markets

In a challenging environment, the Engineered Components segment generated solid growth in the first half of 2022. This was primarily driven by the Electronics and Industrial divisions, which were able to take advantage of the continuing strong demand. The application areas in Medical continued to perform well. The challenges in global automotive production put a strain on business operations in the Automotive division. As a result of the uneven production capacity utilization, operating profit was slightly down year-on-year.

Expectations in the market environment largely met
Demand was mainly positive in the individual divisions. The Industrial and Medical divisions in particular made use of the favorable market environment and met growth expectations in the first half of 2022. The Electronics division consolidated the exceptionally strong growth from the corresponding period in the previous year and in turn achieved considerable increase in sales. This result was made possible by the acknowledged high delivery capability that was maintained despite temporary lockdowns at the site in Nantong (China), as well as in the region surrounding Shanghai. In the automotive business, the supply chain bottlenecks that emerged in the course of the past year also shaped the performance of the division in the first half of 2022. Nevertheless, the Automotive division's sales were not far off the previous year's level. The solid results compared with the market indicators demonstrate the increase in the share of value per vehicle and confirm the good positioning of the Automotive division.

In total, the segment generated sales of CHF 523.4 million. This corresponds to growth of 6.4% compared with the same period in the previous year, which – being characterized by strong catch-up effects – had itself experienced exceptionally strong sales. The growth was exclusively organic in nature. Foreign currency effects had an effect of –0.4%.

Capacity expansions progress as planned
Implementation of the capacity expansions are progressing as planned. The new production building at the site in Heerbrugg (Switzerland)

Key figures Engineered Components

In CHF million (unaudited)	**2022 1H**	+/– PY	2021 1H	2020 1H
Third party sales	523.4	6.4%	492.1	380.1
Sales growth comparable[1]		6.8%		
Net sales	530.3	6.5%	497.8	386.2
EBITDA	120.8	–6.3%	128.9	69.1
As a % of net sales	22.8		25.9	17.9
Operating profit (EBIT)	84.6	–9.1%	93.1	35.1
As a % of net sales	15.9		18.7	9.1
Average Capital Employed	751.9	2.5%	733.8	710.3
Capital Employed	783.3	5.8%	740.1	725.8
thereof assets	967.1	6.8%	905.2	863.4
thereof liabilities	183.8	11.3%	165.1	137.6
Net Working Capital	282.1	9.6%	257.3	233.4
Investments	42.3	25.1%	33.8	48.6
Full-time equivalents (FTE)	7,168	3.1%	6,955	6,978
ROCE in %[2] (Return on capital employed)	22.5		25.4	9.9

[1] At constant exchange rates and on the same scope of consolidation
[2] EBIT annualized in % of average capital employed

for the realization of projects in the field of electric brake systems has been completed and production activities are about to get underway. Existing project commitments are already capable of utilizing some twothirds of the building capacity. In Nantong (China), construction work has begun to expand the existing site and develop a plot of land in the immediate vicinity. The expansion will enlarge the production area by approx. 70%. Work to prepare for the occupation of the new production hall in Johor Bahru (Malaysia) is progressing as planned. As a result of the persistently good demand situation, the Medical division plans to acquire an additional building at the La Aurora de Heredia (Costa Rica) site to expand the production capacity. The relocation at the site in Franklin, Massachusetts (USA) will be completed by the end of 2022.

Uneven capacity utilization reduces profitability
Uneven utilization of production capacity in the individual business areas and rising prices generally had a negative impact on profitability. An EBIT margin of 15.9% was achieved in the first half of 2022 (PY 18.7%).

Automotive

The reduction in customer call-offs in the course of the first half of the year slowed business activity in the Automotive division. Besides the ongoing tense situation regarding supplies of semiconductor material, the continuing war in Ukraine affected the availability of other relevant product groups, such as cable harnesses. On the customer side, this increasingly led to reduced product call-offs, which in turn led to the resumption of a small amount of short-time work at the Heerbrugg (Switzerland) site as of May. The availability of our own material was not affected by the disruption in supply chains and the new programs to make use of the expanded capacity were put into operation as planned over this period.

Investment projects to realize future growth
To create the additional capacity needed for growth, a new production hall was erected adjacent to the existing production buildings at the Heerbrugg (Switzerland) site. This is currently being put into operation. The additional capacity will be used to manufacture assemblies for new electric brake systems, an area in which SFS has established a strong competitive position in recent years.

Against the backdrop of the proven and successful "local-for-local" strategy, the localization of the production of ABS components that began in the previous financial year in Nantong (China) was successfully continued. This enables optimal supply of local customers.

Outlook for 2022
The Automotive division still expects to see good demand for new vehicles and models over the next few years. Sales lost as a result of the global supply chain problems are likely to be offset in the coming years. The division expects a gradual recovery in customer call-offs for the rest of the financial year 2022 compared with the first half of the year. The goal of outperforming the market in the full financial year 2022 through implementation of growth projects remains unchanged.

The newly built Hall 6 in Heerbrugg (CH) is shown to local employees and the population before production starts as part of focused events.

Electronics

The Electronics division benefited from continuing high customer demand in the first half of 2022. This led to a renewed increase in sales year-on-year. This positive performance was mainly driven by demand in the Lifestyle Electronics business area, for example components for wireless earphones and AR/VR applications, as well as profit from market share gains resulting from the high availability of our own products and efficient supply chains. The Mobile Devices business area also achieved a slightly positive development. Demand was subdued in the Hard Disk Drives business area owing to a reduction in HDD demand post pandemic.

Pandemic-related disruptions to supply chains slow growth
Growth in the first half of 2022 continued to be affected by the in certain application areas still limited availability of semiconductor materials, as well as the COVID-19 policies in force in Asia. The regional lockdowns in the greater Shanghai area affected both the available transport capacity and the output of local industrial companies. For example, the plant in Nantong (China) was affected by a lockdown for totally approximately ten days in spring. In order to ensure business continuity, a large proportion of the workforce stayed at the plant in this period. This allowed reliability of supply to be largely maintained and the impact on business to be significantly minimized.

Capacity expansions progress as planned
Thanks to the steady and solid growth, the capacity expansion planned in the form of extending the existing site in Nantong (China) is going according to plan and work has begun on schedule. The new business premises are due to be occupied in the third quarter of 2023. Renovation of the new production hall in Johor Bahru (Malaysia) in the immediate vicinity of the headquarters of Unisteel in Malaysia is likewise proceeding on schedule.

Outlook for 2022
According to its current assessment, the Electronics division still expects its performance to be moderate overall but at a high level in 2022.

Industrial

The Industrial division, which focuses on applications in various industrial niche markets, maintained the growth trend from the previous year. High order volumes were recorded, particularly in the first quarter. These were partly driven by inventory build up. The positive performance was broad based and visible in most niche applications: For example, there was persistently strong demand in construction-related application areas such as furniture and windows, as well as cutting tool fasteners.

Growth in the Aircraft business, which picked up steam slightly sooner than expected after two challenging years, was encouraging. Capacity in the entire supply chain had previously been adjusted owing to the collapse in demand for passenger planes. However, major challenges remain in this area on account of the ongoing uncertainty regarding how the COVID-19 pandemic will develop.

Outlook for 2022
The Industrial division expects growth to level off in the second half of 2022 compared with the first. Overall, a positive result with organic growth is expected for the financial year 2022. There is uncertainty surrounding the sustainability of the very dynamic growth in the Aircraft business.

Bracket Logic Concept – Modular fastening system for trim panels in aircraft cabins

Medical

The Medical division received a record number of orders in the first half of the year. This was broad based across all application areas. The positive sales growth overall slowed slightly as a result of supply problems in the area of input materials, as well as the shortage of specialists, particularly in the United States. In realizing a wide range of automation projects, important progress was made in terms of productivity and competitiveness increased. Demand in the area of instruments and implants for orthopedic surgery recovered from the decline resulting from the postponement of non-essential medical procedures during the COVID-19 pandemic.

Establishment of global production platform progresses
There continues to be a strong focus on setting up the global manufacturing platform. The high number of new projects realized underlines the good positioning and the relevance of local production sites. The relocation at the site in Franklin, Massachusetts (USA) continued to proceed as planned and will be completed by the end of 2022. Demand for plastic components in the area of dental and medical applications remained stable. This contributed to the new production capacity at the expanded site in Hallau (Switzerland) being utilized. At the La Aurora de Heredia site in Costa Rica, the division Medical plans to acquire an additional building to expand production capacity.

Outlook for 2022
The Medical division expects market demand and the level of orders to remain good overall over the rest of 2022. Sales for the financial year 2022 as a whole are expected to be more positive than in the previous year. There is continued uncertainty concerning the shortage of skilled workers and supply chain disruption.

Orthopedics application for bone fixation

SFS

Fastening Systems

Market dynamics unchanged

In the Fastening Systems segment, another very strong result was achieved in the first half of 2022 in relation to sales growth and profitability. This result was driven by unchanged market dynamics in the construction industry, which both the Construction and Riveting divisions took advantage of. Most of the other application areas in the Riveting division also contributed to the good growth.

Exceptional demand situation continues

The two divisions of the Fastening Systems segment took advantage of the opportunities presented by the continuing dynamic market environment in the construction industry. The strong demand that has existed since the end of 2020 continued unabated in the first half of 2022. Contrary to expectations, there were only isolated delays or stops to projects on the part of customers despite increases in interest rates and rising inflation. The performance of the Riveting division was also positive in the sales areas characterized by industrial manufacturing customers. However, business with customers from the automotive industry continued to be shaped by bottlenecks in the customer supply chains that emerged in the course of the previous financial year and was subdued.

Segment sales amounted to CHF 334.5 million, which corresponds to year-on-year growth of 14.1%. Organic growth came to 16.1%, while currency (–3.1%) and consolidation effects only had a minor impact.

Supply chain management remains challenging

The strong demand and new, regional COVID-19 lockdowns, such as in the Shanghai region, continued to affect the availability of construction materials and products. In an environment of ongoing supply chain bottlenecks and cost increases along the entire supply chain, the high delivery capability remained a strong competitive advantage. Robust value chains enabled both divisions in the segment to supply their existing customers and gain new ones. In order to continue to make use of the strong demand in the future and maintain the high delivery capability, the Construction division expanded production capacity in North America.

Profitability up again

Thanks to high capacity utilization overall and prudent cost and price management, the segment managed to take advantage of the opportunities presented by the consistently dynamic market situation. With an EBIT margin of 19.1%, profitability again increased year-on-year (by 140 percentage points).

Key figures Fastening Systems

In CHF million (unaudited)	**2022 1H**	+/– PY	2021 1H	2020 1H
Third party sales	334.5	14.1%	293.1	234.0
Sales growth comparable[1]		16.1%		
Net sales	341.8	13.9%	300.2	239.0
EBITDA	73.5	18.2%	62.2	32.2
As a % of net sales	21.5		20.7	13.5
Operating profit (EBIT)	65.2	23.0%	53.0	22.7
As a % of net sales	19.1		17.7	9.5
Average Capital Employed	278.2	5.9%	262.8	288.5
Capital Employed	299.5	14.0%	262.8	279.8
thereof assets	392.9	10.5%	355.6	349.6
thereof liabilities	93.4	0.6%	92.8	69.8
Net Working Capital	187.8	35.0%	139.1	146.5
Investments	5.6	33.3%	4.2	4.3
Full-time equivalents (FTE)	2,575	2.1%	2,522	2,386
ROCE in %[2] (Return on capital employed)	46.9		40.3	15.7

1 At constant exchange rates and on the same scope of consolidation
2 EBIT annualized in % of average capital employed

Construction

Demand, which exceeded expectations and was very high in some cases, resulted in exceptionally good growth in all areas of the Construction division in the first half of 2022. This development was observed in both Europe and North America. Neither the sharply rising and widespread inflation nor increases in interest rates had any more than a minor additional impact on customer call-offs. In this environment – which for the division as a whole was unchanged from the previous financial year – maintaining delivery capability remained a major challenge. Nevertheless, overall robust supply chains and good material availability allowed the division to continue to benefit from the situation and acquire new customers. The division managed to keep the impact of price rises on the result to a minimum.

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 expanded production capacity at the site in Exeter, Pennsylvania (USA). To this end, an additional hall was added to the existing manufacturing facilities. The new capacity is allowing the division to efficiently realize the growth that is forecast for the next few years.

Outlook for 2022
The Construction division expects solid organic growth for the financial year 2022 as a whole. The high prices of energy, material and transport, as well as the possibility of further interest rate rises and the impact thereof, mean that what will happen in the second half of 2022 is far from certain.

Riveting

The individual application areas in the Riveting division performed differently in the first half of 2022. While demand from construction and industrial manufacturing industries remained stable, business with automotive customers slowed as a result of bottlenecks in supply chains that emerged in the course of the previous financial year. Besides the ongoing tense situation regarding supplies of semiconductor material, the continuing war in Ukraine affected the availability of other relevant product groups, such as cable harnesses. This increasingly led to a reduction in product call-offs from customers. Overall, the division achieved slight organic growth in the first half of 2022 compared with the same period in the previous year.

The relocation of the Chinese production facility from Nansha to Nantong that was completed in the previous financial year has paid off and production in Nantong is progressing positively. The first sales and efficiency gains have been realized.

Outlook for 2022
In its business with customers from the automotive industry, the Riveting division expects a gradual recovery of product call-offs in the second half of 2022 compared with the first. In the other application areas, there is still a lot of uncertainty regarding what will happen in the second half of 2022. The Riveting division expects a rather flat development in the financial year 2022 as a whole.

Applications in Flat Roof experienced strong growth in the first half of 2022. Image: Isoweld® – non-penetrating field fastening system for flat roofs

Distribution & Logistics

Transaction with Hoffmann closed

The Distribution & Logistics segment made use of the ongoing market demand from industrial manufacturing in the first half of 2022 and kept up the growth momentum from the previous financial year. The successful completion of the transaction with Hoffmann means that Distribution & Logistics is now the largest segment within SFS Group. Hoffmann's CEO, Martin Reichenecker, joined the Group Executive Board of SFS.

Application areas perform differently

Thanks to continued high material availability overall, both divisions of the Distribution & Logistics (D&L) segment generated strong growth in the first half of 2022. This performance was driven by customer call-offs from industrial manufacturing, which remained stable over the half-year. Meanwhile, market demand from the construction industry in Switzerland was positive at a high level. As a result of the transaction with Hoffmann, the share of sales with customers of the construction industry has fallen to below 10% of total segment D&L sales.

Sales totaled CHF 365.7 million in the period under review. This corresponds to growth of 111.9% year-on-year. The main drivers of this growth were consolidation effects of 105.4% as a result of the first-time consolidation of Hoffmann as of May 1. Foreign currency effects had an effect of –0.7%. Organic growth, on a like-for-like basis, amounted to 7.2%.

Transaction with Hoffmann completed

The transaction with Hoffmann was completed on May 11, 2022 once regulatory approvals were obtained and other conditions were met. This brought Hoffmann into the SFS family, acting organizationally as a new division called "Distribution & Logistics International" within the D&L segment. The addition of Hoffmann lends the D&L segment an internationally strong position in the attractive area of quality tools. The activities to realize medium and long-term growth potential are currently being planned and systematically implemented.

Key figures Distribution & Logistics

In CHF million (unaudited)	**2022 1H**	+/– PY	2021 1H	2020 1H
Third party sales	365.7	111.9%	172.6	159.6
Sales growth comparable[1]		7.2%		
Net sales	365.2	108.2%	175.4	161.8
EBITDA	25.0	33.7%	18.7	17.2
As a % of net sales	6.8		10.7	10.6
Operating profit (EBIT)	18.3	13.0%	16.2	14.5
As a % of net sales	5.0		9.2	8.9
Operating profit (EBIT) adjusted[2]	34.9	115.4%	16.2	14.5
As a % of net sales	9.6		9.2	8.9
Average Capital Employed[3]	253.3	99.8%	126.8	129.0
Capital Employed	608.7	363.6%	131.3	130.8
thereof assets	821.9	393.3%	166.6	165.7
thereof liabilities	213.2	505.7%	35.2	34.9
Net Working Capital	553.8	483.6%	94.9	93.2
Investments	5.0	127.3%	2.2	1.9
Full-time equivalents (FTE)	3,764	536.8%	591	595
ROCE in %[4] (Return on capital employed)	27.6		25.6	22.4

[1] At constant exchange rates and on the same scope of consolidation
[2] 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 four quarters The effect of the acquisition of Hoffmann SE is therefore included on a pro rata basis.
[4] EBIT annualized and adjusted in % of average capital employed

Hoffmann makes positive contribution to operating profit
With the addition of Hoffmann from May 1, 2022, SFS was able to realize adjusted operating profit (EBIT) of CHF 34.9 million, which corresponds to growth of 115.4%. At 9.6%, the adjusted EBIT margin was up slightly year-on-year (9.2%). As a result of inventory revaluations at the companies acquired, the reported result is weighed down by acquisition effects of CHF 16.6 million.

Distribution & Logistics Switzerland

Organic growth in the first half of 2022 was comparable to that of the same period in the previous year. The growth was mainly generated from industrial manufacturing customers and was broad based across both the tools and fastening systems product groups. Market demand from the construction industry in Switzerland was positive at a high level.

The individual sales channels also performed differently: While direct sales (sales representatives) and eShop showed solid growth, sales recorded by the 28 HandwerkStadt branches remained at the previous year's level.

Outlook for 2022
The D&L Switzerland division expects a stable development in the second half of 2022 compared with the first and thus organic growth for the financial year 2022 as a whole.

At the LogiMAT fair, SFS introduced the all-in-one platform Logtopus for intelligent automation of material sourcing processes

Distribution & Logistics International

The business performance of the D&L International division was shaped by a positive market environment overall in industrial manufacturing in the first half of 2022. The encouraging sales growth was spread across the whole of Europe at a comparable level. While the Asian market was still heavily influenced by the effects of lockdowns up to May, comparatively high growth was achieved in North America.

Exhibitions were held in person in conjunction with suppliers for the first time since the outbreak of the COVID-19 pandemic. The growth area of Personal Protective Equipment (PPE) was especially popular in this regard. Approximately 1,500 visitors to the site in Nuremberg (Germany) on two days in May were able to get an idea of the products and services offered, as well as the qualified professional advice available.

Ramp-up of LogisticCity will be completed at the end of 2022

The ramp-up of LogisticCity in Nuremberg (Germany), Europe's most high-performance logistics center for quality tools, has been challenging owing to the size and complexity. The project is scheduled to be completed at the end of 2022. The high-performance logistics center will give the division a strong competitive advantage in the future. Significant growth reserves are being provided in both, the current state and for future expansions. Mid- to long-term, other divisions will also be able to benefit from the attractiveness of the location.

Outlook for 2022

Despite the challenging environment, the D&L International division expects a stable performance in the second half of 2022 and thus organic growth for the financial year 2022 as a whole.

Personal Protective Equipment (PPE) includes a wide range of workwear, gloves, safety glasses and other items

Financial report consolidated

Income statement

In CHF million (unaudited)	Notes	**2022 1H**		2021 1H		+/–%
Net sales	6	**1,224.1**	**100.0%**	960.3	100.0%	27.5%
Other operating income		13.6		13.3		
Change in work in progress and finished goods		9.6		5.8		
Material expenses		–508.9		–341.5		
Contribution margin		738.4	60.3%	637.9	66.4%	15.8%
Personnel expenses		–337.3		–276.5		
Other operating expenses		–184.0		–146.4		
Depreciation property, plant and equipment		–51.5		–49.2		
Amortization of intangible assets		–2.7		–1.7		
Total operating expenses		**–575.5**	**–47.0%**	–473.8	–49.3%	21.5%
Operating profit (EBIT)		**162.9**	**13.3%**	164.1	17.1%	–0.7%
Financial result		–4.1		1.0		
Share of profit/(loss) from related entities		0.3		0.5		
Earnings before tax		**159.1**	**13.0%**	165.6	17.2%	–3.9%
Income taxes	7	–27.6		–31.5		
Net income		**131.5**	**10.7%**	134.1	14.0%	–1.9%
Attributable to non-controlling interests		1.9		1.7		
Attributable to owners of SFS Group AG		129.6		132.4		
Earnings per share of the owners of SFS Group (in CHF) basic and diluted	9	**3.42**		3.53		–3.0%

The notes on pages 23 to 25 are an integral part of this Half-Year Report 2022.

Balance sheet

Assets in CHF million	Notes	30.06.2022 (unaudited)		31.12.2021 (audited)		+/–%
Cash and cash equivalents		209.5		286.0		
Trade receivables		455.8		313.6		
Other current receivables		96.0		30.9		
Inventories		606.9		378.8		
Prepayments and accrued income		35.4		19.5		
Current assets		**1,403.6**	**55.2%**	1,028.8	55.9%	36.4%
Property, plant and equipment		980.2		702.0		
Intangible assets		49.3		28.4		
Financial assets	10	62.8		45.0		
Deferred tax assets		47.1		34.9		
Non-current assets		**1,139.4**	**44.8%**	810.3	44.1%	40.6%
Assets		**2,543.0**	**100.0%**	1,839.1	100.0%	38.3%

Liabilities and equity in CHF million	Notes	30.06.2022 (unaudited)		31.12.2021 (audited)		
Trade payables		176.9		126.0		
Current borrowings		47.7		1.7		
Other current payables		121.3		63.6		
Accrued liabilities and deferred income		154.6		107.4		
Current liabilities		**500.5**	**19.7%**	298.7	16.2%	67.6%
Non-current borrowings	11	749.5		5.1		
Other non-current payables		5.1		–		
Pension benefit obligations		16.1		9.7		
Non-current provisions		14.5		12.6		
Deferred tax liabilities		68.7		62.6		
Non-current liabilities		**853.9**	**33.6%**	90.0	4.9%	848.8%
Liabilities		**1,354.4**	**53.3%**	388.7	21.1%	248.4%
Share capital	12	3.9		3.8		
Capital reserves	12	176.7		11.6		
Treasury shares	12	–3.6		–7.4		
Retained earnings		993.3		1,423.7		
Equity attributable to SFS		**1,170.3**	**46.0%**	1,431.7	77.8%	–18.3%
Non-controlling interests		18.3		18.7		
Total equity		**1,188.6**	**46.7%**	1,450.4	78.9%	–18.1%
Liabilities and equity		**2,543.0**	**100.0%**	1,839.1	100.0%	38.3%

The notes on pages 23 to 25 are an integral part of this Half-Year Report 2022.

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 31.12.2020 (audited)		**3.8**	**11.5**	**–**	–1,015.6	0.4	–	–76.7	2,337.9	**1,246.0**	**1,261.3**	**16.9**	**1,278.2**
Changes of hedges		**–**	**–**	**–**	–	–0.5	–	–	–	**–0.5**	**–0.5**	**–**	**–0.5**
Currency translation adjustments		**–**	**–**	**–**	–	–	–	32.3	–	**32.3**	**32.3**	**0.3**	**32.6**
Net income		**–**	**–**	**–**	–	–	–	–	132.4	**132.4**	**132.4**	**1.7**	**134.1**
Dividend for 2020		**–**	**–**	**–**	–	–	–	–	–67.5	**–67.5**	**–67.5**	**–**	**–67.5**
Purchase of treasury shares		**–**	**–**	**–5.0**	–	–	–	–	–	**–**	**–5.0**	**–**	**–5.0**
Other changes		–	–	–	–	–	–	–	–1.2	**–1.2**	**–1.2**	**–**	**–1.2**
Balance as at 30.06.2021 (unaudited)		**3.8**	**11.5**	**–5.0**	–1,015.6	–0.1	–	–44.4	2,401.6	**1,341.5**	**1,351.8**	**18.9**	**1,370.7**
Changes of hedges		–	–	–	–	2.7	–	–	–	**2.7**	**2.7**	**–**	**2.7**
Acquisitions		–	–	–	–7.1	–	–	–	–	**–7.1**	**–7.1**	**–**	**–7.1**
Currency translation adjustments		–	–	–	–	–	–	–26.0	–	**–26.0**	**–26.0**	**–1.1**	**–27.1**
Net income		–	–	–	–	–	–	–	111.4	**111.4**	**111.4**	**2.5**	**113.9**
Dividend for 2020		–	–	–	–	–	–	–	–	**–**	**–**	**–1.6**	**–1.6**
Purchase of treasury shares		–	–	–7.5	–	–	–	–	–	**–**	**–7.5**	**–**	**–7.5**
Disposal of treasury shares		–	0.1	5.1	–	–	–	–	–	**–**	**5.2**	**–**	**5.2**
Other changes		–	–	–	–	–	–	–	1.2	**1.2**	**1.2**	**–**	**1.2**
Balance as at 31.12.2021 (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	12	0.1	166.0	–	–	–	–	–	–	**–**	**166.1**	**–**	**166.1**
Changes of hedges	10	**–**	**–**	**–**	–	–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	12	–	–0.9	24.5	–	–	–	–	–	**–**	**23.6**	**–**	**23.6**
Other changes		–	–	–	–	–	–	–	0.2	**0.2**	**0.2**	**–**	**0.2**
Balance as at 30.06.2022 (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**

The notes on pages 23 to 25 are an integral part of this Half-Year Report 2022.

Cash flow statement

In CHF million (unaudited, condensed version)	Notes	**2022 1H**	2021 1H	+/–%
Cash flow before changes in net working capital		173.4	186.3	–6.9%
Changes in net working capital		–110.9	–50.5	
Cash flow from operating activities		**62.5**	135.8	–54.0%
Purchases of property, plant and equipment		–51.1	–40.7	
Proceeds from sale of property, plant and equipment		1.7	12.0	
Purchases of intangible assets		–9.6	–6.2	
Proceeds from sale of intangible assets		–	1.9	
Acquisition of subsidiaries, net of cash acquired	13	–515.1	–	
Changes in loans granted		45.0	–0.2	
Investment in/dividends from joint ventures and associates		0.7	0.7	
Proceeds from interest and securities		0.7	0.3	
Cash flow from investing activities		**–527.7**	–32.2	1'538.8%
Proceeds/repayment from/of current borrowings		–53.7	–1.1	
Proceeds/repayment from/of non-current borrowings		546.7	–15.1	
Dividends to the shareholders	8	–82.0	–67.5	
Dividends to non-controlling interests		-0.8	–	
Sale/purchase of treasury shares		–20.7	–5.0	
Cash flow from financing activities		**389.5**	–88.7	
Translation adjustment on cash and cash equivalents		–0.8	5.3	
Changes in cash and cash equivalents		**–76.5**	20.2	
Cash and cash equivalents at beginning of period		286.0	187.7	
Cash and cash equivalents at end of period		**209.5**	207.9	

The notes on pages 23 to 25 are an integral part of this Half-Year Report 2022.

Notes

1 General information
SFS is a worldwide leading supplier of application-critical precision components and assemblies, mechanical fastening systems, quality tools and logistics solutions.

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 2021 and has been prepared using the same accounting and valuation methods. No new standards have been adopted.

3 Critical accounting estimates and judgements
Recognized critical accounting estimates and judgments as well as the financial risk management used in the consolidated financial statements 2021 have remaind unchanged in the first half of the year 2022. 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. The initial consolidation of Hoffmann Group into SFS Group will enhance the seasonal increase in net sales and operating profit in the second half of the year and is expected to dilute the operating profit margin.

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 2021.

Detailed information about segments are presented on pages 9 to 17.

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.

Reconciliation of segment results to income statement and balance sheet

Income statement	2022 1H	2021 1H
Engineered Components	84.6	93.1
Fastening Systems	65.2	53.0
Distribution & Logistics	18.3	16.2
Corporate	–5.2	1.8
Operating profit (EBIT)	**162.9**	**164.1**
Financial result	–4.1	1.0
Share of profit from associates/joint ventures	0.3	0.5
Earnings before tax	**159.1**	**165.6**

Assets	30.06.2022	31.12.2021
Engineered Components	967.1	929.5
Fastening Systems	392.9	342.0
Distribution & Logistics	821.9	162.6
Corporate	88.8	69.9
Operating assets	**2,270.7**	**1,504.0**
+ Cash and cash equivalents	209.5	286.0
+ Derivative financial instruments	–	4.1
+ Financial assets	62.8	45.0
Assets	**2,543.0**	**1,839.1**

Liabilities and equity	30.06.2022	31.12.2021
Engineered Components	183.8	204.9
Fastening Systems	93.4	85.6
Distribution & Logistics	213.2	33.9
Corporate	61.7	57.5
Operating liabilities	**552.1**	**381.9**
+ Current borrowings	47.7	1.7
+ Long-term borrowings	749.5	5.1
+ Other non-current payables	5.1	–
Liabilities	**1,354.4**	**388.7**
Equity (Net assets)	**1,188.6**	**1,450.4**

6 Sales

	2022 1H	2021 1H
Third party sales	1,223.6	957.8
Other items	0.5	2.5
Net sales	**1,224.1**	**960.3**

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 2021 of CHF 2.20 per share was approved at the annual general meeting and paid out in the total amount of CHF 82.0 million in April 2022.

9 Earnings per SFS share

	2022 1H	2021 1H
Weighted average number of outstanding shares	37,844,212	37,491,098
Net income attributable to owners of SFS Group AG	129.6	132.4
Earnings per share (in CHF) basic and diluted	**3.42**	**3.53**

10 Financial assets

	30.06.2022	31.12.2021
Loans to third parties	3.0	2.4
Investments (associates/joint ventures)	14.8	14.5
Asets from employer contribution reserves	21.8	21.8
Economic benefit from pension plans	1.9	4.8
Derivative financial instruments	19.6	0.7
Other financial assets	1.7	0.8
Total	**62.8**	45.0

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. In connection with the financing of the Hoffmann Group 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) 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, 2022, the fair values of the cross-currency-swaps amount to CHF 19.5 million.

11 Non-current borrowings

	30.06.2022	31.12.2021
Bonds	400.0	–
Bank borrowings	318.4	4.6
Non-current borrowings against third parties	31.1	0.5
Total	**749.5**	5.1

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. The new contract term is for five years and ends on June 8, 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 Group acquisition 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 166.0 million. As of June 30, 2022 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 Group was paid by transferring 200,000 treasury shares with a fair value of CHF 23.6 million.

13 Changes in scope of consolidation

2022

Changes in scope of consolidation	**2022 1H**	2021 1H
Purchase price	**1,058.7**	**–**
Non-cash part of purchase price	–518.4	
Cash and cash equivalents	–25.2	–
Consideration cash flow statement	**515.1**	**–**

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. In 2021, Hoffmann generated sales of approximately EUR 1.0 billion. 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. The purchase price allocation used in this half year financial report is provisional and is expected to be finalized in the second half year 2022.

14 Exchange rates

Income statement average rates	**2022 1H**	2021 1H
CNY 100	14.570	13.994
EUR 1	1.032	1.095
GBP 1	1.225	1.261
USD 1	0.944	0.908

Balance sheet closing rates	**30.06.2022**	31.12.2021
CNY 100	14.305	14.359
EUR 1	0.996	1.033
GBP 1	1.161	1.229
USD 1	0.959	0.912

15 Events after the reporting period

The Board of Directors approved this half year financial report on August 25, 2022. SFS is not aware of any 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

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 2021 on page 111–112. The reconciliation to the adjusted operating profit (EBIT) for the first half of the year 2022 is presented below.

Adjusted operating profit (EBIT) and adjusted EBIT margin

In CHF million	2022 1H	2021 1H	2020 1H	2019 1H	2018 1H
Operating profit (EBIT)	162.9	164.1	71.0	105.5	116.0
+ Amortization of inventory step-up related to purchase price allocation of Hoffmann Group 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 CN-Nantong	–	–	–	8.5	–
Operating profit (EBIT) adjusted	**179.5**	**161.0**	**71.0**	**109.2**	**116.0**
Net sales	1,224.1	960.3	775.6	868.4	854.6
EBIT margin adjusted	**14.7%**	**16.8%**	**9.2%**	**12.6%**	**13.6%**

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	**30.06.2022**	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Number of registered shares	38,900	37,500	37,500	37,500	37,500
Number of shares ranking for dividend	38,900	37,500	37,500	37,500	37,500
Weighted average number of outstanding shares	37,844	37,460	37,500	37,500	37,500
Number of shareholders	8,211	7,910	7,869	8,353	7,960
Stock exchange closing quotation (in CHF)					
Year high	140.90	143.00	106.90	97.00	121.80
Year low	92.80	103.90	58.85	68.60	73.80
End price	96.50	133.10	105.00	93.10	76.30
Share key data					
Earnings per share in CHF	3.42	6.51	4.90	5.47	5.14
Distribution per share in CHF	n/a	2.20	1.80	1.80	2.00
Payout ratio in % of consolidated net income	n/a	33.1	36.5	32.7	38.7
Price/earnings ratio (P/E end price)	n/a	19.4	21.4	17.0	14.8
Market capitalization					
In CHF million (end price × number of shares ranking for dividend)	3,753.9	4,732.5	3,937.5	3,491.3	2,861.3
As a % of net sales	153.3	249.4	230.7	195.9	164.7
As a % of equity	315.8	326.3	308.1	282.2	237.5

Agenda

Thursday, September 15, 2022	Investor Day II
Friday, January 20, 2023	First information on financial year 2022
Friday, March 3, 2023	Publication of annual results for 2022
Wednesday, April 26, 2023	30th Annual General Meeting of SFS Group AG

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Reuters	SFSN.S
Bloomberg	SFSN SW
Fact Set	SFSN-CH

Half-Year Report 2022
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 proviso.

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Contact
SFS Group AG
Rosenbergsaustrasse 8
9435 Heerbrugg
Switzerland

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

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