Ad hoc announcement pursuant to Art. 53 LR
Heerbrugg, August 26, 2022

SFS exceeds its growth targets in the first half of 2022

In a challenging environment shaped by considerable uncertainty, SFS Group exceeded its growth targets in all regions and end markets – with the exception of the automotive industry. The completion of the transaction with Hoffmann at the beginning of May marked the internationalization of the trading business 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 last year, while the EBIT margin adjusted for one-off effects stood at 14.7%.

Demand for SFS 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. 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 employees. We again managed to make selective market share gains.

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%, primarily as a result of the first-time consolidation of Hoffmann as of May 1. Currency effects reduced sales growth by –1.3%.

Influencing factors	In CHF million	Growth
Gross sales 1st half 2021	**957.8**	
Currency impact	–12.5	–1.3%
Change in scope*	185.1	19.3%
Organic growth	93.2	9.8%
Gross sales 1st half 2022	**1,223.6**	**27.8%**

* Hoffmann SE (as of 1.5.2022) and Jevith A/S (as of 1.7.2021)

Development by region In CHF million	1st half 2022	share	1st half 2021	share	Growth	Organic growth
Switzerland	192.4	15.7%	179.4	18.7%	7.2%	8.0%
Europe	563.9	46.1%	374.5	39.1%	50.6%	10.2%
Americas	246.2	20.1%	215.0	22.5%	14.5%	9.5%
Asia, rest of the world	221.1	18.1%	188.9	19.7%	17.0%	10.7%
Total	**1,223.6**	**100.0%**	**957.8**	**100.0%**	**27.8%**	**9.8%**

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. The adjusted EBIT margin was 14.7% in the first half of 2022, down 210 basis points year-on-year mainly due to mix effects from the three segments. As a result of inventory revaluations related to the purchase price allocation of the Hoffmann transaction, 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, mainly due to the first-time consolidation of Hoffmann as of May 1.

Investments projects continued unchanged, with expenditure of 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 (PY CHF 135.8 million). In order to secure delivery capacity, disproportionately high inventories were built up compared with 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) segment – Varying conditions in end markets
Demand was mainly positive in the divisions of the EC segment. 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, despite the high baseline effect, 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 Automotive 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 EBIT margin achieved in the first half of 2022 was 15.9% (PY 18.7%).

Fastening Systems (FS) segment – Unchanged market dynamics
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 in 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%. 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 (PY 17.7%).

Distribution & Logistics (D&L) segment – Transaction with Hoffmann closed
The transaction with Hoffmann was completed on May 11, 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. Thanks to continued high product availability overall, both divisions of the D&L segment generated strong growth in the first half of 2022. This resulted in sales of CHF 365.7 million in the period under review, which 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. The segment realized an adjusted operating profit (EBIT) of CHF 34.9 million in the first half year, which corresponds to growth of 115.4%. The reported result is weighed down by acquisition effects of CHF 16.6 million.

Development by segments **In CHF million**	**1st half 2022**	**share**	**1st half 2021**	**share**	**Growth**	**Organic growth**
Engineered Components	523.4	42.8%	492.1	51.4%	6.4%	6.8%
Fastening Systems	334.5	27.3%	293.1	30.6%	14.1%	16.1%
Distribution & Logistics	365.7	29.9%	172.6	18.0%	111.9%	7.2%

Progress made with respect to sustainability
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).

SFS would like to expand the share of self-generated electricity and therefore plans to build a wind turbine on the company's premises in Heerbrugg (Switzerland). This will enable SFS to generate approximately 10% of its electricity needs in Switzerland itself. Around 10% of SFS's electricity needs in Switzerland are already covered by existing photovoltaic installations. Additional future photovoltaic installations offer the potential for approximately another 10%. This would mean SFS generating around 30% of its electricity needs in Switzerland itself in the future. SFS has also made major efforts to build more photovoltaic installations at its 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").

Outlook: 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. 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. This assumes no significant worsening in the underlying economic conditions or pandemic-related restrictions.

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%.

About the SFS Group
SFS is a worldwide leading supplier of application-critical precision moulded parts and assemblies, mechanical fastening systems, tools and logistics solutions. SFS Group AG is made up of the three segments Engineered Components, Fastening Systems and Distribution & Logistics, which represent the company's corresponding business models. In the **Engineered Components** segment, SFS partners with customers to develop and manufacture customer-specific precision-molded parts, fastening solutions and assemblies. Engineered Components comprises four divisions: Automotive, Electronics, Industrial and Medical. In the **Fastening Systems** segment, which consists of the Construction and Riveting divisions, SFS develops, manufactures and markets application-specific mechanical fastening systems. In the **Distribution & Logistics** segment, SFS is a leading partner for fasteners, tools, architectural hardware and innovative logistics solutions in Switzerland. SFS Group is a global player with manufacturing sites and distribution companies at more than 100 locations in 26 countries around the world. It generated sales of CHF 1,893 million in the 2021 financial year with a workforce of approximately 10,500 (FTE). On May 11, 2022 Hoffmann SE with around 3,000 employees in over 50 countries and sales of approximately EUR 1,000 million was acquired. Hoffmann is a leading international system partner for quality tools with a high profile in the European markets.

For more information go to www.sfs.com.

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