SFS Group AG
Half year report 2021

Inventing success together

21
1H

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SFS

Financial overview

Increased performance

Income statement In CHF million (unaudited)	**2021** **1H**	2020 1H	2019 1H	2018 1H	2017 1H
Third party sales	957.8	773.7	867.8	855.9	778.6
Change to previous year in %	23.8	–10.8	1.4	9.9	13.0
thereof currency impact	–1.2	–3.8	–0.8	3.1	–1.3
thereof change in scope	1.4	3.4	4.6	–0.3	6.9
thereof organic growth	23.6	–10.4	–2.4	7.1	7.4
Net sales	960.3	775.6	868.4	854.6	779.5
EBITDA	215.0	120.3	152.6	159.5	153.0
As a % of net sales	22.4	15.5	17.6	18.7	19.6
Operating profit (EBIT)	164.1	71.0	105.5	116.0	80.7
As a % of net sales	17.1	9.2	12.1	13.6	10.4
Operating profit (EBIT) adjusted[1]	161.0	71.0	109.2	116.0	110.9
As a % of net sales	16.8	9.2	12.6	13.6	14.2
Net income	134.1	53.9	88.6	88.9	61.0
As a % of net sales	14.0	7.0	10.2	10.4	7.8

Balance sheet In CHF million	**30.06.2021** **(unaudited)**	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Assets	1,751.6	1,684.1	1,638.6	1,619.3	1,519.0
Net cash (+)/debt (–)	179.9	144.3	68.7	59.1	34.7
Average Capital Employed[2]	1,136.2	1,134.0	1,134.9	1,070.8	947.4
Invested Capital[2]	2,206.4	2,149.5	2,153.2	2,058.3	1,960.9
Equity	1,370.7	1,278.2	1,237.2	1,204.6	1,087.0
As a % of assets	78.3	75.9	75.5	74.4	71.6

Cash flow statement In CHF million (unaudited)	**2021** **1H**	2020 1H	2019 1H	2018 1H	2017 1H
Cash flow from operating activities	135.8	102.5	105.1	104.3	81.5
Purchase of property, plant, equipment and software	–46.9	–56.6	–56.4	–69.5	–48.3
Acquisition (–)/Disposal (+) of subsidaries, net of cash	0.0	–59.5	–91.6	0.6	–3.1

Employees	**30.06.2021** **(unaudited)**	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Fulltime equivalents (FTE)	10,436	10,692	10,571	10,231	9,478

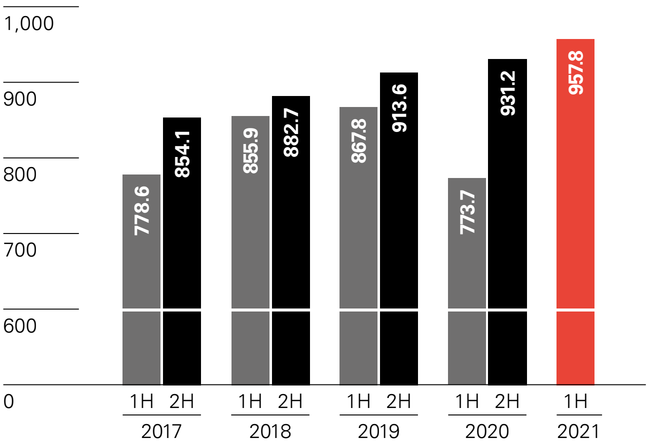
Financial key ratios (unaudited)	**2021** **1H**	2020 1H	2019 1H	2018 1H	2017 1H
ROCE in %[2] (Return on Capital Employed)	28.3	12.5	19.2	21.7	23.4
ROIC in %[2] (Return on Invested Capital)	12.0	5.5	8.4	9.3	9.3

[1] Adjustments are explained in the half year report on page 23.
[2] The calculation methodology of the key figure is shown in the annual report 2020 on page 108. Prior year periods were restated.

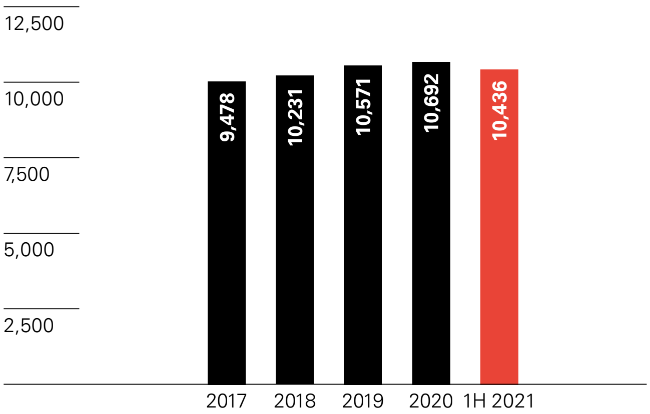
Key takeaways

High dynamics

Sales increase of 23.8% achieved
Third party sales in CHF million



Commitment provides basis for recovery
Development of employees (FTE)



High capacity utilization benefits profitability
EBIT margin 1H 2021

17.1%

Dynamic market demand resulted in a high level of capacity utilisation, which had a significantly positive impact on profitability. The EBIT margin in the first half of 2021 of 17.1% corresponds to a year-on-year increase of 7.9 percentage points. This developement was supported by prudent cost management and the fact that higher prices for raw materials and transport were passed on through the value chain.

Investment projects consistently pursued
In CHF million

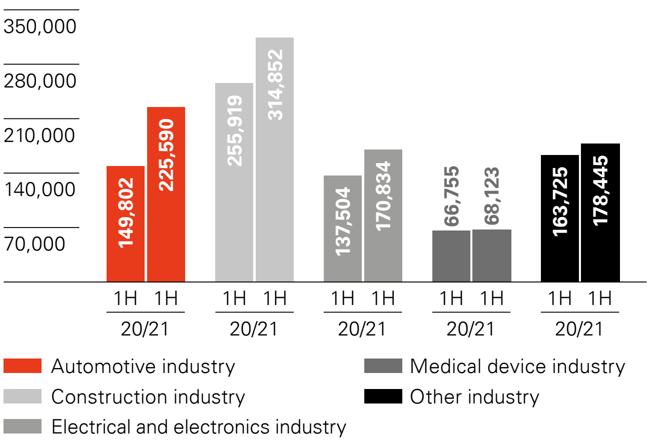
46.9

Capital expenditure for the first half year amounted to CHF 46.9 million, which corresponds to 4.9% of sales (prior-year period: 7.3%). In order to provide sufficient production capacity in Asia, SFS is expanding the capacity of the factory in Nantong (China) approx. 70%. The expansion is scheduled to start in 2022 and be ready for occupancy 18 months later.

Sustainability-related priorities consistently pursued
In early June, SFS published its Sustainability Report 2020 in accordance with the GRI standards ("Core option"). Ambitious targets, such as a reduction in CO_2 emissions by more than 90% by 2030, are being pursued and a corresponding roadmap has been drawn up. The number of occupational accidents was reduced by another –13.3% during the period under review. The goal of engaging 5–7% of the entire workforce in an apprenticeship or a dual training activity was achieved again in 2020.

More at: Sustainability Report 2020 →

Growth 1H yoy by end markets
Sales growth by end market (1,000)



Letter to the shareholders

Significant increase achieved

Carried by a dynamic market environment, SFS Group generated a strong half-year result. Since SFS refrained predominantly from making redundancies during the pandemic, capacity was quickly ramped up again. SFS was therefore able to react quickly and flexibly to the increased demand from its customers. The focus on protecting employee health remained unchanged. Sales of CHF 957.8 million were generated in the first half of the year, which corre-sponds to year-on-year growth of 23.8%. The EBIT margin amounted to 17.1%. Thus, SFS emerged stronger from the crisis than before.

Dear Shareholders

The signs of recovery in the market environment showing from the third quarter of 2020 continued unchanged during the first half of 2021. All three segments participated in the good demand seen in nearly all our end markets and regions, with some business units actually exceeding the expectations substantially.

- The Automotive and Industrial divisions, which had been hit hardest last year by measures to curb the COVID-19 pandemic, reported strong growth in their business activities, due in part to the base effect.
- Thanks to the continued high demand in the areas of Lifestyle Electronics and Mobile Devices and a strong demand for high capactiy HDD from cloud and enterprise computing, the Electronics division achieved good growth.
- The Construction division profited from the construction market, which remained very dynamic.

High demand, driven in part by pent-up demand and restocking, resulted increasingly in limited availability of materials over the course of the first half-year. This difficult market environment posed challenges for the divisions. Thanks to local production sites, the teams' enormous commitment and robust, largely regional supply chains the ability to deliver to customers could be maintained with just a few exceptions. The excellent competitive edge and delivery capacity even allowed for selective market share gains.

SFS Group's long-term "Local-for-Local" strategy and the decision to make predominantly temporary adjustments to production capacity during the COVID-19 pandemic have proven to be prudent. By using the instruments available to temporarily reduce capacity during the financial year 2020, the company was able to preserve jobs, expertise and production capabilities. That has now enabled us to respond swiftly to the recovery in demand and benefit from the economic environment. Short-time working was discontinued during the reporting period in all areas except Aircraft.

In this market environment, the SFS Group generated gross sales of CHF 957.8 million in the first half-year, which corresponds to a year-on-year growth of 23.8%. Currency effects reduced sales growth by –1.2%. Compared with the first half of 2019 before the COVID-19 pandemic, gross sales increased organically by 10.1%. Unfavourable currency effects and acquisition effects neutralised each other.

High capacity utilisation has positive impact on profitability

The dynamic market demand resulted in a high level of capacity utilisation, which had a significantly positive impact on profitability. The EBIT margin of 17.1% in the first half of 2021 corresponds to a year-on-year increase of 7.9 percentage points. This development was supported by prudent cost management and the fact that higher prices for raw materials and transport were passed on through the value chain. Innovation programmes and investments made to implement growth projects continued unchanged during the reporting period. Capital expenditure for the first half year amounted to CHF 46.9 million, which corresponds to 4.9% of sales (prior-year period: 7.3%).

Engineered Components (EC)

Participated at strong market recovery

The Engineered Components segment benefited from high demand across the board that exceeded expectations in most end markets. This positive development was particularly strong in the Automotive and Electronics divisions. Overall, this resulted in organic growth of 29.1% compared with the first half of 2020.

Investment to expand production capacity at the sites in Hallau (Switzerland) and Heerbrugg (Switzerland), which had been launched in response to good order intake for growth projects in the previous year, proceeded according to plan and the additional space will be occupied over the course of the year (Hallau) and 2022 (Heerbrugg). To ensure that it can continue to provide sufficient production capacity for implementation of customer projects in Asia, SFS is currently planning to expand the capacity of the factory in Nantong (China). The expansion will enlarge the production area by approx. 70%. Work will start in the first quarter of 2022 and the space will be ready for occupancy 18 months later.

Driven by strong demand and correspondingly high capacity utilisation, the segment achieved an EBIT margin of 18.7% in the first half of 2021, which corresponds to a year-on-year increase of 9.6 percentage points.

Fastening Systems (FS)

Dynamic market environment harnessed

Both divisions in the Fastening Systems segment succeeded in taking advantage of the extraordinarily dynamic market environment and pent-up demand. Strong demand in the construction industry caused delivery bottlenecks and cost increases along the entire supply chain. The Riveting division operated in a similarly challenging environment. It benefited not only from pent-up demand in the automotive industry, but also good recovery in demand from industrial customers.

In the first half of the year the Riveting division completed the relocation of its Chinese production site from Nansha to Nantong, the production platform also used by other divisions. This relocation will allow the division to benefit from the established production and management processes in Nantong and improve efficiency further.

Total segment sales amounted to CHF 293.1 million, which corresponds to year-on-year growth of 25.3%. Thanks to the high level of capacity utilisation and the comprehensive measures of the previous years to improve performance an EBIT margin of 17.7% was achieved (prior-year period: 9.5%).

Distribution & Logistics (D&L)

Positive trend sustained

The good market demand that benefited the Distribution & Logistics segment in the previous year persisted during the first half of 2021. Demand from the construction industry remained positive. This, combined with an overall recovery in the business activities of Swiss industrial customers, enabled the segment to grow its revenue across all product groups. Revenue from retail customers, which serve primarily private end customers, remained stable. Sales through the nationwide network of 29 specialist hardware stores (Handwerk-Stadt branches) also recovered year on year. Some of these branches were hit by the mandatory business closures during the first half of 2020.

The segment generated total sales of CHF 172.6 million, up 8.1% compared to the prior-year period. EBIT came to CHF 16.2 million, which corresponds to an EBIT margin of 9.2% (prior-year period: 8.9%).

Sustainability-related priorities systematically pursued

In early June, SFS published its Sustainability Report 2020 in accordance with the GRI standards ("Core" option). Ambitious targets, such as a reduction in CO_2 emissions by more than 90% by 2030, are being pursued and a corresponding roadmap has been drawn up. The number of occupational accidents was reduced by another –13.3% during the period under review, which takes the company closer to its medium-term goal of halving these by 2025 compared with the baseline 2019. The goal of engaging 5–7% of the entire workforce in an apprenticeship or a dual education activity was achieved again in 2020.

SFS shareholders approve all proposals at Annual General Meeting

At the 28th Annual General Meeting of SFS Group AG on 22 April 2021, the shareholders approved all proposals of the Board of Directors by a large majority and elected Manuela Suter as an additional Board member. At this Annual General Meeting, Volker Dostmann took over the role of CFO from Rolf Frei, who has stepped down from the Group Executive Board.

Expectations raised thanks to dynamic business performance

Assuming a continuous dynamic development in the second half of the year, SFS expects sales growth to a level of around CHF 1.9 billion for the full 2021 financial year at an EBIT margin of approximately 15%. This corresponds to sales growth of approx. 5% per year since 2019, which is in line with the medium-term growth targets announced. Due to the persisting COVID-19 pandemic, the outlook for the full financial year 2021 remains subject to risks and uncertainties. Management's focus on protecting employee health and safeguarding delivery capacity, with continued efforts to pursue investments and innovation projects, will still be given top priority.

As was the case during the economic downturn triggered last year by the pandemic, our company was able to count on our employees' high level of personal commitment and enormous flexibility during the upturn in the first half of the current year. Despite the far reaching measures taken to prevent infections in the working environment, we were able to maintain our high quality and service standards and stay true to our Corporate Principles. For that, we would like to offer our employees our most heartfelt thanks.

Heinrich Spoerry
Chairman of the Board
of Directors

Jens Breu
CEO

The dynamic market demand resulted in a high level of capacity utilisation, which had a significantly positive impact on profitability.

Engineered Components

Participated at strong recovery

The positive trend that arose in the third quarter of 2020 remained intact in nearly all end markets during the first half of 2021. The Automotive and Electronics divisions benefited above-average from high demand. The good demand resulted in high capacity utilisation, which in turn had a positive impact on profitability.

Demand exceeded expectations
The Engineered Components segment benefited from high demand across the board that exceeded expectations in most end markets. This positive development was particularly strong in the Automotive and Electronics divisions. While recovery in the automotive business was driven by the ongoing trend towards the electrification of vehicles and pent-up demand in the wake of the partial lockdowns in 2020, the Electronics division enjoyed persistently strong demand in the areas of Lifestyle Electronics and Mobile Devices. The Industrial division returned to a growth track, while development of the Medical division remained hampered by the postponement of elective surgeries as a direct consequence of the COVID-19 pandemic. Overall, this resulted in organic sales growth of 29.1% compared with the first half of 2020.

Benefiting from the recovery thanks to predominantly temporary capacity adjustments and stable supply chains
The SFS Group's long-term "Local-for-Local" strategy and its decision to make predominantly temporary adjustments to production capacities during the pandemic have proven to be prudent. By using the instruments available to temporarily reduce capacity during the financial year 2020, SFS was able to protect jobs, expertise and production capability. That, in turn, made it possible to respond swiftly to the recovery in demand and benefit from the economic environment. Short-time working was discontinued during the reporting period in all areas except Aircraft.

Ensuring the availability of materials and guaranteeing timely delivery proved challenging. However, thanks to local production sites and predominantly local supply chains, SFS was able to meet customers' delivery deadlines with very few exceptions, despite significantly longer raw material lead times in some cases. The divisions also succeeded in making selective market share gains, thanks to their excellent competitive edge and delivery capacity.

Key figures Engineered Components

In CHF million (unaudited)	**2021 1H**	+/– PY	2020 1H	2019 1H
Third party sales	492.1	29.5%	380.1	454.2
Sales growth comparable[1]		29.1%		
Net sales	497.8	28.9%	386.2	458.4
EBITDA	128.9	86.5%	69.1	96.4
As a % of net sales	25.9		17.9	21.0
Operating profit (EBIT)	93.1	165.2%	35.1	65.4
As a % of net sales	18.7		9.1	14.3
Operating profit (EBIT) adjusted[2]	93.1	165.2%	35.1	73.9
As a % of net sales	18.7		9.1	16.1
Average Capital Employed	733.8	3.3%	710.3	680.6
Capital Employed	740.1	2.0%	725.8	691.0
thereof assets	905.2	4.8%	863.4	837.8
thereof liabilities	165.1	20.0%	137.6	146.8
Net Working Capital	257.3	10.2%	233.4	249.2
Investments	33.8	–30.5%	48.6	44.3
Full-time equivalents (FTE)	6,955	–0.3%	6,978	7,310
ROCE in %[3] (Return on capital employed)	25.4		9.9	21.7

[1] At constant exchange rates and on the same scope of consolidation
[2] Adjusted for one-time costs relocation Nantong in the first half of the year 2019
[3] EBIT annualized and adjusted in % of average capital employed

Expansion of Nantong factory planned
Investments to expand production capacity at the sites in Heerbrugg (Switzerland) and Hallau (Switzerland), which had begun in advance, were proceeding according to plan and the additional space will be occupied over the course of the year (Hallau) and in 2022 (Heerbrugg). To ensure that it can continue to provide sufficient production capacity for implementation of customer projects in Asia, SFS is currently planning to expand the capacity of the factory in Nantong (China). The production area will be approx. 70% larger following the expansion, which is scheduled to start in 2022 and be ready for occupancy 18 months later.

Good capacity utilisation has positive impact on profitability
Driven by strong demand and correspondingly high capacity utilisation, the EBIT margin was increased substantially by 9.6 percentage points to 18.7% during the first half of 2021. The unchanged focus on costs underpinned profitability even further.


Construction on the new production facility at the Heerbrugg (Switzerland) site began at the start of the year to realize projects in the area of electric brake systems.

Automotive

Performance in the Automotive division was driven by pent-up demand – triggered by both weaker macroeconomic development since the end of 2018 and the COVID-19 pandemic. While broad recovery can be seen in all application areas and regions, it differs from case to case and was partially dampened by shortages in semiconductor supply. The strong focus on temporary capacity adjustments in 2020 enabled the division to satisfy the sharp increase in demand in the first half of 2021 and make selective market share gains, thanks to its high delivery capacity. Due to good capacity utilisation during the first half of 2021, all instruments applied to temporarily adjust capacity were reversed.

Innovation and growth trends confirmed
The division's key innovation and growth drivers continue to be the ongoing electrification of automobiles – not only in respect to the powertrain – and the increasing market penetration with innovative solutions. New customer and project acquisitions substantiate SFS's strong competitive position in the area of electric brake systems.

Construction on the new production facility at the Heerbrugg (Switzerland) site began at the start of the year and is proceeding according to schedule; this facility will be used to implement electric brake system projects. The new "Hall 6" should be ready for occupancy in mid-2022.

Recovery expected to continue
The division expects economic recovery and associated demand on the automotive market to continue during the second half of the year. Due to the strong base effect of the second half of 2020, relative growth during the second half of 2021 is likely to level out compared with the same period of the previous year and the reporting period. However, the

semiconductor supply shortage in the automotive industry could impact recovery further. The goal of outperforming the market in the full financial year 2021 through implementation of growth projects remains unchanged.

Electronics

Customer demand in the Electronics division was substantially higher year on year, in line with expectations. As expected, the usual seasonal demand pattern which tends to level off during the first six months of the year, was less pronounced than usual as a result of important new customer product launches. The Electronics division was also able to make selective market share gains as a result of its good, stable delivery performance.

Growth in all areas
Fortunately, stable growth was achieved in all application areas of the Electronics division. Semiconductor material scarcity had only a minor impact on growth. While smartphone and accessories, for instance the Power Adaptor, have performed well in the Mobile Devices business, the Lifestyle Electronics business benefited from new applications for AR/VR products. The HDD components business developed better than expected, thanks to strong demand for high capacity HDD from cloud and enterprise computing.

Expansion planned in Nantong
The production and warehouse capacity currently available at the Nantong plant is reaching its limits due to continued growth in the Mobile Devices and Lifestyle Electronics business areas, as well as other divisions' growing demand for production capacity. This development was further accelerated by the relocation and consolidation of the Riveting division's local production site from Nansha (China) to Nantong (China) during the first half of the year. In order to provide sufficient capacity for the future growth of all divisions, planning is currently underway to expand the Nantong site.

Slightly positive development expected during the financial year
The Electronics division expects demand in the second half of the year to remain stable compared with the first half. However, due to very strong business performance in the second half of 2020, relative growth in the second half of the year is likely to slow down considerably. The division expects a year-on-year improvement in its performance for the full financial year 2021.


Site in Nantong (CN)

Basis for future growth created

The SFS Group expands its production platform in Nantong (China) in order to provide sufficient capacity for future growth.

- Built in 2018, it is the first site to offer all SFS core technologies under one roof.
- Earlier than anticipated, the current production and warehouse capacities at the Nantong plant show a high level of utilization.
- Floor space will increase by approx. 70% (53,000 sqm) to 130,000 sqm in total.
- Commissioning of the expansion is expected in autumn 2023.
- Total investment for land and construction of the buildings will amount to approx. CHF 32 million.

Industrial

The Industrial division has also returned to a growth trajectory. Growth was driven by good demand in nearly every niche market in the first six months of the year, although it was more pronounced in some areas than in others. The focus on predominantly temporary capacity adjustments in 2020 helped the division swiftly satisfy strong customer demand during the first half of 2021. Short-time work was discontinued in all areas except Aircraft.

Development of the Aircraft business, which is rife with uncertainty in terms of future demand for new passenger planes, still remains challenging.

Apart from that, construction-related applications are experiencing good momentum, in particular fittings for the furniture industry enjoying a good demand. This also includes the development of new systems and solutions in these areas, as evidenced by intensive work on new product development and product launches.

Market demand expected to remain good
Overall, the division expects market demand to remain good for the remaining year, with development in the Aircraft business expected to remain flat. This should result in organic growth for the full financial year 2021.

Medical

Developments in the Medical division remained hampered by the postponement of non-essential surgeries as a direct consequence of the COVID-19 pandemic. Such delayed demand for orthopaedic products impacted the performance of the Medical division in the first half of the year. Business performance in the other areas of application remained positive. The division is still focused on making the necessary efficiency improvements and promoting operational excellence in order to achieve its medium-term profitability targets.

Progress made in expansion of the global production platform
Customers welcomed the decision in 2020 to establish a global production platform for medical device applications and the implementation is moving forward. The large number of new projects in progress, particularly in Europe and Asia, underscores both Tegra Medical's excellent position and the relevance of local production sites.

Work began in early 2020 to expand the factory in Hallau (Switzerland) in order to satisfy high demand for microplastics components. Here, too, work is proceeding according to schedule and the new production hall will be ready for occupancy at the start of August 2021.

Slightly positive development expected during the financial year
The Medical division expects demand in the second half of the year to remain stable compared with the first half. The financial year 2021 as a whole is expected to bring a slight year-on-year improvement, however slowed down by subdued demand for orthopaedic products and targeted phase-outs of low-margin products.

To serve the high demand for microplastics components, expansion of the plant in Hallau (Switzerland) started at the beginning of 2020. The new production hall will be ready for occupancy at the start of August 2021.

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Fastening Systems

Dynamic environment harnessed

The Fastening Systems segment achieved strong results in a dynamic market environment during the first half of 2021. The segment benefited from high demand in both construction industry and industrial manufacturing and pent-up demand in the automotive industry. Although delivery bottlenecks and cost increases along the entire supply chain posed major challenges, they were overcome successfully thanks to a prudent management.

Extraordinary demand situation
Both divisions in the Fastening Systems segment succeeded in profiting from the extraordinarily dynamic market environment and pent-up demand. The strong demand that arose in the construction industry towards the end of 2020 continued unabated in the first half of 2021, but led to delivery bottlenecks and cost increases along the entire supply chain. In this environment, the Construction division succeeded in guaranteeing its delivery capacity above average, and the overall good availability of materials helped the division acquire new customers. In terms of supply chain upheavals, the Riveting division operated in an environment that was similarly challenging. The division not only profited from strong pent-up demand in the automotive industry, but also from good recovery in demand among industrial customers.

Total segment sales amounted to CHF 293.1 million, which corresponds to year-on-year growth of 25.3%.

Riveting division newly at the Nantong site
In the first half of the year the Riveting division completed the relocation of its Chinese production site from Nansha to Nantong, the production platform also used by the other divisions. This relocation will allow the division to benefit from the established production and management processes in Nantong and improve its efficiency further. The move proceeded according to plan and the site in Nansha was sold.

Profitability increased
Despite the challenging environment, which was shaped by raw material shortages and cost increases on the supply side, both divisions of the segment contributed to the increase of the segment's EBIT margin by 8.2 percentage points against the previous year period, to a record high 17.7%. The high level of capacity utilisation coupled with

Key figures Fastening Systems

In CHF million (unaudited)	**2021 1H**	+/– PY	2020 1H	2019 1H
Third party sales	293.1	25.3%	234.0	248.3
Sales growth comparable[1]		25.5%		
Net sales	300.2	25.6%	239.0	255.4
EBITDA	62.2	93.2%	32.2	34.1
As a % of net sales	20.7		13.5	13.4
Operating profit (EBIT)	53.0	133.5%	22.7	24.0
As a % of net sales	17.7		9.5	9.4
Average Capital Employed	262.8	–8.9%	288.5	294.8
Capital Employed	262.8	–6.1%	279.8	307.7
thereof assets	355.6	1.7%	349.6	388.9
thereof liabilities	92.8	33.0%	69.8	81.2
Net Working Capital	139.1	–5.1%	146.5	154.7
Investments	4.2	–2.3%	4.3	9.1
Full-time equivalents (FTE)	2,522	5.7%	2,386	2,459
ROCE in %[2] (Return on capital employed)	40.3		15.7	16.3

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

the comprehensive measures taken during the previous years resulted in improved performance. Higher material costs were largely passed on in the supply chains.

Construction

Strong demand results in high capacity utilisation
Demand, which exceeded expectations and was extremely strong in some cases, resulted in extraordinarily good growth in all areas of the Construction division. This development was observed in Europe and to an even larger degree also in North America. The extremely dynamic demand situation led to supply-side material shortages and price increases, which prompted some customers to delay or even halt their construction projects. A guaranteed delivery capacity in this environment was very challenging to achieve for the division. Nevertheless, overall robust supply chains and good material availability allowed the division to profit from the situation and acquire new customers. The negative impact of higher raw material prices on the result could be limited.

Investments in market access pay off
Ongoing investments to expand market access continued to pay off. The most recent acquisitions of TFC (Triangle Fastener Corporation, 1 April 2019) and MBE (Moderne Befestigungselemente GmbH, 1 January 2020) strengthened the division and were also able to profit from the good demand situation. Jevith A/S in Roskilde (Denmark) is the newest member and joined the division on 1 July 2021. Thanks to its high level of technological and application compentence including specific services, Jevith A/S occupies a strong position in the Danish market.

Positive development expected for the financial year
The Construction division expects demand in the second half of the year to soften. Due to strong business performance in the second half of 2020, relative growth in the second half of the year is likely to slow down. Nevertheless the division expects a dynamic growth for the full financial year 2021.

Fastening solution for brick based rain screen façades.

Jevith A/S – acquisition complements range of services for fastening solutions

With Jevith A/S, SFS takes over a leading provider of fastening solutions for application in high-quality building envelopes in Denmark. With this acquisition, SFS is expanding its market access in the Northern European construction industry.

Facts and figures
- Founded in 2001, employs around ten employees.
- Achieved a turnover of almost 5 million euros in 2020
- Primarily supplies the Danish construction industry with high-quality fastening solutions for the building envelope.

Riveting

Recovery in industrial manufacturing and the automotive industry
The Riveting division profited from pent-up demand in the automotive industry and good recovery of customer demand in industrial manufacturing. This resulted in growth in all areas of the division. The finalisation of Brexit has put an end to related economic uncertainties, which positively impacted business with locally based automotive customers.

Chinese production site relocated from Nansha to Nantong
The division completed the relocation of its Chinese production site from Nansha to Nantong during the first half of the year. The production platform in Nantong is used by different divisions, although mainly by the Electronics division. This relocation will allow the Riveting division to benefit from the established production and management processes in Nantong and improve its efficiency further. The relocation was completed within just a few weeks. Key employees were persuaded to transfer and work at the new site for a transition period. The Nansha site was sold with effect on 20 May 2021.

Continued recovery results in organic growth for the financial year
The division expects economic recovery and associated demand on the automotive market and in industrial applications to continue during the second half of the year. However, the semiconductor supply shortage in the automotive industry could cause certain delays in demand. The division expects organic growth for the financial year 2021 as a whole.

The Riveting division completed the relocation of its Chinese production site from Nansha to Nantong during the first half of the year. This relocation will allow the division to benefit from the established production and management processes in Nantong and improve its efficiency further.

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Distribution & Logistics

Positive development continued

The solid market demand that benefited the Distribution & Logistics (D&L) segment in the previous year persisted during the first half of 2021. The resulting sales growth combined with an unchanged focus on costs laid a solid foundation for good performance in terms of profitability.

Revenue growth in all areas of the segment
Demand from the construction industry continued to develop positively. This, combined with an overall recovery in the business activities of Swiss industrial customers, enabled the D&L segment to grow its revenue across all product groups. While revenue from retail customers, which serve primarily private end customers, remained stable, sales through the network of 29 hardware stores (HandwerkStadt branches) recovered year on year. These stores were partially hit by mandatory business closures during the first half of 2020.

Sales through the company's own eShop continued on an upward trend. At a total of CHF 172.6 million, segment revenue was 8.1% higher than in the first half of the previous year.

Supply chains under pressure
Global supply chain upheavals triggered by strong global recovery of demand also had an impact on the D&L segment. These were felt primarily in the construction industry and industrial environments. Despite the challenging environment, the segment succeeded in guaranteeing its delivery capacity and reliability. Higher material costs were largely passed on in the supply chains. EBIT amounted to CHF 16.2 million, up CHF 1.7 million year on year, and benefited from consistently strict cost management.

Organic growth expected throughout the financial year
The D&L segment expects demand to remain stable in the second half of the year compared with the first six months. However, availability of some individual product groups could become more challenging. The segment anticipates organic revenue growth for the financial year as a whole.

Key figures Distribution & Logistics

In CHF million (unaudited)	**2021 1H**	+/– PY	2020 1H	2019 1H
Third party sales	172.6	8.1%	159.6	165.3
Sales growth comparable[1]		7.8%		
Net sales	175.4	8.4%	161.8	167.9
EBITDA	18.7	8.7%	17.2	21.2
As a % of net sales	10.7		10.6	12.6
Operating profit (EBIT)	16.2	11.7%	14.5	18.1
As a % of net sales	9.2		8.9	10.8
Operating profit (EBIT) adjusted[2]	16.2	11.7%	14.5	13.3
As a % of net sales	9.2		8.9	7.9
Average Capital Employed	126.8	–1.7%	129.0	138.5
Capital Employed	131.3	0.4%	130.8	136.6
thereof assets	166.6	0.5%	165.7	174.5
thereof liabilities	35.2	0.9%	34.9	37.9
Net Working Capital	94.9	1.8%	93.2	94.6
Investments	2.2	15.8%	1.9	1.6
Full-time equivalents (FTE)	591	–0.7%	595	618
ROCE in %[3] (Return on capital employed)	25.6		22.4	19.2

[1] At constant exchange rates and on the same scope of consolidation
[2] Adjusted for book gains on the disposal of non-core assets in the first half of the year 2019
[3] EBIT annualized and adjusted in % of average capital employed

Financial report consolidated

Income statement

In CHF million (unaudited)	Notes	2021 1H		2020 1H		+/–%
Net sales	6	**960.3**	**100.0%**	775.6	100.0%	23.8%
Other operating income		13.3		7.2		
Change in work in progress and finished goods		5.8		–3.5		
Material expenses		–341.5		–293.0		
Contribution margin		637.9	66.4%	486.3	62.7%	31.2%
Personnel expenses		–276.5		–242.8		
Other operating expenses		–146.4		–123.2		
Depreciation property, plant and equipment		–49.2		–47.5		
Amortization of intangible assets		–1.7		–1.8		
Total operating expenses		**–473.8**	**–49.3%**	–415.3	–53.5%	14.1%
Operating profit (EBIT)		**164.1**	**17.1%**	71.0	9.2%	131.1%
Financial result		1.0		–3.6		
Share of profit/(loss) from related entities		0.5		–0.2		
Earnings before tax		**165.6**	**17.2%**	67.2		146.4%
Income taxes	7	–31.5		–13.3		
Net income		**134.1**	**14.0%**	53.9	7.0%	148.8%
Attributable to non-controlling interests		1.7		0.4		
Attributable to owners of SFS Group AG		132.4		53.5		
Earnings per share of the owners of SFS Group (in CHF) basic and diluted	9	**3.53**		1.43		147.0%

The notes on pages 21 to 23 are an integral part of this half year financial report as of 30 June 2021.

Balance sheet

Assets in CHF million	30.06.2021 (unaudited)		31.12.2020 (audited)		+/–%
Cash and cash equivalents	207.9		187.7		
Trade receivables	347.2		336.0		
Other current receivables	33.7		30.7		
Inventories	341.2		320.1		
Prepayments and accrued income	17.7		15.8		
Current assets	**947.7**	**54.1%**	890.3	52.9%	6.4%
Property, plant and equipment	704.2		701.6		
Intangible assets	19.5		16.7		
Financial assets	43.2		40.3		
Deferred tax assets	37.0		35.2		
Non-current assets	**803.9**	**45.9%**	793.8	47.1%	1.3%
Assets	**1,751.6**	**100.0%**	1,684.1	100.0%	4.0%

Liabilities and equity in CHF million	30.06.2021 (unaudited)		31.12.2020 (audited)		
Trade payables	97.9		136.0		
Current borrowings	0.6		1.8		
Other current payables	49.8		54.1		
Accrued liabilities and deferred income	111.8		88.4		
Current liabilities	**260.1**	**14.8%**	280.3	16.6%	–7.2%
Non-current borrowings	27.3		41.7		
Pension benefit obligations	10.6		10.1		
Non-current provisions	13.0		12.8		
Deferred tax liabilities	69.9		61.0		
Non-current liabilities	**120.8**	**6.9%**	125.6	7.5%	–3.8%
Liabilities	**380.9**	**21.7%**	405.9	24.1%	–6.2%
Share capital	3.8		3.8		
Capital reserves	11.5		11.5		
Own shares	–5.0		–		
Retained earnings	1,341.5		1,246.0		
Equity attributable to SFS	**1,351.8**	**77.2%**	1,261.3	74.9%	7.2%
Non-controlling interests	18.9		16.9		
Total equity	**1,370.7**	**78.3%**	1,278.2	75.9%	7.2%
Liabilities and equity	**1,751.6**	**100.0%**	1,684.1	100.0%	4.0%

The notes on pages 21 to 23 are an integral part of this financial report as of 30 June 2021.

Statement of changes in equity

In CHF million	**Share capital**	**Capital reserves**	**Own Shares**	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 31.12.2019 (audited)	**3.8**	**11.5**	–	–984.7	0.7	–32.1	2,221.6	**1,205.5**	**1,220.8**	**16.4**	**1,237.2**
Changes of cash flow hedges	–	–	–	–	–0.6	–	–	**–0.6**	**–0.6**	–	**–0.6**
Acquisitions	–	–	–	–29.8	–	–	–	**–29.8**	**–29.8**	–	**–29.8**
Change of minorities	–	–	–	–1.0	–	–	–	**–1.0**	**–1.0**	**–0.1**	**–1.1**
Currency translation adjustments	–	–	–	–	–	–21.7	–	**–21.7**	**–21.7**	**–0.2**	**–21.9**
Net income	–	–	–	–	–	–	53.5	**53.5**	**53.5**	**0.4**	**53.9**
Dividend for 2019	–	–	–	–	–	–	–67.5	**–67.5**	**–67.5**	–	**–67.5**
Other changes	–	–	–	–	–	–	–1.2	**–1.2**	**–1.2**	–	**–1.2**
Balance as at 30.06.2020 (unaudited)	**3.8**	**11.5**	–	–1,015.5	0.1	–53.8	2,206.4	**1,137.2**	**1,152.5**	**16.5**	**1,169.0**
Changes of cash flow hedges	–	–	–	–	0.3	–	–	**0.3**	**0.3**	–	**0.3**
Acquisitions	–	–	–	0.1	–	–	–	**0.1**	**0.1**	–	**0.1**
Change of minorities	–	–	–	–0.2	–	–	–	**–0.2**	**–0.2**	**0.1**	**–0.1**
Currency translation adjustments	–	–	–	–	–	–22.9	–	**–22.9**	**–22.9**	**0.1**	**–22.8**
Net income	–	–	–	–	–	–	130.4	**130.4**	**130.4**	**0.5**	**130.9**
Dividend for 2019	–	–	–	–	–	–	–	**–**	**–**	**–0.3**	**–0.3**
Other changes	–	–	–	–	–	–	1.1	**1.1**	**1.1**	–	**1.1**
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 cash flow 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**
Acquisition of own 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**

The notes on pages 21 to 23 are an integral part of this half year financial report as of 30 June 2021.

Cash flow statement

In CHF million (unaudited, condensed version)	Notes	2021 1H	2020 1H	+/–%
Cash flow before changes in net working capital		186.3	113.4	64.3%
Changes in net working capital		–50.5	–10.9	
Cash flow from operating activities		**135.8**	102.5	32.5%
Purchases of property, plant and equipment		–40.7	–55.6	
Proceeds from sale of property, plant and equipment		12.0	2.1	
Purchases of intangible assets		–6.2	–1.0	
Proceeds from sale of intangible assets		1.9	–	
Acquisition of subsidiaries, net of cash acquired	10	–	–59.5	
Changes in loans granted		–0.2	1.2	
Investment in/dividends from joint ventures and associates		0.7	–0.2	
Proceeds from interest and securities		0.3	0.4	
Cash flow from investing activities		**–32.2**	–112.6	–71.4%
Proceeds/repayment from/of current borrowings		–1.1	9.6	
Proceeds/repayment from/of non-current borrowings		–15.1	69.7	
Dividends to the shareholders		–67.5	–67.5	
Sale/purchase of own shares		–5.0	–	
Cash flow from financing activities		**–88.7**	11.8	
Translation adjustment on cash and cash equivalents		5.3	–2.9	
Changes in cash and cash equivalents		**20.2**	–1.2	
Cash and cash equivalents at beginning of period		187.7	130.7	
Cash and cash equivalents at end of period		**207.9**	129.5	

The notes on pages 21 to 23 are an integral part of this half year financial report as of 30 June 2021.

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.

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 2020 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 2020 have remaind unchanged in the first half of the year 2021. Likewise, there are no material changes in the financial risk.

4 Seasonality and other effects
During the first half-year 2021 SFS Group realized a book gain on the disposal of a property in China of CHF 3.1 million.

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 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 autumn months. In the other end markets, sales are more balanced throughout the year.

In the second quarter of the year 2020, the COVID-19 pandemic caused a significant decline in business activities. Capacities were primarily reduced to match the lower demand from customers. Cost savings due to short time work and other measures led to a positive effect within personnel expenses of CHF 23 million in the first half of the year 2020. Sales increased significantly in the third and fourth quarter 2020. This led to a more pronounced seasonality pattern compared to previous years. The good demand situation continued into the first half-year 2021.

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 2020.

Detailed information about segments are presented on pages 8 to 16.

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	2021 1H	2020 1H
Engineered Components	93.1	35.1
Fastening Systems	53.0	22.7
Distribution & Logistics	16.2	14.5
Corporate	1.8	–1.3
Operating profit (EBIT)	**164.1**	**71.0**
Financial result	1.0	–3.6
Share of profit from related entities	0.5	–0.2
Earnings before tax	**165.6**	**67.2**

Assets	30.06.2021	31.12.2020
Engineered Components	905.2	918.2
Fastening Systems	355.6	324.7
Distribution & Logistics	166.6	149.6
Corporate	73.0	63.5
Operating assets	**1,500.4**	**1,456.0**
+ Cash and cash equivalents	207.9	187.7
+ Derivative financial instruments	0.0	0.1
+ Financial assets	43.3	40.3
Assets	**1,751.6**	**1,684.1**

Liabilities and equity	30.06.2021	31.12.2020
Engineered Components	165.1	208.2
Fastening Systems	92.8	75.4
Distribution & Logistics	35.2	33.0
Corporate	59.0	45.8
Operating liabilities	**352.1**	**362.4**
+ Current borrowings	0.6	1.8
+ Long-term borrowings	27.3	41.7
+ Derivative financial instruments	0.9	0.0
Liabilities	**380.9**	**405.9**
Equity (Net assets)	**1,370.7**	**1,278.2**

6 Sales

	2021 1H	2020 1H
Third party sales	957.8	773.7
Other items	2.5	1.9
Net sales	**960.3**	**775.6**

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 2020 of CHF 1.80 per share was approved at the annual general meeting and paid out in the total amount of CHF 67.5 million in April 2021.

9 Earnings per SFS share

	2021 1H	2020 1H
Weighted average number of outstanding shares	37,491,098	37,500,000
Net income attributable to owners of SFS Group AG	132.4	53.5
Earnings per share (in CHF) basic and diluted	**3.53**	**1.43**

10 Changes in scope of consolidation

2021

In the second quarter the operating activities of SFS intec (China) Advanced Precision Parts Manufacturing Co., Ltd were transferred to Unisteel Technology (China) Co., Ltd. in Nantong (China). The legal entity, SFS intec (China) Advanced Precision Parts Manufacturing Co., Ltd was sold. However, from an economical point of view, a land right and a property were disposed. Therefore, this sale is disclosed as an asset disposal.

2020

SFS Group acquired 100% of MBE Moderne Befestigungselemente GmbH (MBE) as of 1 January 2020. The company is a leading supplier of painted fasteners for highperformance façade systems. MBE is based in Menden (Germany) and achieved in 2019 with 75 employees a turnover of EUR 10 million. The company is part of the Segment Fastening Systems.

As of 1 April 2020 SFS Group acquired 100% of Truelove & Maclean, Inc (T&M). The company is based in Connecticut (US). In 2019 T&M achieved with 110 employees a turnover of USD 36 million. It has profound expertise in the deep drawing technology and mainly serves customers in the automotive industry in North America. T&M is reported in Segment Engineered Components.

In April 2020 SFS Group increased its share in Tegra Medical from 98.8% to 100%.

Change in scope of consolidation	2021 1H	2020 1H
Purchase price	–	61.3
Cash and cash equivalents	–	–1.8
Consideration cash flow statement	–	59.5

11 Exchange rates

Income statement average rates	**2021 1H**	2020 1H
CNY 100	13.994	13.728
EUR 1	1.095	1.064
GBP 1	1.261	1.225
USD 1	0.908	0.966

Balance sheet closing rates	**30.06.2021**	30.06.2020
CNY 100	14.308	13.445
EUR 1	1.098	1.065
GBP 1	1.280	1.167
USD 1	0.924	0.951

12 Events after the reporting period

In June 2021 SFS Group signed a purchase agreement to acquire 100% of the shares of Jevith A/S. The company will be consolidated in the segment Fastening Systems as of 1 July 2021. In 2020, Jevith A/S achieved a turnover of almost EUR 5 million with around 10 employees.

The Board of Directors approved this half year financial report on 19 July 2021. 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.

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 2020 on page 108–109. The reconciliation to the adjusted operating profit (EBIT) for the first half of the year 2021 is presented below.

Adjusted operating profit (EBIT) and adjusted EBIT margin

In CHF million	**2021 1H**	2020 1H	2019 1H	2018 1H	2017 1H
Operating profit (EBIT)	164.1	71.0	105.5	116.0	80.7
– Book gain on disposal of non-operating assets	–3.1	–	–4.8	–	–
+ Amortization of customer relationship Unisteel	–	–	–	–	30.2
+ Relocation cost CN-Nantong	–	–	8.5	–	–
Operating profit (EBIT) adjusted	**161.0**	**71.0**	**109.2**	**116.0**	**110.9**
Net sales	960.3	775.6	868.4	854.6	779.5
EBIT margin adjusted	**16.8%**	**9.2%**	**12.6%**	**13.6%**	**14.2%**

Information for shareholders

The registered shares of the SFS Group AG of CHF 0.10 each are listed on the SIX Swiss Exchange AG since 7 May 2014. Since 2017 the consolidated financial statements are prepared in accordance with Swiss GAAP FER.

Number of shares in 1,000	**30.06.2021**	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Registered shares	37,500	37,500	37,500	37,500	37,500
Outstanding shares	37,459	37,500	37,500	37,500	37,500
Weighted average number of outstanding shares	37,491	37,500	37,500	37,500	37,500
Number of shareholders	7,760	7,869	8,353	7,960	7,530
Stock exchange closing quotation (in CHF)					
Year high	143.00	106.90	97.00	121.80	123.50
Year low	103.90	58.85	68.60	73.80	82.55
End price	133.10	105.00	93.10	76.30	113.20
Share key data					
Earnings per share in CHF	3.53	4.90	5.47	5.14	4.24
Distribution per share in CHF	n/a	1.80	1.80	2.00	1.90
Payout ratio in % of consolidated net income	n/a	36.5	32.7	38.7	44.8
Price/earnings ratio (P/E end price)	n/a	21.4	17.0	14.8	26.7
Market capitalization					
In CHF million (end price × number of outstanding shares)	4,985.8	3,937.5	3,491.3	2,861.3	4,245.0
As a % of net sales	519.2	230.7	195.9	164.7	259.7
As a % of equity	363.7	308.1	282.2	237.5	390.5

Agenda

Friday, 21 January 2022	First information on business year 2021
Friday, 4 March 2022	Publication results business year 2021
Wednesday, 27 April 2022	29th 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 2021
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.

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