Media release
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SFS reports significant increase in profitability

SFS Group significantly increased its profitability in the first half of 2016 compared to the prior-year period and achieved an EBITA margin of 13.6%. Sales rose by 2.7% to CHF 689 million. SFS expects a steady course of business for the second half of the year.

SFS Group AG generated consolidated sales of CHF 688.8 million in the first half of 2016. This corresponds to a year-on-year increase of 2.7%. Growth resulted from changes in the scope of consolidation (+0.7%) and favorable currency movements (+2.1%). Excluding these positive effects, sales were practically unchanged from the previous year's figure.

Business at the various segments and divisions varied widely, however. Both the Fastening Systems (+10.0%) and Distribution & Logistics (+0.8%) segment delivered higher sales at comparable basis, while sales at the Engineered Components segment declined by 5.1%. That decline can be traced to the Electronics division. Besides weaker demand for hard disk drives, this division was confronted with negative effects associated with the life cycle of key products made by our customers and by quicker-than-expected phase-outs of trading products.

	in CHF million	Growth in %
Gross sales 1 half 2015	**670.4**	
Currency impact	14.3	2.1
Change in scope	4.7	0.7
Organic growth	-0.6	-0.1
Gross sales 1 half 2016	**688.8**	**2.7**

Rapid recovery in profitability despite the persisting strength of the Swiss franc
Operating earnings showed a very pleasing development. The EBITA margin for the first half of 2016 climbed to 13.6% (prior-year period: 10.6%). In absolute numbers, operating profit EBITA improved from CHF 70.4 million in the previous year to CHF 93.3 million, which corresponds to an increase of 32.6%. This pleasing growth is attributed to various factors and measures. The clearly above-average sales growth at business operations with high value added contributed to the good result, as did the constant renewal of portfolios with innovative products and the implementation of improvement projects. Slightly better exchange rates also had a positive impact on results along with the absence of the negative extraordinary effects in the wake of the de-pegging of the Swiss franc to the euro on 15 January 2015.

Consolidated net income for the period amounted to CHF 47.1 million, an increase of 48% from the prior-year figure.

Major improvements at Swiss production sites

The good earnings performance is also attributed to improvements at the Swiss manufacturing plants. Ongoing strategic and structural measures with a lasting impact were initiated according to plan and have already been successfully implemented in some cases. We remain confident of our ability to operate successfully as a Swiss-based company. Measures taken immediately after the sudden surge in the value of the Swiss franc have been rescinded, either at the beginning of the current year or as of mid-year.

In order to ensure sufficient heat treating capacity for tomorrow's growth, a capital expenditure project for new heat treating facilities was approved. Scheduled for completion in 2019, it will entail a total investment of approximately CHF 30 million. Approximately two-thirds of that sum will be invested in Switzerland.

This conviction induced us to lift the hiring freeze that we had imposed in Switzerland after 15 January 2015. Employees are being recruited again on a moderate scale, where necessary and justifiable.

Balance sheet remains solid

in CHF million	**30.6.2016**	31.12.2015
Net cash	103.9	127.5
Equity	1,733.4	1,792.6
As a % of assets	81.3	82.6

Net cash at the end of June amounted to CHF 103.9 million, slightly below the level from the beginning of the year due to seasonality. The application of an even lower discount rate (0.25%) than at the end of 2015 (0.75%) significantly increased the present value of pension obligation, which was recognized in equity pursuant to IAS 19. Despite this charge of a gross CHF 41 million, the equity ratio remains very high at 81.3%.

Engineered Components segment
Making progress on profitability

In CHF million (unaudited)	**2016 1st half**	± PY	2015 1st half	2014 1st half
Third party sales	355.6	-0.7%	358.0	315.5
Sales growth comparable*		-5.1%		
Net sales	363.0	0.4%	361.5	324.2
EBITDA	98.6	21.3%	81.2	83.1
As a % of net sales	27.1		22.5	25.6
EBITA	72.2	29.8%	55.6	60.6
As a % of net sales	19.9		15.4	18.7
Net operating assets	1,278.2	2.8%	1,243.0	1,166.0
Employees (FTE)	5,320	-8.4%	5,806	4,644

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

The good momentum in the Automotive and Industrial divisions was sustained throughout the first half of 2016. Their growth can largely be attributed to the successful ramp-up of new projects. Subdued demand for important customer end-products and the rapid phase-out of trading items led to a drop in sales at the Electronics division. The Engineered Components segment recorded sales of CHF 355.6 million, which corresponds to a decline of 0.7% compared to the first half of 2015.

Profitability improved significantly as the EBITA margin climbed to 19.9% (prior-year period: 15.4%). This can be traced to the measures taken after the Swiss franc's surge in value last year as well as to productivity gains, economies of scale in the fast growing Automotive and Industrial divisions, and the non-recurrence of the negative extraordinary effects in the prior-year period.

Fastening Systems segment
Attractive momentum maintained

In CHF million (unaudited)	**2016 1st half**	± PY	2015 1st half	2014 1st half
Third party sales	176.7	11.9%	157.9	167.5
Sales growth comparable*		10.0%		
Net sales	184.7	12.3%	164.4	175.5
EBITDA	23.9	44.1%	16.6	22.2
As a % of net sales	12.9		10.1	12.6
EBITA	15.9	78.0%	9.0	14.0
As a % of net sales	8.6		5.4	8.0
Net operating assets	306.8	3.5%	296.4	327.4
Employees (FTE)	1,826	4.0%	1,756	1,648

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

As anticipated, the good momentum witnessed during the second half of 2015 was sustained during the period under review. Sales rose by 11.9% to CHF 176.7 million compared to the year-ago period and this growth has become increasingly broad-based. The segment's various regions and new product launches have contributed to the top-line momentum and positive results.

Higher profitability is attributed to productivity-enhancing measures, the launch of new products and the absence of the extraordinary effects that had negatively impacted operating results in the prior-year period. The EBITA margin rose to the current level of 8.6% from 5.4% in the first half of 2015.

Distribution & Logistics segment
M2M logistics solutions successfully implemented

In CHF million (unaudited)	**2016 1st half**	± PY	2015 1st half	2014 1st half
Third party sales	156.5	1.3%	154.5	162.2
Sales growth comparable*		0.8%		
Net sales	159.5	1.5%	157.2	165.7
EBITDA	16.2	38.7%	11.7	18.0
As a % of net sales	10.2		7.4	10.9
EBITA	12.7	62.9%	7.8	14.2
As a % of net sales	8.0		5.0	8.6
Net operating assets	159.4	-3.0%	164.3	159.8
Employees (FTE)	612	-4.7%	642	619

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

The Distribution & Logistics segment, which does almost all of its business with customers in Switzerland, continues to operate in a challenging environment. The effects of the Swiss franc's appreciation are still reverberating through the market and having a negative impact on demand from industrial customers in particular. The ramp-up of new customer projects that were acquired thanks to proven competence in C class logistics was a key factor for the segment's steady sales. In the first half of 2016 the segment achieved sales of CHF 156.5 million (prior-year period: CHF 154.5 million).

Profitability at the Distribution & Logistics segment improved from the previous year's period. The EBITA margin rose to 8.0% from 5.0% in the first half of 2015, matching the level that had been attained before the significant appreciation of the Swiss franc. Besides operating improvements, this is largely attributable to the absence of the extraordinary effects from the prior-year period, when price concessions granted in the wake of the significant appreciation of the Swiss franc reduced margins and led to inventory revaluations.

Current business trends expected to continue, guidance reiterated
Although exchange rates are slightly more favorable compared to last year, SFS expects sales growth for the current year to be at the lower end of the previously guided range of 2–4%. The main reason for this deviation is the aforementioned quicker-than-expected phase-out of trading products at the Electronics division.

On the other hand, we expect the EBITA margin for the year as a whole to be at the upper end of the previously given range of 13-14%, which represents a considerable improvement over the 12.5% margin reported for the previous fiscal year (normalized EBITA).

This guidance is based on the assumption of constant exchange rates (similar to the first half of 2016) and similar economic conditions.

About SFS Group
SFS is a global market leader for mechanical fastening systems and precision formed components. SFS Group is organized into three business segments Engineered Components, Fastening Systems und Distribution & Logistics which represent the three business models. In the **Engineered Components** segment, SFS partners with customers to develop and manufacture customer-specific precision formed components, fastening solutions and assemblies. The segment operates in the Automotive, Electronics and Industrial divisions and sells its products under the SFS intec (Automotive, Industrial) and Unisteel (Electronics) brands. In the **Fastening Systems** segment, consisting of the Construction and the Riveting divisions, SFS develops, manufactures and markets application-specific mechanical fastening systems under the SFS intec (Construction) and GESIPA (Riveting) brands. In the **Distribution & Logistics** segment with the SFS unimarket brand, SFS is a leading provider of fasteners, tools and architectural hardware as well as innovative logistics solutions in Switzerland. SFS Group is a global player with manufacturing sites and distribution companies at more than 70 locations in 25 countries around the world. Sales in business year 2015 amounted to CHF 1.376 bn and the work force numbered approximately 8,300.

For further information visit www.sfs.biz

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