

Annual Report

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SFS in brief

Value engineering specialist

SFS is a worldwide leading supplier of precision components and assemblies, mechanical fastening systems, quality tools and procurement solutions. Positioned as value engineering specialist, SFS creates added value for its customers with tailored solutions for mission-critical end applications. SFS Group AG operates in the three segments Engineered Components, Fastening Systems and Distribution & Logistics, which represent the company's different business models.

The history of SFS began in 1928 with a hardware store in Altstätten (Switzerland). The cornerstone was laid for the development of industrial activities in 1960 when the company set up its own screw manufacturing plant in Heerbrugg (Switzerland).

Engineered Components segment

In the Engineered Components (EC) segment, SFS partners with customers to develop and manufacture customer-specific precision components, assemblies and fastening solutions. EC comprises four divisions – Automotive, Electronics, Industrial and Medical – and distributes its products and services under the brands SFS, UNISTEEL and Tegra Medical.

Fastening Systems segment

The Fastening Systems (FS) segment consists of the Construction and Riveting divisions. These divisions develop, manufacture and market application-specific mechanical fastening systems under the SFS, GESIPA®, TFC, HECO® and other quality brands.

Distribution & Logistics segment

In the Distribution & Logistics (D&L) segment, SFS is a leading distribution partner in Europe for direct and indirect materials in the areas of quality tools, fasteners and other C-parts as well as procurement solutions for customers in industrial and construction sectors. The segment is made up of the D&L Switzerland and D&L International divisions, and distributes its products under its own strong brands SFS, Hoffmann, GARANT and HOLEX, as well as other leading manufacturer brands.

Changes as of January 1, 2024

The Industrial and Medical divisions (EC segment) have been merged within the Medical & Industrial Specials division since January 1, 2024. The Riveting division (FS segment) was also integrated into the Automotive and Medical & Industrial Specials divisions (EC segment) at the start of 2024. As a result, the FS segment's reporting will relate solely to the Construction division from the Half-Year Report 2024 onward.

SFS Group

The SFS Group is a global player with 140 manufacturing sites and distribution companies in 35 countries in North America, Europe and Asia. It generated third-party sales of CHF 3,090.8 million in the 2023 financial year with a workforce of approximately 13,200 (FTEs).

At your side 24/7

SFS is a reliable companion throughout your day, from early in the morning to late at night, seven days a week. Mostly unnoticed, since our precision components, fastening systems and quality tools are embedded in the successful products and processes of our customers, where they often fulfill mission-critical functions.

Your first contact with SFS products happens early in the morning when using your coffee machine or your smartphone. Even when driving to work or on a plane for a business trip, you are also surrounded by numerous SFS products: integrated into your car's safety systems such as seat belts, airbags and brake systems, they help to save your life in the event of an accident. At work, hard disc drives function smoothly thanks to our high-precision miniature components. SFS products can be found in many electronic lifestyle products, such as adventure cameras, smart watches and AR/VR solutions. You can also find our products in use in high-quality buildings, stadiums and airports. Quality tools play a pivotal role in industrial manufacturing, with one example of this being CNC machining. In the field of healthcare, our precision components in the form of bone screws, dental implants and surgical instruments make an important contribution toward improving your quality of life.



[Video: 24/7 by your side](#)

Our value proposition: Creating sustainable added value for customers

SFS components embedded into a customer's product or used in the production process often account for less than 1% of the total product cost. But the costs at the customer end arising from procurement, logistics and handling operations can be several times the actual cost of these products. That is why we are not primarily focusing on reducing our direct product costs and differentiating ourselves on price, but on optimizing our customers' overall product-related costs.

This approach generates significantly more cost-saving potential and allows us to create sustainable added value for our customers. Our value engineering model focuses on product design, the definition of manufacturing processes and leveraging the power of digitalization. The result: tailored products and intelligent solutions that increase the competitiveness of our customers. Hence, the SFS solutions lead to greater differentiation and strengthen collaborative partnerships.

Worldwide presence



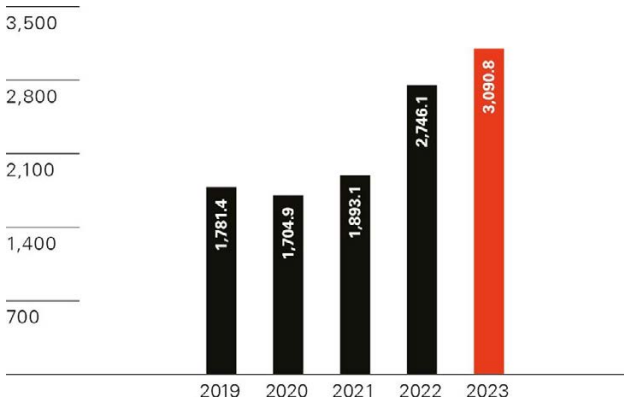
With 140 manufacturing, warehouse and sales locations worldwide, SFS is strategically well positioned in respect of customer proximity. As a result, SFS and its customers benefit from superior supply reliability thanks to regional and robust supply chains.

Key takeaways

Progress made

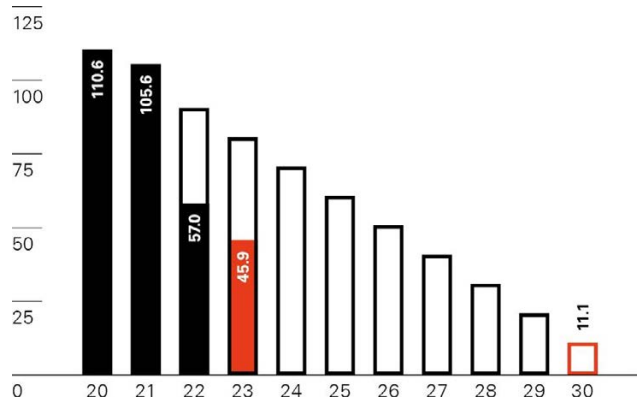
Strong growth, 2.1% of which organic

Third-party sales in CHF million



Reduction of Scope 1 and 2 emissions by -58.5%

CO₂ emissions in metric tons/million value-added francs



Profitability impacted by mix effects

EBIT in % of net sales

11.7

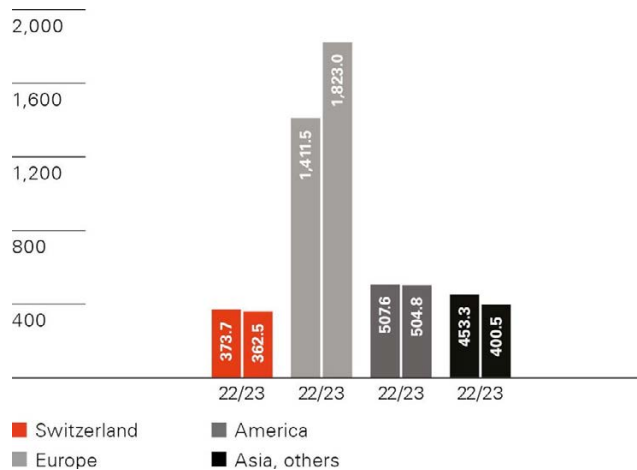
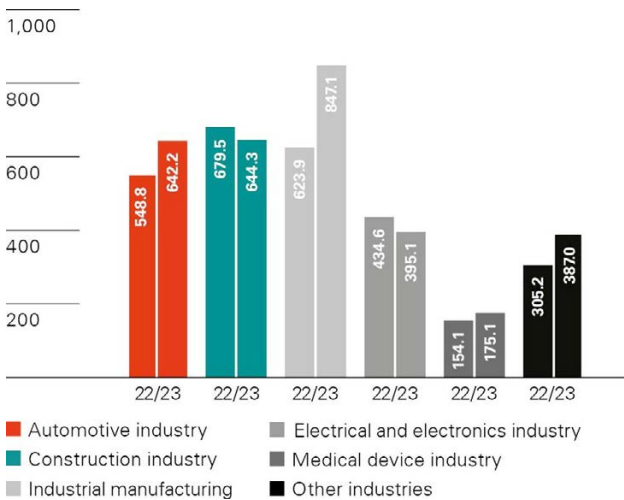
No improvement in accident rate

Number of accidents per million hours worked

4.0

First-time consolidation of Hoffmann for the full year

Sales by end market/region in CHF million



Financial overview

Stable development

Income statement in CHF million	2023	2022	2021	2020	2019
Third-party sales	3,090.8	2,746.1	1,893.1	1,704.9	1,781.4
Change to previous year in %	12.6	45.1	11.0	-4.3	2.5
thereof currency impact	-4.1	-1.9	-0.1	-4.1	-1.3
thereof change in scope	14.6	37.9	0.8	3.0	4.4
thereof organic growth	2.1	9.1	10.3	-3.2	-0.6
Net sales	3,073.0	2,738.7	1,897.3	1,707.1	1,782.1
EBITDA	486.0	448.1	407.1	327.6	331.7
As a % of net sales	15.8	16.4	21.5	19.2	18.6
Operating profit (EBIT)	358.6	330.3	301.7	227.4	236.3
As a % of net sales	11.7	12.1	15.9	13.3	13.3
Operating profit (EBIT) adjusted ¹	358.6	353.2	298.6	225.3	239.1
As a % of net sales	11.7	12.9	15.7	13.2	13.4
Net income	268.5	270.6	248.0	184.8	206.5
As a % of net sales	8.7	9.9	13.1	10.8	11.6
Balance sheet in CHF million					
Assets	2,546.8	2,574.2	1,839.1	1,684.1	1,638.6
Net cash (+)/debt (-)	-445.3	-477.7	279.1	144.3	68.7
Average Capital Employed ²	1,758.9	1,557.6	1,143.6	1,134.0	1,134.9
Invested Capital ²	3,339.5	3,290.9	2,194.0	2,149.5	2,153.2
Equity	1,375.7	1,303.6	1,450.4	1,278.2	1,237.2
As a % of assets	54.0	50.6	78.9	75.9	75.5
Cash flow statement in CHF million					
Cash flow from operating activities	313.4	287.9	324.5	296.4	277.6
Purchase of property, plant, equipment and intangible assets	-174.0	-171.0	-121.4	-104.1	-116.7
Acquisition (-)/Disposal (+) of subsidiaries, net of cash	-10.3	-519.1	-7.6	-59.5	-95.4
Employees					
Full-time equivalents (FTE)	13,198	13,282	10,509	10,692	10,571
Financial key ratios (unaudited)					
ROCE in % ² (Return on Capital Employed)	20.4	22.7	26.1	19.9	21.1
ROIC in % ² (Return on Invested Capital)	8.9	8.9	11.2	8.6	9.2
Share key ratios					
Earnings per share in CHF	6.84	6.95	6.51	4.90	5.47
Payout per share in CHF ³	2.50	2.50	2.20	1.80	1.80
Payout in CHF million	97.3	97.2	82.0	67.5	67.5
Payout ratio in % ⁴	36.6	36.4	33.6	36.7	32.9

¹Adjustments are explained in the [Information on the publication](#) section

²Calculation of the key figure is shown in the [Information on the publication](#) section

³Proposed payout at SFS Group's Annual General Meeting on April 24, 2024

⁴Calculation is based on the net income attributable to shareholders of SFS Group AG

Management Report

Well on track

The SFS Group achieved a stable development despite a difficult economic environment. It met its defined financial targets, recording sales of CHF 3,090.8 million and an EBIT margin of 11.7%. The high level of investment in the realization of growth projects is proving to be worthwhile and focused. SFS also made further important progress in the area of sustainability and is set to meet its targets for education and training, as well as reducing CO₂ emissions.



Thomas Oetterli, Chair of the Board of Directors



Jens Breu, CEO

Dear Shareholders

Geopolitical and macroeconomic developments had a major impact on our activities in 2023. Key leading economic indicators deteriorated considerably over the course of the year. Many customers reduced their inventories as a result of the normalization of supply chains after COVID-related disruptions, aggravating the situation further. Our course of business over the last 12 months reflect this through inconsistent results in the various end markets.

A strong result was achieved in the trading business with tools for customers in industrial manufacturing despite the slowdown in momentum in the second half of the year. In the construction industry, falling demand and high levels of inventory on the customer side led to a flattish development compared to the previous year. All year, the focus of our customers in the electrical and electronics industry – most of whom are domiciled in Asia – was on reducing the high levels of inventory. In some cases, they reduced the order volumes considerably. Fortunately, this had little effect on seasonal product ramp-ups in the second half of the year. Business in the automotive industry generated good growth. However, the continued appreciation of the Swiss franc put strong demands on our Swiss production sites and productivity-increasing measures were required in order to prevent further erosion of their profitability.

The SFS Group was still able to achieve a solid result thanks to its broad positioning across different end markets and regions. The considerable investment in the realization of growth projects proved to be effective and sustainable, while the continued integration and cooperation with the D&L International division was very positive.

In the financial year 2023, SFS generated robust organic growth of 2.1%. Third-party sales (sales) increased overall by 12.6% to CHF 3,090.8 million. Consolidation effects stemming from the inclusion of Hoffmann as of May 1, 2022, accounted for 14.6% sales growth. Strong currency effects negatively impacted the development by –4.1%. On a like-for-like basis, sales growth amounted to 0.8% year-over-year in the first half of the year and 3.2% in the second half.

Profitability significantly impacted

Consolidation and mix effects stemming from the inclusion of Hoffmann as of May 1, 2022, inconsistent utilization of production capacities in the Engineered Components segment, the occasionally higher cost base due to inflation, and the ongoing appreciation of the Swiss franc all had an impact on profitability. Operating profit (EBIT) came to CHF 358.6 million (PY CHF 330.3 million) and the resulting EBIT margin to 11.7% (PY 12.1%) in the period under review. At CHF 268.5 million (PY CHF 270.6 million), net income corresponds to 8.7% of net sales. The SFS Group achieved an operating free cash flow of CHF 139.4 million (PY CHF 116.9 million) in the financial year 2023.

Earnings per share (EPS) of CHF 6.84 (PY CHF 6.95) was burdened by tax effects. The equity ratio stood at 54.0% at the end of the year under review.

Growth-related expenditure on property, plant, equipment, hardware and software amounted to CHF 174.0 million (PY CHF 171.0 million) in the period under review. This was driven by the equipment of the new production facility in Heerbrugg (Switzerland), the expansion of the production platform in Nantong (China), the switch to S/4HANA (the new-generation ERP system) – which is progressing as planned – and a strong commitment to cybersecurity.

Expenditure on research and development amounted to CHF 60.8 million (PY CHF 53.1 million) and was charged in full to the income statement for the period.

SFS also made important progress in relation to the three areas of sustainability – environmental, social and governance (ESG) – in the year under review.

Environment: Direct emissions reduced further

Last year, SFS Group reduced its Scope 1 and 2 emissions by –7.6%, thereby moving one step closer to its target of reducing direct emissions by at least 90% relative to value creation by 2030. The Scope 3 emissions data basis was made more complete. In order to reinforce its emissions reduction targets, SFS committed itself to the “Science Based Targets initiative (SBTi)” and is thereby supporting the climate goals of the Paris Agreement. Owing to the overall energy situation, the energy mix in Switzerland was complemented with nuclear energy. As a result, the share of renewable electricity fell to 40.0% (PY 49.7%). With the installation of new photovoltaic systems in China and Switzerland, the share of self-generated renewable energy increased further in the year under review. Through systematic supplier assessments on environmental and social criteria, SFS is improving transparency in its supply chain.

Social: Accident rate unchanged

At 4.0, the number of accidents per million hours worked remained at the same level as in the previous year. However, there were variations between the individual segments. While the Engineered Components and Fastening Systems segments made good progress in reducing the accident rate, it went up in the D&L segment. With regard to "Training and Education", SFS firmly believes that they are extremely important and play a key role in the economy and society. At 5.1% in 2023 (PY 5.4%), the SFS Group was again on track to meet its long-term goal of 5–7% of permanent employees worldwide participating in dual-track education and training programs. Likewise, SFS continues to focus on "Diversity and Equal Opportunity". However, only some of the desired progress was made in improving the respective data basis in the year under review. We will be following a more targeted approach on this topic in the current year.

Governance: High standards maintained, social engagement expanded

The SFS Group met its compliance obligations in the year under review. We have no knowledge of any human rights violations within the company's sphere of influence that were committed. That also includes the topic of child labor. Two compliance audits were carried out; the results of both were positive and document the Code of Conduct's effective implementation. Once again, there were no confirmed cases of corruption in the year under review.

Engineered Components (EC)

The Engineered Components segment deftly used the seasonal ramp-up of components used in the area of Mobile Devices in the second half of 2023 to boost the results from the first half year. Demand in the segment's other end markets remained unchanged overall during the course of the year. Economic developments in Europe and the continued strengthening of the Swiss franc posed major challenges for the profitability of the Swiss locations; these challenges are being countered by extensive packages of measures. The segment generated sales of CHF 987.7 million (PY CHF 1,028.2 million). Operating profit (EBIT) came to CHF 104.2 million and resulted in an EBIT margin of 10.5% (PY 14.1%).

Fastening Systems (FS)

Fastening Systems achieved a reduced result in 2023 compared to the previous year. Over the course of the financial year, the segment was negatively impacted by a weakened market environment with occasionally high inventories across the entire value chain. In the USA, the Construction division expanded its market presence with three additional distribution locations. The segment generated sales of CHF 615.3 million (PY CHF CHF 644.9 million). Operating profit (EBIT) came to CHF 93.1 million, resulting in an EBIT margin of 14.9% (PY 17.7%).

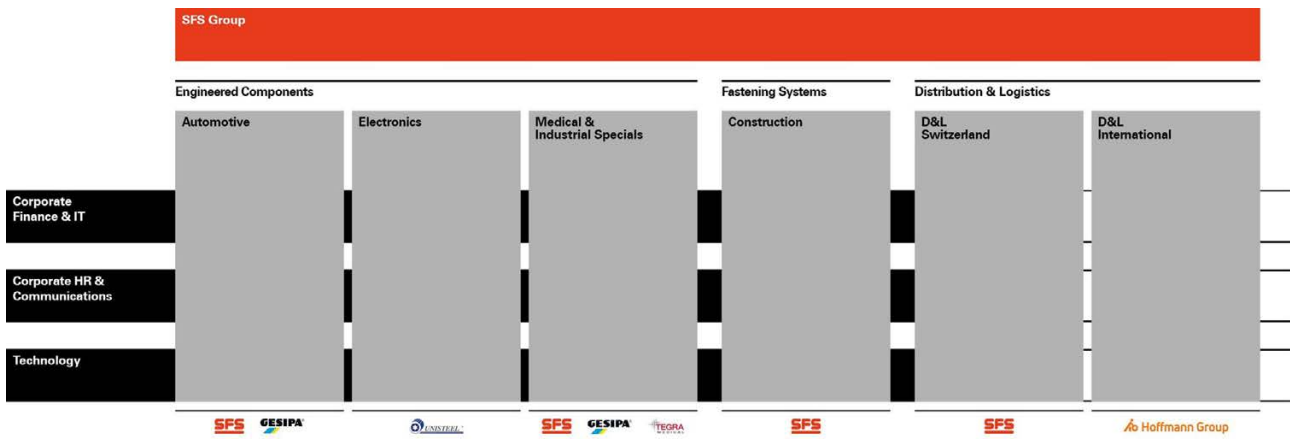
Distribution & Logistics (D&L)

The Distribution & Logistics segment underwent an impressive development in the 2023 financial year. After a strong first half of the year, market demand deteriorated over the course of the year. This resulted in a decline in order intake, which was partially offset by the high order backlog. Both divisions continued a close exchange and benefited from the potential opened up by operational and strategic collaboration. The segment generated sales of CHF 1,487.8 million (PY CHF 1,073.0 million). Operating profit (EBIT) came to CHF 164.0 million, which was reflected in an EBIT margin of 11.1% (PY 7.4%).

Organizational development to strengthen the customer focus

To guarantee a strong customer focus and better leverage cross-selling potentials and both operational and application-oriented synergies, the Automotive and Industrial divisions were complemented with the respective end-market-specific business areas of the Riveting division. This change was implemented within the organization on January 1, 2024. Accordingly, the EC segment's reporting will present the results of the former Riveting division in the future. The growth and profitability targets of the EC and FS segments will remain unchanged.

To make better use of the potential offered between the Industrial and Medical divisions in terms of the technologies used, these two divisions were combined to form the Medical & Industrial Specials division as of January 1, 2024.



Structure of the SFS Group as of January 1, 2024

Stable headcount

As at December 31, 2023, the SFS Group had 13,198 employees (FTE) (PY 13,282). After a sharp rise in the previous year as a result of the transaction with Hoffmann, the number of employees remained stable.

Potential risks evaluated

The Group Executive Board and the Board of Directors regularly assess the main business risks to which SFS Group is exposed. A comprehensive risk assessment is conducted at least once a year in which the relevant risks are systematically classified according to the likelihood of occurrence and the severity of the potential consequences. Accordingly, potential risks and ways to contain them were also discussed during the year under review. The focus was on exposure to the global economic environment; currency fluctuations; geopolitical instabilities; how to deal with higher energy and raw material prices; data breaches and business interruptions due to cyberattacks; natural disasters; the impact of failing to meet the sustainability targets set; and increasing regulatory requirements in the area of supply chains and tax.

Changes in the Group Executive Board

Urs Langenauer took over from Alfred Schneider as Head of the Automotive division on January 1, 2024. The Board of Directors and the Group Executive Board would like to take this opportunity to thank Alfred Schneider for his farsighted approach when positioning the Automotive division as well as for his enormous, longstanding commitment to the SFS Group. Alfred will continue to support SFS on selected projects until his retirement on May 31, 2024.

Thomas Jung took over responsibility for the Construction division from Arthur Blank as of January 1, 2024, which meant that Thomas Jung also joined the Group Executive Board.

Arthur Blank is now responsible for Corporate HR and Communications. Claude Stadler left the Group Executive Board at the end of 2023 and assumed responsibility for his family's holding company. He will continue to represent SFS in selected external bodies and support the company in working on various projects. The Board of Directors and Group Executive Board

would like to thank Claude for his loyalty and all his successful efforts over many years in Corporate Services. They look forward to continuing to work together with him.

Susanne Jung left the company in fall 2023.

Changes in the Board of Directors

Shareholders elected Fabian Tschan to the Board of Directors at the Annual General Meeting on April 26, 2023. He replaced Bettina Stadler as part of the long-term succession plan set up by the family shareholders.

At the 2024 Annual General Meeting, the Board of Directors proposes that Tanja Birner, Senior Vice President Global Sales & Marketing at Siemens, be appointed as a new member. With her many years of experience in multi-divisional, international and listed industrial companies, the Board of Directors is confident she will be a valuable addition to the Board.

Annual General Meeting and dividend

The 31st Annual General Meeting of SFS Group AG will be held at Sportzentrum Aegeten in Widnau (Switzerland) on April 24, 2024.

The Sustainability Report now requires the approval of the Annual General Meeting.

In view of the robust earnings situation, the Board of Directors proposes that a dividend of CHF 2.50 (PY CHF 2.50) per share be distributed.

Further information will follow together with the invitation, which will be sent out in March 2024.

Outlook for the financial year 2024

The outlook continues to be shaped by considerable uncertainty as a result of economic and geopolitical developments. In this volatile environment, paired with low visibility, placing the highest possible focus on customers, pushing further ahead the innovation projects to generate future growth and ensuring efficient and profitable business processes take top priority. SFS wants to identify the chances and opportunities that go hand in hand with the current changes and, based on the communicated mid-term guidance, seize them in a systematic way.

For the financial year 2024, the SFS Group expects an EBIT margin around previous year level.

Thank you

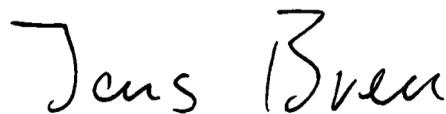
We would like to offer our most sincere thanks to each and every one of our employees for their outstanding efforts in challenging conditions. Every day, we experience outstanding commitment, exceptionally strong team spirit and enormous passion for innovation.

Our thanks also goes out to our customers and other business partners. Our collaborative partnership with them and the trust they place in us lay the foundation for our work together to develop solutions that generate lasting added value.

We would also like to thank our shareholders for their trust in SFS and their loyal support, which lend our company stability.



Thomas Oetterli
Chair of the
Board of Directors



Jens Breu
CEO

Strategy

Inventing success together

Creating added value for our stakeholder groups and inventing success together in close partnership with our customers is our number one goal. A sustainable mindset and approach are key drivers of innovation that will help us reach that goal. We analyze our impact on the economy, environment and society and strive for continuous improvement. As a value engineering specialist, we develop sustainable solutions based on our employees' high levels of application and technology expertise.

SFS has set itself the goal of holding a distinguished position in the development, manufacturing and distribution of application-critical precision components and assemblies, mechanical fastening systems, quality tools and procurement solutions. We embrace a systematic customer focus in everything we do. We strive to create added value for our customers by providing products and services across the entire value chain – from the initial design concept to timely delivery.

Focus on megatrends

To meet our customers' needs, we operate within clearly defined end markets and regions and focus on selected application areas that have strong underlying innovation and growth drivers. The megatrends relevant to SFS are:

- Digital revolution
- Innovation acceleration
- Economic globalization
- Evolving consumption
- Resource constraints
- Demographic asymmetries
- Growing global risks

These megatrends guide our decision-making and enable us to continuously enhance our expertise and develop both our customers' and our own internal processes.

Examples of how we seized opportunities presented by the “digital revolution” and “innovation acceleration” megatrends during the period under review

1 SAP ERP strategy for 2030+

As part of the ongoing integration of Hoffmann, the SFS Group reviewed the strategic alignment of the SAP ERP platform for the 2030+ period. To do so, a team was assembled with IT and business representatives from D&L Switzerland, D&L International and SAP Professional Services. The team’s results laid the cornerstone for the ERP architecture that will be in place going forward. The new SAP S/4HANA platform, toward which the first steps were already taken in September 2022, is a perfect fit for that alignment and efforts to roll out the platform will continue as planned.

2 Value Engineering Award – innovations recognized

The motto of SFS’s in-house Value Engineering Award is: “We create value – for customers and us”. Teams that have successfully undertaken an innovation or improvement project can submit their project every year. Awards are presented to projects in these three categories:

- Best innovation realized
- Best digital innovation
- Best market introduction

In 2023, the “ESP Bushing” project from the Automotive division won the award for the best innovation realized. Here, the project team successfully switched the manufacturing process used for a high-volume part from machining to cold forming. To do so, the team developed a new type of cold forming process that factors in the strong forces that arise in the forming tool, making it possible to manufacture the precision component more efficiently, save resources and reduce costs.

Strategic priorities



Deliberate focus on our main strengths

Stakeholder dialog as basis for reporting

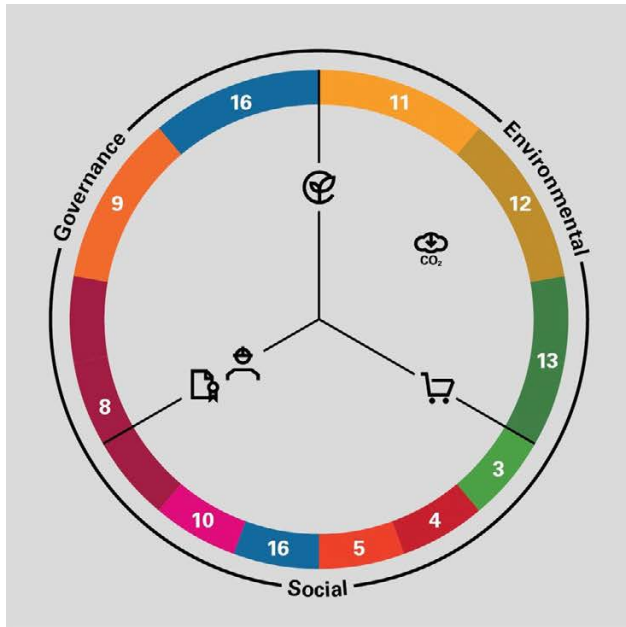
SFS conducted a stakeholder dialog in 2022 to update its list of material topics with the help of a double materiality analysis. The company’s impact on the environment, society and the economy was analyzed with respect to these topics (inside-out) as well as how these topics impact SFS (outside-in). This dialog occurred within the scope of a preliminary online survey as well as two workshops and was both moderated and evaluated by the independent organization “engageability.” The participants included employees, financial analysts, representatives of academic institutions and local authorities, members of the Group Executive Board and of the Board of Directors as well as representatives of customers and suppliers of the Distribution & Logistics segment. SFS conducts this kind of stakeholder dialog every two to three years, with involvement of the customers and suppliers of one of the three segments.

Outcome of the double materiality analysis

Based on the list of topics derived from the preliminary online survey, stakeholders at the workshops discussed which of those topics are most significant in terms of both SFS's impact on the environment, society and the economy as well as the significance of those topics to SFS. This resulted in the following list of most material topics, arranged in order of decreasing significance:

1. Energy consumption
2. Emissions
3. Training and Education
4. Sustainable solutions
5. Employee satisfaction and engagement
6. Occupational health and safety
7. Sustainability checks for suppliers
8. Material efficiency and waste
9. Resource and material procurement

List of the material topics and their impact on SDGs and ESG dimensions



Energy and emissions
 CO₂ GRI-302 – Energy
 GRI-305 – Emissions

Sustainable solutions
 GRI-301 – Materials
 GRI-306 – Waste*

Procurement
 GRI-308 – Supplier Environmental Assessment
 GRI-414 – Supplier Social Assessment
 GRI-204 – Procurement Practices*

Employee promotion and engagement
 GRI-404 – Training and Education
 GRI-405 – Diversity and Equal Opportunity
 GRI-401 – Employment*

Occupational health and safety
 GRI-403 – Occupational Health and Safety*



*Not identified as material

During the discussions that followed, these topics were then grouped into focus topics and assigned to corresponding GRI Standards; not all of those GRI Standards were also classified as material. However, small groups were then assigned to one focus topic each, which they discussed in terms of their potential and actual positive and negative impacts on the environment, the economy and society, including human rights. The results produced by the individual small groups were presented in a plenary session and discussed again with all participants, who then used these findings to prioritize the impacts based on their materiality. "engageability" prepared all results, statements and open points and shared those with SFS and representatives from the stakeholder groups. The chart "List of the material topics and

their impact on SDGs and ESG dimensions” shows the results of the 2022 double materiality analysis. Any topics identified as “not material” but that are still important will be reported on in the corresponding subsections if they were relevant in the year under review. These most notably include social and anti-corruption topics.

Clearly defined responsibilities

Board of Directors/Audit Committee
 → Approves sustainability strategy and controls execution

Group Executive Board
 → Defines the sustainability strategy, sets the priorities and reviews the progress made

Steering Team
 → Coordinates implementation of the sustainability strategy, monitors progress and ensures that new regulatory requirements are complied with

Reporting Team
 → Creates the Sustainability Report, ensures participation in numerous ratings and questionnaires and monitors regulatory environment

EHS Peer Group
 → Implements sustainability initiatives relating to environment and occupational health and safety; ensures data collection at all relevant sites

CSR Peer Group
 → Makes current CSR activities visible and develops new social initiatives

Sustainability is an integral part of the company’s business activities and impacts every level – from the Board of Directors as the highest governance body to the Group Executive Board to the individual divisions, sites and teams. The Group Executive Board defines the sustainability strategy, sets the priorities and checks the Group’s progress in close cooperation with the Board of Directors and the Steering team. The Sustainability Report newly requires approval by the Annual General Meeting.

Segment Report – Engineered Components

Challenging environment

The Engineered Components (EC) segment deftly used the seasonal ramp-up of components used in the area of Mobile Devices in the second half of 2023 to boost the results from the first half year. Demand in the segment's other end markets remained unchanged overall during the course of the year. Economic developments in Europe and the continued strengthening of the Swiss franc posed major challenges for the profitability of the Swiss locations; these challenges are being countered by extensive packages of measures.

Developments at the four divisions of the EC segment were mixed during the 2023 financial year. The Electronics division found itself faced with inventory reductions by major customers in Hard Disk Drives as well as lower consumer demand in Lifestyle Electronics. Demand in these applications had begun to cool down toward the end of 2022 and, as expected, this trend persisted throughout the entire 2023 financial year. In the Mobile Devices business area, the division achieved good results due to the customary seasonal ramp-up of a new generation of devices in the second half of the year. Based on stable demand, the Automotive division outgrew the market as a whole by far. We confirmed our strategic positioning as a development and supply partner in automotive applications with strong growth potential again in the 2023 financial year. The Medical division performed very well over the year as a whole, validating the progress made in recent years. Efforts to build the global production platform for medical devices progressed according to plan. In the Industrial division, Aircraft Components and plastic injection molded components reported good growth. The other industrial applications found themselves faced with reduced market demand.

The segment boosted its sales by 6.2% in the second half of the year compared to the first six-month period. This resulted in sales of CHF 987.7 million in the period under review, –3.9% compared to the previous year. Foreign currencies impacted the results by –5.3%.

Key figures Engineered Components

in CHF million	2023	+/-%	2022	2021
Third-party sales	987.7	-3.9	1,028.2	975.2
Sales growth comparable		1.4		
Net sales	989.2	-4.7	1,038.5	985.0
EBITDA	179.4	-18.6	220.3	244.1
As a % of net sales	18.1		21.2	24.8
Operating profit (EBIT)	104.2	-28.7	146.2	168.2
As a % of net sales	10.5		14.1	17.1
Operating profit (EBIT) adjusted	104.2	-28.7	146.2	168.2
As a % of net sales	10.5		14.1	17.1
Average capital employed	824.9	4.2	792.0	736.5
Investments	124.6	-0.7	125.5	89.1
Employees (FTE)	6,529	-1.4	6,620	7,008
ROCE (%) ¹	12.6		18.5	22.8

¹EBIT adjusted in % of average capital employed

Implementation of investment projects proceeding according to plan

Major strategic projects to create the additional capacity needed for growth proceeded according to plan:

- SFS has been successfully positioning itself as a development partner and supplier for customers from the automotive industry for years. Innovations are being driven by trends toward greater comfort, better safety and increased efficiency and, from a higher perspective, autonomous driving technology. The associated electrification of vehicles is a promising growth area that benefits SFS. One example of this is the production of precision components and assemblies for a new generation of electric brake systems. The ramp-up at the Heerbrugg (Switzerland) location – and other locations – is proceeding according to schedule. 18 new production machines were put into operation during the period under review.
- The first stage of the site expansion project in Nantong (China) was finished in fall 2023 and the second is nearing completion. The expansion will result in an approximately 70% increase in the size of the production area. This additional capacity is mainly being used for producing stamped precision components for the electronics industry and the utilization of that new capacity was already at a high level in the second half of the year. Other areas are being used by the Automotive, Industrial, Riveting and Medical divisions.
- In Pune (India), the Electronics division is now using a portion of the Automotive division's existing factory to manufacture miniature fasteners and other components for the electrical and electronics industry.
- Work continued on the expansion of manufacturing capacities for local medical device customers in Heredia (Costa Rica). Once the work has been completed, the production area will be twice as large as before. The location generated strong growth again in the financial year.



The stamping technology used to produce precision components at the Nantong location is becoming increasingly important.

Profitability under pressure

The segment's profitability was impacted strongly by mix effects, inconsistent utilization of production capacities, the occasionally higher cost base due to inflation as well as the ongoing appreciation of the Swiss franc. After hitting a low point in the first half of the year with an EBIT margin of 9.4%, an overall improvement in capacity utilization enabled the segment to increase its EBIT margin to 11.5% in the second half. This resulted in operating profit (EBIT) of CHF 104.2 million for the 2023 financial year as a whole, which corresponds to an EBIT margin of 10.5% (PY 14.1%).

Measures to restore the competitiveness of the Automotive division in Switzerland

Europe's automotive supplier industry suffered greatly as a result of inflation-related cost increases and, in Switzerland, the additional burden of the substantial appreciation of the Swiss franc. Despite the fact that capacity utilization in the Swiss production facilities of the Automotive division was good, these factors caused profits to decline considerably in the financial year just ended. A comprehensive package of measures was approved as of November 1, 2023, which is aimed at restoring the competitiveness of the activities in Switzerland. These measures included a hiring freeze, investment reviews, an increase in weekly working hours and a reduction of the annual vacation quota while members of management have waived a portion of their salaries. At the same time, SFS is intensifying its work on development projects in progress as well as projects aimed at boosting productivity. The measures are valid for twelve months and will be reviewed again after six months. The Group Executive Board is aware of the fact that these changes call for employees to make a large personal contribution.



More quality of life thanks to sharp edges and tips

More than 500 million men worldwide are affected by an enlarged prostate. Tegra Medical manufactures critical components for a device used in the leading life-changing procedure for men with enlarged prostates.

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Organizational further development

To guarantee a strong customer focus as well as to better leverage both cross-selling potential and operational and application-oriented synergies, the current Automotive and Industrial divisions were complemented with the end-market-specific business areas of the Riveting division as of January 1, 2024. Accordingly, the EC segment's reporting will include the results of the former Riveting division starting with the Half-Year Report 2024. The growth and profitability targets of the EC segment will remain unchanged.

To make better use of the potential offered between the Industrial and Medical divisions in terms of the technologies used, these two divisions were combined in the Medical & Industrial Specials division with effect from January 1, 2024. Walter Kobler, who had been heading up Industrial and Medical, will take charge of the newly created division. With this step, the organizational structure of the Group will also become leaner.

Alfred Schneider, who had been with SFS since 1987, stepped down from his roles as Head of the Automotive division and member of the Group Executive Board at the end of 2023. Urs Langenauer took over as Head of the Automotive division on January 1, 2024.

Segment Report – Fastening Systems

Position defended

Fastening Systems (FS) achieved a reduced result in 2023 compared to the previous year. Over the course of the financial year, the segment was negatively impacted by a weakened market environment with occasionally high inventories across the entire value chain. In the USA, the Construction division expanded its market presence with three additional distribution locations. The Riveting division was integrated into the organization of the EC segment with effect from January 1, 2024.

While market demand in the first half of the year was stable, the construction industry cooled off in Europe and North America over the course of 2023. This was triggered by a downturn in key economic regions caused by high inflation and steadily rising interest rates. Supply chain bottlenecks from during the COVID-19 pandemic led to high inventory levels throughout the entire supply chain during the year under review. This resulted in more intense competition. In this challenging environment, the Construction division managed to nearly make up for the decline in orders for new construction projects through the sale of products for renovation of building envelopes. The attractive offering based on competent advice, a range of tailored products and services and a systematically high delivery capability enabled a competitive edge also in this changed economic environment.

The good growth seen in the second half of 2022 continued in the application area of riveting solutions for the automotive industry. The business continues to use its good positioning as a manufacturer of automation solutions to its advantage: Automated processing solutions – which are designed for industrial and large-scale productions and can be individually configured and installed in robot applications – meet the requirements of the automotive industry with respect to highly efficient and automated production processes in a targeted manner. However, demand in most areas where riveting solutions are used, including sustainability-driven applications such as heating and thermal technology, deteriorated over the course of the year.

Sales in the segment amounted to CHF 615.3 million in the period under review, which corresponds to a reduction of –4.6% compared to the previous year. Sales in the first half of the year were 15.9% higher than the figure for the second half of the year. In organic terms, a sales increase of 0.7% was achieved. Strong currency effects negatively impacted the development by –5.3%.

Key figures Fastening Systems

in CHF million	2023	+/-%	2022	2021
Third-party sales	615.3	-4.6	644.9	574.9
Sales growth comparable		0.7		
Net sales	626.3	-4.9	658.8	589.6
EBITDA	108.7	-18.0	132.5	120.4
As a % of net sales	17.4		20.1	20.4
Operating profit (EBIT)	93.1	-19.9	116.3	102.3
As a % of net sales	14.9		17.7	17.4
Operating profit (EBIT) adjusted	93.1	-19.9	116.3	102.3
As a % of net sales	14.9		17.7	17.4
Average capital employed	312.8	5.5	296.4	263.0
Investments	21.5	56.9	13.7	9.9
Employees (FTE)	2,450	-4.4	2,564	2,510
ROCE (%) ¹	29.8		39.2	38.9

¹EBIT adjusted in % of average capital employed

Efficient processes and prudent cost management

Efficient processes and prudent cost and price management have enabled the segment to maintain a good profitability. The EBIT margin for the period under review amounts to 14.9%, which falls comfortably within the defined target range. In the second half of the year, the EBIT margin declined by 2.9 percentage points compared to the first half. This is mainly attributable to the deterioration in demand.

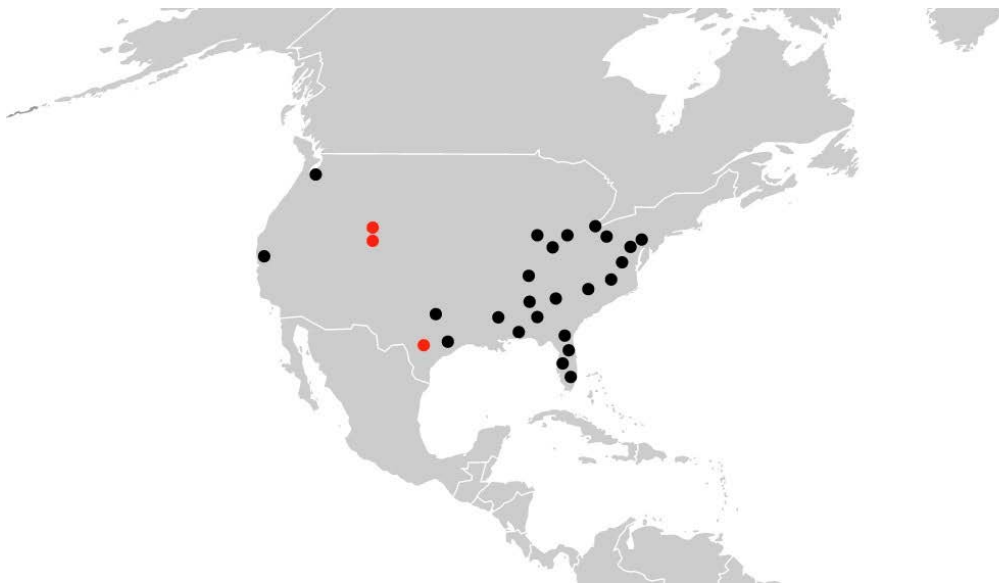


PV module mounting is a vital growth market for riveting solutions.

Market presence in the US expanded

On July 1, 2023, the Construction division acquired the fasteners business and other product lines of Connective Systems & Supply, Inc. (CSS), which is located in the region of Denver (USA). This geographical area is considered to be a major region of growth in the United States. The business generated sales of USD 15 million in 2022 with around 20 employees. In organizational terms, the business was incorporated into the Triangle Fastener Corporation (TFC) within the Construction division. CSS is maintaining its local presence and SFS has absorbed the entire workforce. The management team previously in place will remain in charge of both locations. TFC also opened an additional distribution location in San Antonio (USA).

With over 25 locations in the United States, TFC serves as a supplier of fastening systems and other products in the construction industry. TFC's expansion of its market presence represents a systematic continuation of its growth strategy through the establishment of new or acquisition of existing distribution locations.



The more than 25 locations of the Triangle Fastener Corporation (TFC) – with the three new locations added in financial year 2023 marked in red.

Organizational further development

The Riveting division, which specializes in applications related to riveting technology, mainly serves customers in the industrial manufacturing and automotive industries with its portfolio of blind rivets, nuts and processing tools. In most cases the same production processes are used as in the EC segment. To guarantee a strong customer focus and better leverage cross-selling potential as well as both operational and application-oriented synergies, the Automotive and Industrial divisions were complemented with the respective end-market-specific business areas of the Riveting division. This change was implemented within the organization on January 1, 2024. Accordingly, the EC segment's reporting will present the results of the former Riveting division starting with the Half-Year Report 2024 and the FS segment will report exclusively on the Construction division. The growth and profitability targets of the FS segment will remain unchanged.

Thomas Jung took over responsibility for the Construction division from Arthur Blank as of January 1, 2024. Thomas Jung also joined the Group Executive Board through his appointment as divisional head. He will continue to live in the United States. Arthur Blank, who has been with SFS since 1983, took charge of Corporate HR and Communications.



Sustainable innovation in aquaculture

The partnership between SFS and Salmon Evolution lays a cornerstone for the future of aquaculture. Salmon Evolution sets a new benchmark for sustainable agriculture and innovation in the fish farming industry. SFS's solution ensures employees' safety when working in the rough maritime climate.

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Segment Report – Distribution & Logistics

Potential realized

The Distribution & Logistics (D&L) segment underwent an impressive development in the 2023 financial year. After a strong first half of the year, market demand deteriorated over the course of the year. This resulted in a decline in order intake, which was partially offset by the high order backlog. Both divisions continued a close exchange and benefited from the potential opened up by operational and strategic collaboration.

The comprehensive range of products and services and high level of material availability proved advantageous for the segment during the year under review. These factors enabled D&L to take advantage of the long-lasting positive market environment in industrial manufacturing to generate strong growth. The high order backlog partially offset demand, which deteriorated over the course of the year. Similarly, there was also a noticeable slowdown in demand from construction customers in Switzerland. All three regions – North America, Europe, and Asia – contributed to the good growth.

Segment sales amounted to CHF 1,487.8 million in the 2023 financial year. This corresponds to a year-on-year growth surge of 38.7%, which was mainly driven by consolidation effects of 37.3% that arose as a result of the inclusion of Hoffmann as of May 1, 2022, as well as the strong organic growth of 3.7%. Foreign currency effects amounted to –2.3%.

Key figures Distribution & Logistics

in CHF million	2023	+/-%	2022	2021
Third-party sales	1,487.8	38.7	1,073.0	343.0
Sales growth comparable		3.7		
Net sales	1,477.8	38.4	1,067.4	347.9
EBITDA	193.7	92.7	100.5	37.7
As a % of net sales	13.1		9.4	10.8
Operating profit (EBIT)	164.0	106.8	79.3	32.6
As a % of net sales	11.1		7.4	9.4
Operating profit (EBIT) adjusted ¹	164.0	60.5	102.2	32.6
As a % of net sales	11.1		9.6	9.4
Average capital employed	616.3	-1.8	627.8	130.4
Investments	20.4	27.5	16.0	4.1
Employees (FTE)	3,789	2.3	3,704	606
ROCE (%) ²	26.6		16.3	25.0

¹2022 adjusted for amortization of inventory step-up related to purchase price allocation of the Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory (Segment D&L) CHF 22.9 million.

²EBIT adjusted in % of average capital employed

Efficient logistics are essential key to success

Competent advice and high-performance logistics are critical for success in trading with quality tools, personal protective equipment (PPE), fastening systems and the complementary product ranges featuring architectural hardware and construction products. Broad product availability, short delivery times and high reliability of supply are important distinguishing features. The aim is to provide a high level of service as efficiently as possible. The segment made important headway in this regard during the year under review:

- Processes in LogisticCity, Europe's most high-performance logistics center in Nuremberg (Germany), were improved and strengthened. This has boosted process efficiency. Good sales growth in Europe also increased capacity utilization.
- Strategically important decisions were made and groundwork done during the period under review to enable D&L International to supply the customers of three European distribution partners directly from LogisticCity. This will provide the customers of those partner companies with the opportunity to reap the benefits offered by the modern tool logistics and excellent connection to logistics partners. As a result, some 10% more products will be shipped out from LogisticCity from the start of 2024 onward, with another 10% to follow in 2025. That will boost capacity utilization substantially in the years to come. The inventory of the distribution partners will be consolidated in the segment through this onboarding. D&L International will charge the partners a fee for all logistics services provided.

Further increase in operating profit

Strong sales growth, prudent cost and price management as well as the first-time consolidation of Hoffmann for a full year were pivotal in generating an operating profit (EBIT) of CHF 164.0 million. The segment boosted its EBIT margin to 11.1%.



Our eShop [sfs.ch](https://www.sfs.ch) has been redesigned.

Potentials of collaboration exploited

Close, constructive dialog takes place between the two divisional teams as well as across the segments. Department and project managers learn from their colleagues' experiences and adopt established processes from one another. Major progress was made in tapping the early defined potential opened up by the collaboration and benefits are now being leveraged:

- Roadmap for evaluating and implementing shared, efficient processes and platforms for an optimized customer journey
- Roadmap for penetrating existing key accounts and high-potential customers with a complementary portfolio of mechanical fastening systems and electronic procurement solutions
- The supply chain of D&L Switzerland was optimized by using the procurement and logistics capacities of D&L International
- Joint IT projects were launched in the areas of cybersecurity and license management, for example; building on the defined IT strategy, D&L International began preparations for its migration to SAP's S/4HANA platform
- D&L International was successfully incorporated into the financial and sustainability reporting



Schneiders-CNC goes digital

After rolling out GARANT Tool24 in 2019, Schneiders-CNC has now successfully implemented yet another product from the Hoffmann Group: Connected Manufacturing. This solution offers a multitude of advantages for Schneiders in the areas of digitalization and efficiency.

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