

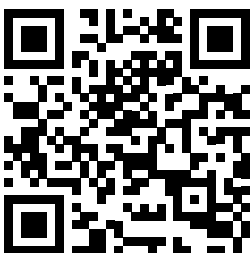


SFS Group AG  
Annual Report

**Inventing**  
**success**  
**together**

**22**

To the online report



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**SFS in brief**

# Value engineering specialist

**SFS is one of the world's leading suppliers for precision components and assemblies, mechanical fastening systems, quality tools, and logistics systems. Positioned as a value engineering specialist, SFS creates added value for its customers in the form of cost savings or increases in value by implementing tailored solutions for niche applications – which are often critical for success. 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 and assemblies, as well as mechanical fastening solutions. This segment comprises the Automotive, Electronics, Industrial and Medical divisions, and it sells its products and services under the brands SFS (Automotive, Industrial), Unisteel (Electronics) and Tegra Medical (Medical).

**Fastening Systems segment**

In the Fastening Systems (FS) segment, which consists of the Construction and Riveting divisions, SFS develops, manufactures and markets application-specific mechanical fastening systems, including under the brands SFS, HECO, TFC (Construction), and GESIPA® (Riveting).

**Distribution & Logistics segment**

In the Distribution & Logistics (D&L) segment, SFS positions itself as the leading sales and logistics partner for direct and indirect materials in the areas of quality tools, workshop and personal protective equipment, fasteners, and other C-parts for customers in the industrial manufacturing and construction industries in Europe. In addition, customized logistics and process solutions contribute in making customers more competitive. 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.

**SFS Group**

SFS Group has manufacturing sites and distribution companies at 140 locations in 35 countries around the world. It generated sales of CHF 2,746.1 million in the 2022 financial year with a workforce of approximately 13,500 (FTE).

**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. Not many people realize this, since our precision components, mechanical fastening systems and quality tools are embedded in the successful products and processes of our customers, where they often perform critical functions.

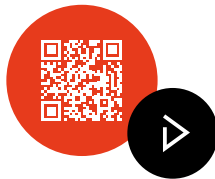
Your first contact with SFS products happens early in the morning when using your coffee machine or your smartphone. Driving to work, you are also surrounded by numerous SFS products: integrated into your car's safety systems such as seat belts, airbags and braking systems, they help to save your life in the event of an accident. At work, hard disk drives function with high-precision miniature SFS components. SFS products can be found in many electronic lifestyle products, such as adventure cameras, smart watches and smart home devices, as well as a growing number of AR/VR solutions. In the field of healthcare, our precision components in the form of bone screws, dental implants and surgical instruments play an important role in improving your quality of life.

**Our value proposition:**

**Creating sustainable added value for the customer**

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, 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**



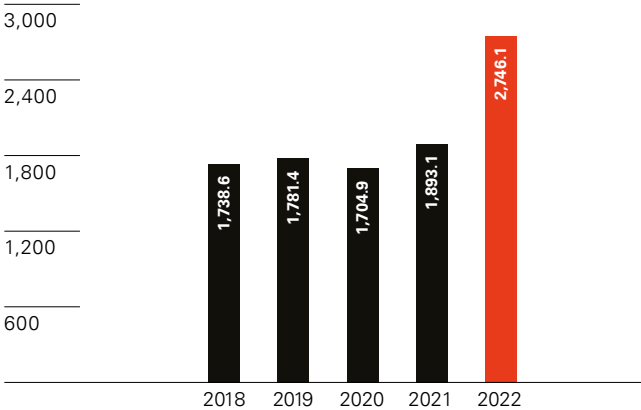
With 140 manufacturing, warehouse and sales locations worldwide, SFS is strategically well positioned in respect of customer proximity. As a result, SFS and its customers benefit from superior supply reliability thanks to regional and robust supply chains.

## Key takeaways

# Leap in growth

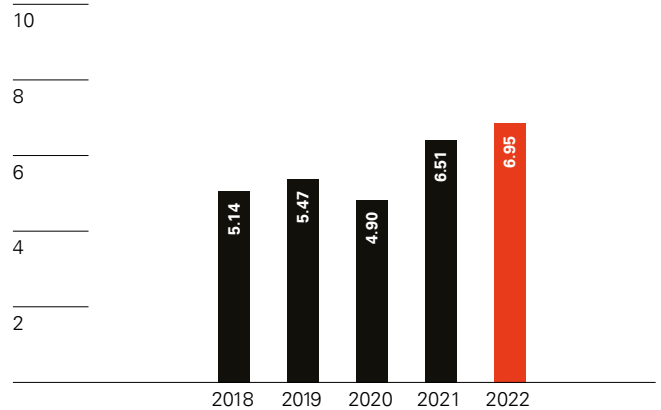
### Strong growth of 45.1% realized

Third party sales in CHF million



### Attractive increase in earnings

Earnings per share in CHF



### Profitability impacted by mix effects

EBIT adjusted as a % of net sales

# 12.9%

The inclusion of Hoffmann impacts profitability due to the lower EBIT margin of the business model. The reported EBIT margin of 12.1% is weighed down by increased material expenses of CHF 22.9 million due to acquisition effects.

### Sharp increase in headcount

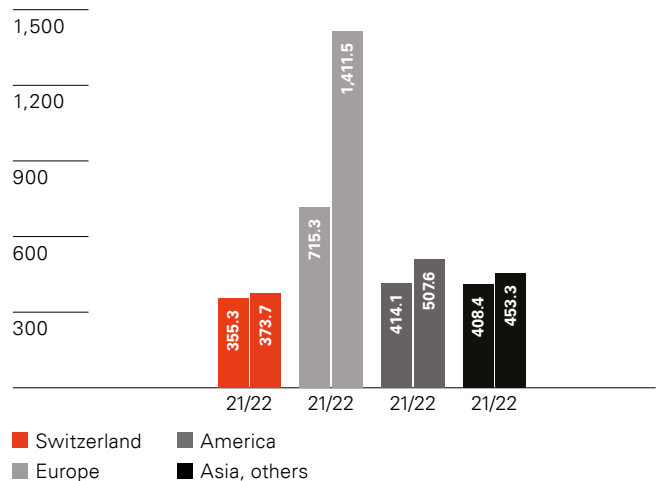
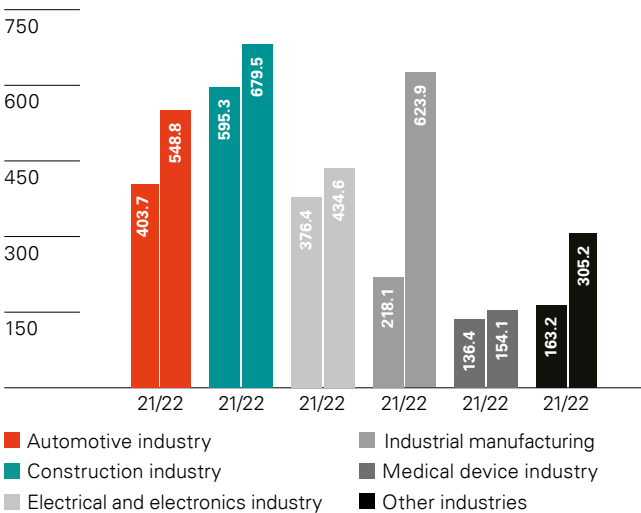
Number of employees as of December 31, 2022 (FTE)

# 13,282

With the inclusion of Hoffmann, the number of employees (FTE) grew by totally 2,773 employees (December 31, 2021: 10,509).

### Inclusion of Hoffmann shapes distribution of sales

Sales by end market/region in CHF million



## Financial overview

# Trend accelerated by acquisition

<b>Income statement CHF million</b>	<b>2022</b>	2021	2020	2019	2018
Third party sales	2,746.1	1,893.1	1,704.9	1,781.4	1,738.6
Change to previous year in %	45.1	11.0	-4.3	2.5	6.5
thereof currency impact	-1.9	-0.1	-4.1	-1.3	1.4
thereof change in scope	37.9	0.8	3.0	4.4	0.8
thereof organic growth	9.1	10.3	-3.2	-0.6	4.3
Net sales	2,738.7	1,897.3	1,707.1	1,782.1	1,736.9
EBITDA	448.1	407.1	327.6	331.7	332.8
As a % of net sales	16.4	21.5	19.2	18.6	19.2
Operating profit (EBIT)	330.3	301.7	227.4	236.3	243.1
As a % of net sales	12.1	15.9	13.3	13.3	14.0
Operating profit (EBIT) adjusted <sup>1</sup>	353.2	298.6	225.3	239.1	243.1
As a % of net sales	12.9	15.7	13.2	13.4	14.0
Net income	270.6	248.0	184.8	206.5	193.9
As a % of net sales	9.9	13.1	10.8	11.6	11.2
<b>Balance sheet in CHF million</b>					
Assets	2,574.2	1,839.1	1,684.1	1,638.6	1,619.3
Net cash (+)/(-debt) (-)	-477.7	279.1	144.3	68.7	59.1
Average Capital Employed <sup>2</sup>	1,557.6	1,143.6	1,134.0	1,134.9	1,070.8
Invested Capital <sup>2</sup>	3,290.9	2,194.0	2,149.5	2,153.2	2,058.3
Equity	1,303.6	1,450.4	1,278.2	1,237.2	1,204.6
As a % of assets	50.6	78.9	75.9	75.5	74.4
<b>Cash flow statement in CHF million</b>					
Cash flow from operating activities	287.9	324.5	296.4	277.6	263.5
Purchase of property, plant, equipment and intangible assets	-171.0	-121.4	-104.1	-116.7	-149.1
Acquisition (-)/Disposal (+) of subsidiaries, net of cash	-519.1	-7.6	-59.5	-95.4	-9.6
<b>Employees</b>					
Full-time equivalents (FTE)	13,282	10,509	10,692	10,571	10,231
<b>Financial key ratios (unaudited)</b>					
ROCE in % <sup>2</sup> (Return on Capital Employed)	22.7	26.1	19.9	21.1	22.7
ROIC in % <sup>2</sup> (Return on Invested Capital)	8.9	11.2	8.6	9.2	9.7
<b>Share key ratios</b>					
Earnings per share in CHF	6.95	6.51	4.90	5.47	5.14
Payout per share in CHF	2.50 <sup>3</sup>	2.20	1.80	1.80	2.00
Payout in CHF million	97.3	82.0	67.5	67.5	75.0
Payout ratio in %	35.9	33.1	36.5	32.7	38.7

<sup>1</sup> Adjustments are explained in the Annual Report on page 113, [annualreport.sfs.com](https://annualreport.sfs.com) →

<sup>2</sup> Calculation of the key figure is shown in the Annual Report on page 112, [annualreport.sfs.com](https://annualreport.sfs.com) →

<sup>3</sup> Proposed payout at SFS Group's Annual General Meeting on April 26, 2023

# Opportunities seized

**In 2022, the SFS Group generated sales of CHF 2,746.1 million in a market environment characterized by geopolitical and macroeconomic events. All end markets and regions contributed to the strong growth of 45.1%, which was driven both organically and by the consolidation of Hoffmann. SFS boosted its operating profit (EBIT) by 9.5% to CHF 330.3 million, which corresponds to an EBIT margin of 12.1%. Adjusted for one-off effects related to the acquisition, the EBIT margin amounts to 12.9%.**



Thomas  
Oetterli



Jens  
Breu

Dear Shareholders

The SFS Group looks back on a year characterized by geopolitical and macroeconomic events. With the acquisition of Hoffmann, SFS seized the extraordinary strategic opportunity to secure an internationally strong position in the attractive area of quality tools. Employees' motivation to exchange ideas and jointly implement growth potential is both impressive and an inspiration. The considerable uncertainties and high volatility attributable to the war in Ukraine, sustained disruption in supply chains, further waves of COVID-19 as well as sharply rising energy costs, interest rates and inflation were constant companions during the entire reporting period. Our high delivery capability gave us a strong competitive edge again this year. Thanks to local production sites, largely regional and therefore robust supply chains, an impressive product range as well as our employees' enormous commitment, we have managed to maintain our ability to deliver to customers with just a few exceptions. We again managed to gain market share in several business areas.

SFS generated good organic growth of overall 9.1% in most end markets and regions throughout 2022 as a whole, achieving sales of CHF 2,746.1 million. That corresponds to a strong year-over-year increase of 45.1%. Consolidation effects that mainly arose as a result of the inclusion of Hoffmann as per May 1, 2022, accounted for 37.9% of the growth surge. Currency effects negatively impacted sales by -1.9%.

#### **Profitability significantly impacted by mix effects**

Hoffmann's consolidation significantly impacted profitability in different ways: Whereas operating profit (EBIT) saw a substantial increase, the business model in the Distribution & Logistics segment comes with a lower EBIT margin that, in turn, reduces the Group's consolidated EBIT margin. The



volatile and occasionally lower utilization of capacities weighed on profit in the Engineered Components segment. All in all, this resulted in an operating profit (EBIT) of CHF 330.3 million and an EBIT margin of 12.1% of net sales (PY 15.9%). The reported result is weighed down by increased material expenses of CHF 22.9 million due to acquisition effects. Accounted for these acquisition effects, the adjusted EBIT margin amounts to 12.9%. At CHF 270.6 million (PY CHF 248.0 million), net income corresponds to 9.9% of net sales. An operating free cash flow of CHF 116.9 million (PY CHF 203.1 million) was achieved during the financial year.

The realization of earnings per share (EPS) of CHF 6.95 (PY CHF 6.51) clearly corroborates the financial attractiveness of the transaction with Hoffmann, especially in light of the negative impact of acquisition effects. The equity ratio rose by 3.9 percentage points to 50.6% compared with the closing date of the Half-Year Report.

### Engineered Components (EC)

In the Engineered Components (EC) segment, 2022 was a year shaped by regional events and occasionally high volatility. While good growth was supported largely by applications from the Electronics and Industrial divisions in the first half year, applications from the Automotive and Industrial divisions were the main contributors in the second half of the year. The Medical division performed positively over the course of the financial year, although unevenly in the different areas of application. The segment generated CHF 1,028.2 million in sales, which corresponds to sales growth of 5.4% over the previous year. Foreign currency effects only had minor impacts of -1.1%.

The uneven, fluctuating utilization of production capacities in individual areas of the segment caused by bottlenecks in customers' supply chains had a major impact on profitability. Earnings were also negatively impacted by across-the-board cost increases as specifically long-term contracts with customers meant that those increases could only be passed on with a delay. This resulted in operating profit (EBIT) of CHF 146.2 million, which corresponds to an EBIT margin of 14.1%. Year-over-year, the EBIT margin declined by 3.0 percentage points.

### Fastening Systems (FS)

For around two years, an impressive product range has helped the Fastening Systems segment and specifically the Construction division to consistently take advantage of the exceptional demand situation in the construction industry and achieve record results – which continued in the second half of 2022. Contrary to expectations, interest rate hikes and rising inflation prompted customers in the construction industry only isolated to delay or halt projects. High availability of material and robust, reliable supply chains were crucial competitive advantages again in the year under review. CHF 644.9 million in sales were generated, which corresponds to another impressive 12.2% increase over the prior-year period. In organic terms, this resulted in a sales

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## The year at a glance

**January** – The creation of authorized capital to partially finance the Hoffmann transaction was decided at the Extraordinary General Meeting.

**February** – The war in Ukraine causes a great deal of suffering. As the conflict continues, the economic impact becomes clearer. Developments in the area of sustainability – such as a more conscious use of energy and raw materials or a change in how energy is produced – are gaining speed.

**March** – The US Federal Reserve decides to raise the key interest rates a first time to fight inflation. Additional rounds of increases follow in North America and Europe over the course of the year.

**April** – Thomas Oetterli is elected by the Annual General Meeting to succeed Heinrich Spoerry as Chairman of the Board of Directors and Peter Bauschatz is elected as a Board member.

**May** – The transaction with Hoffmann is concluded and Martin Reichenecker joins the Group Executive Board. At the same time, SFS successfully places two bonds with maturities of three and five years.

**June** – The International Management Conference – the management team's yearly meeting – is held at Hoffmann in its newly built LogisticCity in Nuremberg, Germany.

**July** – Completion of the new production facility at the site in Heerbrugg, Switzerland, where precision components and assemblies for electric brake systems are to be manufactured for the automotive industry.

**August** – Work begins to expand the local production platform in Nantong, China.

**September** – Successful partial rollout of S/4HANA, the new ERP system.

**October** – Stakeholder dialog initiated regarding key sustainability topics.

**November** – The COVID-19 pandemic continues to have regional impacts on supply chains and call-offs at SFS, as in the business with customers from the electronics industry.

**December** – The capacities of the new production facility in Heerbrugg are already fully reserved for the next few years.

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Thomas Oetterli's  
impression of the year 2022

increase of 15.6%. Currency effects negatively impacted sales by –4.0%.

Persistently high capacity utilization, efficient processes as well as prudent cost and price management have enabled the segment to seize opportunities from the dynamic market environment. The EBIT margin for the period under review amounts to 17.7%, which corresponds to an increase of 30 basis points over the previous year.

**Distribution & Logistics (D&L)**

Based on an attractive product range and thanks to good material availability, the Distribution & Logistics (D&L) segment took advantage of the positive market environment again in 2022 to generate stable growth. All three regions North America, Europe and Asia contributed to these results – the with regard to sales smallest region North America experiencing the strongest growth. The segment generated sales of CHF 1,073.0 million. This corresponds to a year-on-year growth surge of 212.8%, which was mainly driven by consolidation effects of 208.1% that arose as a result of the inclusion of Hoffmann as per May 1, 2022. Organic growth, on a like-for-like basis, amounts to 5.3%. Foreign currency effects amounted to –0.6%.

Thanks to good sales growth, prudent cost and price management as well as the consolidation of Hoffmann, the segment generated adjusted operating profit (EBIT) of CHF 102.2 million in the year under review, which corresponds to an increase of 213.5%. Development of the adjusted EBIT margin of 9.6% was stable over the course of the year. The

reported result is weighed down by increased material expenses of CHF 22.9 million due to acquisition effects.

A project team comprised of employees from all affected business areas was assembled to carefully examine all areas of potential synergies connected to the collaboration with Hoffmann and prioritize the realization of that potential. The so determined synergy and growth potential will be prioritized for realization in the next few years.

**Sharp increase in headcount**

The SFS Group had 13,282 employees (FTE) at the end of 2022 (PY 10,509). The strong year-over-year growth is attributable to the inclusion of Hoffmann, which had 3,082 employees at year-end. On a like-for-like basis, the headcount declined slightly by –2.9%.

**Investments in future growth continued**

SFS focuses on innovation trends that once again proved robust in the 2022 financial year. The segments’ strong competitive edge enabled important new project acquisitions and product volume allocation gains, which in turn lay the foundation for future growth. With respect to the manufacturing of precision components and assemblies for electric brake systems for the automotive industry, for example, SFS has managed to secure several large orders from leading Tier-1 suppliers since 2021. As a result, the production capacities of the new facility at the Heerbrugg site were already fully reserved for the next few years by the end of 2022 – much sooner than planned.



SFS has around 13,500 employees (FTE), who are mainly spread across the regions of North America, Europe and Asia.

Growth-related expenditure on property, plant, equipment, hardware and software amounted to CHF 171.0 million (PY CHF 121.4 million) in the period under review. This was driven by the construction and equipment of the new Heerbrugg production facility for the Automotive division, the start of work to expand the production platform in Nantong, progress made in the switch to S/4HANA (the new-generation ERP system) as well as a strong commitment to cybersecurity.

Expenditure on research and development amounted to CHF 53.1 million (PY CHF 45.6 million) and was charged in full to the income statement for the period.

### **New topics added under sustainable development**

The financial year just ended saw important progress made on the path toward a more sustainable development. Contributing factors included the updated materiality analysis in accordance with the new guidelines of the Global Reporting Initiative (GRI) 2021 and the resultant new topics and corresponding objectives. SFS focuses on the following content in its 2022 Sustainability Report planned for publication in late May 2023:

- Energy & emissions
- Sustainable solutions
- Employee promotion & engagement
- Procurement
- Occupational health and safety

The inclusion of Hoffmann is also proceeding very well in the area of sustainability, meaning that it will already be possible to present the first non-financial indicators in the 2022 Sustainability Report.

Renewable energy and energy autonomy are topics that have been driving SFS for some time already. The Electronics division installed large-scale photovoltaic modules that are expected to produce around 6 GWh of electricity per year at the sites in Malaysia and Nantong. Plans to set up the company's own wind turbine on the grounds of the production facility at Heerbrugg became more concrete with the erection of a wind measurement mast.

### **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. Potential risks and actions to contain these risks were examined once again during the year under review. The review focused on ensuring the energy supply, how to deal with higher energy and raw material prices, data breaches and business interruptions due to cyberattacks, warranty risks arising from product recalls, geopolitical instabilities, company exposure to the global economic environment as well as compliance risks and currency-related risks.

### **Capital increase to partially finance the purchase price of Hoffmann**

To partially finance the Hoffmann SE transaction, a portion of the purchase price was paid in the form of 1,400,000 new shares and 200,000 existing shares on the day of closing. The share capital of SFS Group AG now amounts to CHF 3,890,000 and is divided into 38,900,000 registered shares with a nominal value of CHF 0.10 each.

In connection with the share capital increase, the premium on the issuance of shares of around CHF 169 million took the form of a statutory capital reserve. This means that in the next few years, a portion of the dividends can be distributed to private individuals resident in Switzerland free of withholding and income tax.

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

### **Changes in the Group Executive Board**

With the closing of the Hoffmann transaction, Martin Reichenecker joined the Group Executive Board in his role as CEO of Hoffmann.

Furthermore, the Board of Directors appointed Susanne Jung as Chief Human Resources Officer (CHRO). Susanne Jung strengthens and broadens the HR organization. She joined the Group Executive Board on January 1, 2023, as she took on her new role.

In the interests of early succession planning, the Board of Directors appointed Thomas Jung as the future head of the Construction division. He will replace Arthur Blank and join the Group Executive Board on January 1, 2024.

### **Changes in the Board of Directors**

Shareholders elected Thomas Oetterli as Chairman of the Board of Directors at the Annual General Meeting on April 27, 2022. He succeeded Heinrich Spoerry, who retired from the Board of Directors after reaching the age limit as defined in the Articles of Association. Thomas Oetterli has been a member of the SFS's Board of Directors since 2011.

The motion to elect Peter Bauschatz was also accepted at the Annual General Meeting on April 27, 2022. Peter Bauschatz is the Chairman of the Supervisory Board of Hoffmann SE, which became a part of the SFS Group upon completion of the transaction.

### 30th Annual General Meeting on April 26, 2023

For the first time following a three-year interruption, the Annual General Meeting of SFS Group AG will be held with the physical presence of shareholders at Sportzentrum Aegeten in Widnau on April 26, 2023. Further information will follow together with the invitation, which will be sent out until the end of March 2023.

As part of the long-term succession plan set up by the Stadler/Tschan family shareholders, Bettina Stadler will not stand for re-election to the Board of Directors at the 2023 Annual General Meeting. Consequently, the Board of Directors proposes that Fabian Tschan be appointed as a new member. He will ensure continuity in his capacity as a representative of the family shareholders. The Board of Directors would like to thank Bettina Stadler for her many years of service on the Board of Directors and as a member of the Audit Committee.

In view of the good earnings situation and the completed transaction with Hoffmann, the Board of Directors proposes that a dividend of CHF 2.50 per share be distributed.

### Outlook for the financial year 2023

Performance will continue to be shaped by considerable uncertainty as a result of macroeconomic and geopolitical developments. Regional restrictions in supply chains will impact the course of business in individual end markets also over the course of the 2023 financial year. Safeguarding business processes, ongoing efforts to pursue forward-looking innovation projects and sharpening the Group's customer focus take top priority in this volatile environment. We want to identify the chances and opportunities that go hand-in-hand with the current changes and seize them in a systematic way.

The targeted inclusion of Hoffmann is highly relevant from a strategic perspective. Further synergy potential is to be utilized in all areas of the business over the course of the current year and planning of long-term growth potential will be further developed. Investments in the selective expansion of production capacity and thus the implementation of ambitious growth projects will continue. Major projects during the

current financial year include the expansion of the production platform in Nantong and the ramp-up of production activities in the new production facility at Heerbrugg. The focus on expanding the global production platform for medical device products and applications remains unchanged.

SFS expects in the 2023 financial year sales of CHF 3.2–3.3 billion, including the first time consolidation of Hoffmann for the full year. With this, SFS expects – before consolidation effects – sales growth along the mid-term guidance of 3–6%. For SFS Group as a whole, including Hoffmann, an EBIT margin along the mid-term guidance of 12–15% is expected. The outlook is based on the assumption that there will be no significant deterioration in the underlying economic conditions or geopolitical, energy or pandemic-related restrictions.

### Thank you

A big thank-you goes to all employees of SFS Group whose motivation, commitment, expertise and enormous passion for innovation made the encouraging performance of SFS during the year under review possible.

We thank our customers and business partners for the collaborative partnership we share. The trust they place in us lays the foundation for our joint efforts to develop solutions that generate lasting added value.

We would also like to thank our shareholders for their loyalty and trust in SFS. They give SFS Group stability and thus contribute to its sustainable development.



Thomas Oetterli  
President of the  
Board of Directors



Jens Breu  
CEO

## Strategy

# Inventing success together

**Creating added value for our customers and inventing success together in close partnership is our number one goal. That claim is underpinned by the high levels of application and technology-driven expertise of our highly-qualified employees. They drive the SFS value engineering process and enable it to create new solutions for our customers day after day.**

SFS has set itself the goal of holding a distinguished position in the manufacturing and distribution of precision components and assemblies, mechanical fastening systems, quality tools and logistics solutions – based on its reputation for quality, reliability, innovation, design and process expertise. 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 groups of customers and application areas → that have strong underlying growth drivers due to global megatrends. The megatrends relevant to SFS are:

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

These megatrends guide our resource allocation decisions and enable us to continuously enhance our expertise and develop both our customer's and internal processes.

**Taking advantage of the opportunities presented by the “digital revolution” and “innovation acceleration” megatrends – examples from the period under review:**

### 1 Digital transformation in in-house production

SFS has commissioned a digital assistance system to enhance its own manufacturing processes by leveraging the potential offered by digitalization. Goal is to furnish the employees working on the machines with digital tools to assist them with their challenging work and to use machine data to make targeted improvements to the processes. Digitalization helped boost the productivity of equipment connected to the system by around 2% in the year under review.

Digitalization is also a prerequisite for industrialization and manufacturing the precision components assembled in the new generations of electric brake systems. A “Big Data and Analytics” system is used to collect large volumes of data regarding the components manufactured during the various steps of the production process. This tracking makes it possible to use the information for quality assurance purposes. The data collected also lay the basis for detailed, targeted analyses. Stakeholder-oriented analyses and data visualizations are used to identify and make ongoing, targeted improvements to both processes and products.

### 2 Process simulations in research and development

Expanding the simulation environment has enabled new possibilities in the area of virtual process and product development. Not only did we implement new simulation methods, but substantially boosted the system's computing power as well. Fluid mechanics simulations have helped us improve the energy efficiency of our processes in drying and heat treatment installations, for instance. The introduction of material flow analyses marked a milestone in efforts to ensure streamlined and lean process flows from the factory level all the way to machine level. Distortion and stress analyses per-

formed on components of cold forming tools delivered the data needed for forming simulations that shortened both development and manufacturing loops. Expanding this forming simulation to rolling processes, as well as the start of heat treatment simulations has put us one step closer to our goal making cross-process know-how available for product optimizations.

### 3 SFS 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 are invited every year to submit their project. Awards are presented to projects in these three categories:

- Best innovation realized
- Best digital innovation
- Best production innovation

A diverse ten-member jury chooses the best projects based on a variety of criteria including “Added value for the customer and SFS”, “Multiplication potential” and “Use of digitalization”, to name a few. In 2022, for example, the jury selected the “HECO-TOPIX-plus” project from HECO in the category of “Best innovation realized”. The “HECO-TOPIX-plus” is an innovative, newly developed product that successfully combined the advantages of several products into a single new fastener for wooden constructions.

### 4 Rollout of S/4HANA

Two years of extremely demanding preparations culminated in the successful rollout of the new SAP platform – S/4HANA – at the start of September 2022. This first step of the migration was largely disruption-free and affected the Finance departments worldwide as well as the business processes of the Distribution & Logistics Switzerland division. The switch to the new platform had become necessary due to the fact that a large number of process variations had been developed over the 20 or so years of using SAP that made the system highly complex and were quite costly in terms of support and maintenance. Also, the SFS Group has become larger, more international, and more diversified over these many years, which has added even further complexity to the system. The Group has now switched to the new SAP platform – S/4HANA – to preserve its ample competitive edge. Additional business areas will also be migrated to S/4HANA in different stages over the course of the next few years. Read this success story to find out more about S/4HANA’s go-live →

## Strategic priorities



### Local-for-local principle addresses megatrends

The local-for-local principle that SFS has already successfully employed for many years addresses the megatrends “economic globalization”, “evolving consumption”, “resources constraints”, “demographic asymmetries” and “growing global risks” now more than ever.

The 2020 decision to set up a global manufacturing platform for medical device applications that integrates mostly existing sites in North America, Europe and Asia is the latest example of systematic efforts to follow that path. SFS offers OEMs in the medical device and dental industries innovative and forward-looking solutions for a wide range of applications. As a value engineering specialist with many years of experience in the industrialization of products and processes, we have proven time and again that we create substantial value added for our international customers. Efforts to build the global manufacturing platform, entailing a substantial amount of growth-related investments, were systematically expedited in the past financial year as well.

### Sustainability as an integral part of our corporate strategy

Sustainability is important to us – it’s in our DNA! Embracing a sustainable mindset and practices drives innovation and gives us a chance to re-examine our products and processes on a daily basis and improve them continuously for the good of all stakeholders. As a value engineering specialist, working with our customers to develop sustainable products and solutions gives us a multitude of opportunities to utilize our expertise and offer our customers added value – in keeping with our corporate principle of “Inventing success together”. We strive to collaborate closely with customers and suppliers to make ongoing improvements to cost transparency and also incorporate other aspects of sustainability into the calculations. Detailed information on the topic of sustainability at SFS can be found at [sustainability.sfs.com](https://sustainability.sfs.com) →.

### 1 Dialog with stakeholders

SFS adjusted its sustainability reporting in line with the new requirements of the Global Reporting Initiative (GRI 2021) during the year under review. In this context, the existing material topics were reviewed again and a stakeholder workshop was held to discuss and evaluate both the company’s impact on the environment, society and economy with respect to these topics (inside-out) as well as how these topics impact SFS (outside-in). In the course of this, the following main topics were identified:

- Energy & emissions
- Sustainable solutions
- Employee promotion & engagement
- Procurement
- Occupational health and safety

Going forward, SFS will focus on these groups of topics, which are very similar to the previous focal points. We plan to use long-term targets and corresponding initiatives to continuously develop those topics over the long term. For this,

the individual topics are examined as a whole and their positive or negative impact, their contribution to the Sustainable Development Goals (SDGs) as well as the ESG dimension of each (environment, social, governance) is taken into consideration. In that context, the existing environmental roadmap will also be defined in greater detail and planned measures adjusted where necessary. Details regarding the contents of the topics as well as new or additional targets will be published in the 2022 sustainability report at the end of May 2023.

### 2 Scope of the non-financial KPI’s expanded

SFS succeeded in making further improvements to the data collection process in 2022, which also resulted in further improvements to non-financial KPI’s. This held particularly true in the D&L International division. The improved data basis will help us both with this year’s participation in the CDP (Carbon Disclosure Project) as well as with the future validation of set emission targets.

### 3 Improve transparency in the value chain, identify ESG risks and opportunities

In the interests of improving the transparency of social and environmental factors – including that of Scope 3 emissions – throughout the entire value chain, SFS decided last year to have a risk management platform evaluate its suppliers. This will enable the Group to identify opportunities and risks from the ESG realm at an early stage and assess them in terms of future cooperation with the business partner in question. The suppliers from the various segments will be invited individually over the course of 2023 to register on the platform mentioned so that the first representative assessment of risks and opportunities can be carried out at the end of 2023.

Markets

# Market position significantly grown

The company generated good organic growth in most end markets and regions throughout 2022 as a whole. Business with customers from the construction industry saw another substantial increase. The inclusion of Hoffmann brought a sharp increase in total sales and lead to major shifts in the share of sales generated in specific end markets and regions.

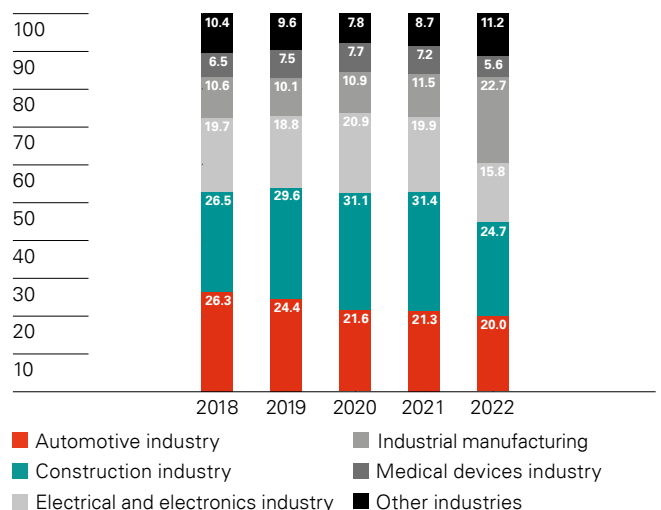
The new Distribution & Logistics International division made a vital contribution toward growth during the 2022 financial year. SFS saw substantial increases in all end markets and regions. The inclusion of Hoffmann resulted in shifts in the share of sales for individual end markets on total sales as well as adjustments in the reporting:

- The share of sales and business trend are now reported for industrial manufacturing customers as an additional end market “Industrial manufacturing”. This reflects the fact that some half of the sales generated in the D&L International division stem from customers in this market segment. Furthermore, around a third of the sales generated by both the D&L Switzerland and Industrial divisions are attributed to the “Industrial manufacturing” end market. The “Industrial manufacturing” end market’s largest share of sales is generated in Europe (including Switzerland).
- Around 20% of the sales of the D&L International division flow into the “Other industries” end market. These comprise sales with resellers that ensure access to markets in countries without own market organization. This end market also includes cumulative sales with various smaller customer groups. A portion of the sales generated by the D&L Switzerland division (similar to D&L International), Industrial division (including those from the aircraft end market, for example) and other divisions are attributed to this end market too.

Major shifts also occurred in the sales distribution by region: More than half of the sales generated by D&L International stem from Central Europe (Germany, Austria, Switzerland), roughly a third are from other European countries and a small share comes from Asia and America. As a result, sales generated in Europe rose by 66.7% year-over-year during the period under review and now amounts to 65.0% of total sales. In the medium to long term, SFS will aim for a more balanced regional distribution of sales with a higher share in North America and Asia.

Share of sales by end market 2018–2022

In %





Intact demand and an attractive service portfolio resulted in strong growth in the industrial manufacturing end market. All three regions – North America, Europe and Asia – contributed to these results, with the largest share of sales by far having been generated in Europe. The new D&L International division contributed significantly to this strong growth.

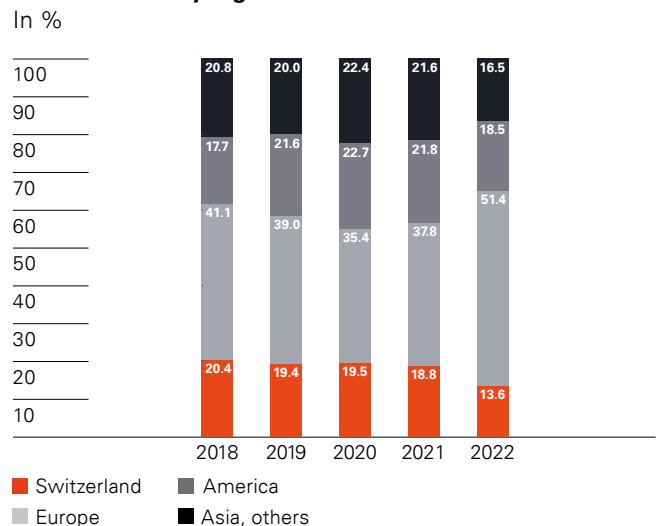
The business with customers from the construction industry reported another marked increase in sales of 14.1% during the 2022 financial year. The substantial macroeconomic and fiscal challenges, which were reflected in the sharp increase in inflation and recurring hikes in key interest rates, did not have a significant impact on customer demand. High product availability and delivery reliability were crucial competitive advantages again in the year under review. The substantial growth in the prevailing market environment was supported by the comparatively low share of the SFS portfolio's value relative to total project costs as well as the fact that the products were only needed at a late stage in the construction project. Going forward, SFS continues to see high development potential in the construction industry through the targeted expansion of the sales and distribution network in North America and Europe as well as through portfolio enhancements to the product and service offerings in the traditional application areas. Renovations of building envelopes, largely prompted by energy efficiency requirements, offer opportunities and a means of compensating for a possible reduction in the number of new building construction projects.

Despite persistent bottlenecks in the supply chains that impacted the production figures of OEMs and subsequently call-offs at SFS, solid development was seen in the business with customers from the automotive industry during the reporting year. Growth was achieved in the second half of the year following a weaker first half. The reduced number of call-offs in the second half of 2021 had a beneficial impact on this seasonal demand pattern. Sales with customers from the automotive industries in North America, Europe and Asia rose by 35.9% year over year supported by the contributions of the new D&L International division. The innovation trends important to SFS – increased efficiency, greater comfort and improved safety and, above all, autonomous driving technology, which goes hand in hand with increasing electrification of vehicles – have proven robust and lay the basis for future growth in the automotive industry.

Developments in the electrical and electronics industry, which generates most of its sales in Asia, found itself facing a growing number of challenges due to customer-side supply chain issues during the year. The Hard Disk Drives component business experienced reduced demand due to earlier customer call-offs in 2021, which caused customers to reduce inventories during the period under review. Call-offs by customers in the Mobile Devices business area were down due to restrictions in smartphone assembly capacities during important product launches. Following the strong growth of 2021 and 2020, sales increased by 15.5% in the period under review. The new D&L International division made a relevant contribution to this result.

SFS has enjoyed broad-based order intake across all areas of application in the medical device industry. Sales performed positively over the course of the financial year, although unevenly in the different areas of application. Growth was negatively impacted by supply problems in the area of input materials as well as a shortage of skilled workers, particularly at the US sites. Sales rose by 12.9% year-over-year. North America remained the most important sales market for medical devices products.

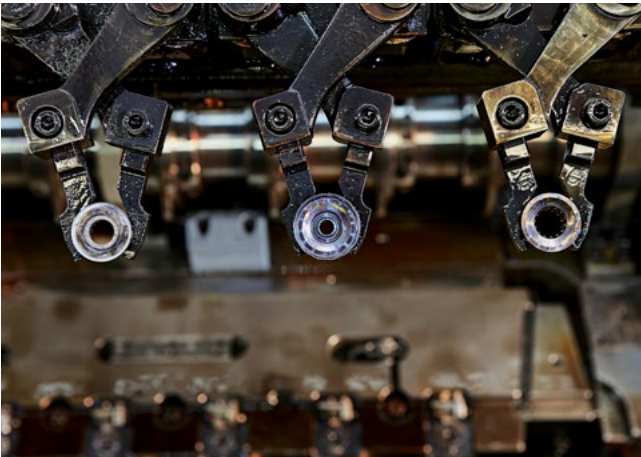
**Share of sales by region 2018–2022**



**Technology**

# High expertise, broad competence

**SFS's widely recognized cutting-edge technological and process expertise provides a sturdy foundation for innovative and customer-specific solutions.**



## **Cold forming** →

### **Precisely shaped with high pressure**

In cold forming workpieces cut-off from a wire are shaped into the desired form in two to multi-stage presses. This is a highly efficient and precise mass production process, which is particularly well-suited to large lot sizes.



## **Deep drawing technology** →

### **Complex molded parts made from sheet metal**

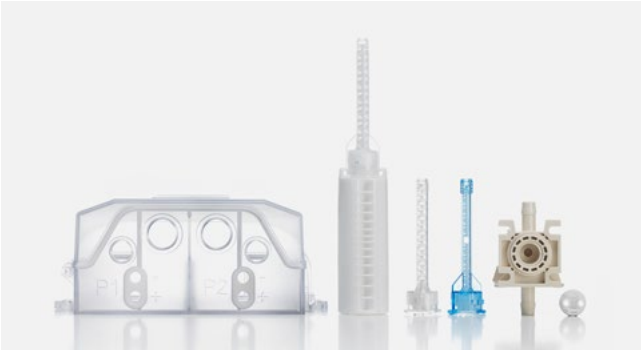
Deep drawing is the ideal complement to cold forming technology. This technique is used for precisely and economically producing smallest and extremely thin-walled parts.



## **Fastening technology** →

### **Application specific fastening systems**

Even the best fastening system can only achieve the best results if it precisely matches the specifications. It is well worth to evaluate different solution approaches in the development phase of a project in order to optimize the benefits of fasteners.



**Injection-molding technology →**

**Innovative molded parts made from plastic**

Thermoplastics are used in a wide range of applications that would not be possible with formed metal parts, or only with certain limitations. Superior solutions often result from the realization of components made of both metal and plastic.



**Procurement solutions →**

**Significant reductions in the cost of C class logistics**

Sourcing costs associated with C parts are often higher than the actual cost of the parts themselves, due to the related administrative tasks, intricate flows of information and complex movements of goods. Thus SFS has developed and implemented numerous solutions under the eLogistics® label to optimize inventory management processes.



**Riveting →**

**Economical solutions with high benefits**

Rivets (blind rivets and blind rivet nuts) are a viable option when screws do not meet the specified requirements. Minimal wear, high installation quality, short processing cycles and a long service life are the hallmarks of setting tools and automated setting solutions.



**Digital solutions →**

**Boosting the efficiency of manufacturing processes**

To shorten setup times, speed up offer calculations and make more efficient use of equipment, Hoffmann offers solutions that enable manufacturing enterprises implement smart products and digital manufacturing solutions to gradually digitalize their manufacturing processes.



**Secondary operations →**

**Pre-finished parts thanks to individual post-processing**

With comprehensive options for post-processing such as machining, heat treatment or ultra-fine cleaning, we are able to offer customers tailored pre-finished components and pre-installed assemblies.



**Laser processing technology →**

**Modern technology for the medical device industry**

In the medical devices industry, SFS has a comprehensive portfolio comprising manufacturing and cleaning technologies including cutting-edge processing solutions such as laser welding, cutting, drilling, abrasion and marking.

## Segment report – Engineered Components

# Positioning strengthened

**In a challenging financial year 2022 shaped by regional events, the application areas of the Engineered Components segment performed unevenly. Overall, sales followed a steady trend over the course of the two half-year periods, culminating in overall good growth. Temporary underutilization of capacities affected profitability during the second half of the year. Important milestones were reached in the major strategic projects to expand production capacity.**

In the Engineered Components (EC) segment, 2022 was a year shaped by regional events and occasionally high volatility. While good growth was supported largely by applications from the Electronics and Industrial divisions in the first half year, applications from the Automotive and Industrial divisions were the main contributors in the second half of the year. Although the Automotive division experienced only a step-by-step improvement in product call-offs during the course of the year, positive growth was generated as a result of the reduced call-offs during the second half year period of the previous year. The goal of outperforming the market was again met. The Medical division performed positively over the course of the financial year, although unevenly in the different application areas. Initial customer orders from Asia have been in the early ramp-up phase, these are being made at the plants in Malaysia and Nantong (China). The Industrial division took advantage of the good demand in all application areas, in particular Aircraft.

The segment generated CHF 1,028.2 million in sales in the period under review, which corresponds to sales growth of 5.4% over the previous year. Sales were 3.6% lower in the second half of the year than in the first. The increase in sales was exclusively organic in nature. Foreign currency effects only had minor impacts of –1.1%.

### Key figures Engineered Components

In CHF million

	2022	+/- PY	2021	2020
Third party sales	1,028.2	5.4	975.2	898.3
Sales growth comparable		6.5		
Net sales	1,038.5	5.4	985.0	910.4
EBITDA	220.3	–9.8	244.1	210.8
As a % of net sales	21.2		24.8	23.2
Operating profit (EBIT)	146.2	–13.1	168.2	141.2
As a % of net sales	14.1		17.1	15.5
Operating profit (EBIT) adjusted	146.2	–13.1	168.2	141.2
As a % of net sales	14.1		17.1	15.5
Average capital employed	792.0	7.5	736.5	720.5
Investments	125.5	40.9	89.1	83.1
Employees (FTE)	6,620	–5.5	7,008	7,293
ROCE (%) <sup>1</sup>	18.5		22.8	19.6

<sup>1</sup> EBIT adjusted in % of average capital employed

### Capacity expansions progress as planned

To create the additional capacity needed for growth, major strategic projects were expedited and milestones reached:

- For years, now, SFS has been successfully positioning itself as a development partner and supplier for customers from the automotive industry. Innovations are being driven by trends toward greater comfort, better safety and increased efficiency, as well as the overarching trend toward autonomous driving. The associated electrification of vehicles is a promising growth area that benefits SFS. For example, precision components and assemblies for a new generation of electric brake systems are to be manufactured. The new production facility at the Heerbrugg (Switzerland) site designed specifically for this application was put into operation in summer 2022 following an 18-months construction period. SFS has managed to secure several large orders from leading Tier-1 suppliers since 2021. As a result, the production capacity of the new building is already fully reserved for the next few years – much sooner than planned.
- The groundbreaking ceremony for the advertised expansion of the site in Nantong took place in summer 2022. The first stage of the expansion will be completed by mid-2023 and the second by the end of 2023. Once both stages are finished, the production area will be approximately 70% larger. The Electronics, Automotive, Industrial, Riveting and Medical divisions will make use of the additional space to implement their growth projects.
- The relocation of the Medical division's site at Franklin, Massachusetts (USA), to the larger, adjacent property was completed at the end of 2022. The new site has a 50% larger production area and land reserves for future expansion.
- As a result of the strong performance in Heredia (Costa Rica), the Medical division acquired another building. This will double the size of the production area. The site is highly relevant as a production and supply partner for local medical device customers. Thanks to the broad technology portfolio and in conjunction with the sites in North America, customer requirements can be met in terms of manufacturing products at a number of independent sites.

### Temporary underutilization of capacities affects profitability

The uneven, fluctuating utilization of production capacities in individual areas of the segment caused by bottlenecks in customers' supply chains had a major impact on profitability. Earnings were also negatively impacted by across-the-board cost increases as specifically long-term contracts with customers meant that those increases could only be passed on with a delay. The impact of these effects was particularly pronounced compared to the other two segments because of the high degree of value-added and lower price management flexibility. This resulted in operating profit (EBIT) of CHF 146.2 million, which corresponds to an EBIT margin of 14.1% (PY 17.1%). The year-on-year 3.0 percentage point decline in the EBIT margin is mainly attributable to temporary underutilization of capacities, which intensified during the second half of 2022 in particular.



### Capacity successfully placed

Having only been commissioned six months prior to the end of the period under review, the capacity of the new production building in Heerbrugg is already fully reserved for the next few years. The investment volume, from construction planning to full utilization of production capacity in 2025, will amount to around CHF 120 million. Of this, approximately 25% will be spent on constructing the building and 75% on the production equipment. Sustainability, efficiency and resource conservation were taken into account throughout the design of the new building, which has an additional 9,400 m<sup>2</sup> of production space and 2,800 m<sup>2</sup> of storage space. Precision components based on cold forming and CNC machining will be manufactured and then, following secondary operations, automated assembled and in parallel fully integrated tested before being packed for delivery. This will all take place over four floors using state-of-the-art and highly automated machinery.

### Continued implementation of “local-for-local” strategy

The strategy of manufacturing locally for customers in the regions North America, Europe and Asia has paid off in the last few years. The segment again benefited from regional supply chains in the financial year just ended. These ensured the segment’s own supply of raw materials and consumables, as well as being in a position to supply customers. Targeted localization of product lines and production technology continued in order to be able to make even better use of the local sites in the future. The continued successful launch of projects for automotive customers at the location in Nantong marked a further step towards manufacturing precision components and assemblies for a new generation of electric brake systems at the site in the future. In doing so, SFS lays the basis for manufacturing application-critical components in the strategically important application area of electric brake systems in all three regions.

The introduction of stamping technology newly at the site in Nantong helped it to attract further orders from existing customers – thereby increasing the share of wallet – in the Mobile Devices and Lifestyle Electronics application areas. Stamping is a high-precision manufacturing technology for processing thin sheet metal that is suited to high-volume production of challenging geometries. The technology complements deep drawing technology, one of the segment’s core technologies.

At the production facility in Pune (India), which has focused mainly on the automotive industry up until now, manufacturing capacity was expanded by adding another area for customers in the electrical and electronics industry.

### Outlook

SFS expects in the Engineered Components segment solid organic sales growth along the target bandwidth of the Group in 2023, supported by all divisions. Of which, the Automotive division should – based on the continued step-by-step improvement in call-offs of new cars and ongoing ramp-up of growth projects – achieve an out-performance of the automotive market of 3–5%.



## 10<sup>th</sup> anniversary of Unisteel becoming part of the SFS family

In 2022, Unisteel celebrated its 10<sup>th</sup> anniversary of becoming part of the SFS family. The acquisition in 2012 enabled SFS to access the electronics industry and Asia. It laid the foundation for the current production platform in Nantong, moved into in 2019 and now acting as a production site for several business areas. The site brings all core technologies and relevant secondary operations steps together under one roof. This has been made possible by a constant transfer of technology and knowledge over the last few years.

In the electronics industry, time to market and time to volume are the be-all and end-all. The fact that Unisteel masters this perfectly is reflected by the decision of the US magazine Manufacturing Technology Insights to rank Unisteel among the top 10 precision manufacturing services companies at APAC in 2022. This sort of recognition is evidence of the strong competitive position that Unisteel, together with SFS, has established over the years.

## Segment report – Fastening Systems

# Strong performance

**Driven by the continuing dynamic market environment in the construction industry, the Fastening Systems segment posted another strong result in relation to sales growth and profitability. The divisions' successful positioning, attractive portfolio and robust supply chains enabled both of them to take advantage of steady demand in most application areas and serve their customers reliably.**

For around two years, an impressive product range has helped the Fastening Systems segment and specifically the Construction division to consistently take advantage of the exceptional demand situation in the construction industry and achieve record results – which continued in the second half of 2022 in both North America and Europe. Contrary to expectations, interest rate hikes and rising inflation prompted customers in the construction industry only isolated to delay or halt projects. Although there were some massive increases in raw material and energy costs, these were largely offset or passed on. As capacity was still limited in the construction industry's supply chains to some extent, high availability of material and robust, reliable supply chains were crucial competitive advantages again in the year under review. In this challenging market environment the divisions succeeded to maintain high delivery capability overall. The attractive offering based on competent advice, a range of tailored products and services and stable, fast delivery capability enabled to take advantage of the strong market demand and make selective market share gains. It is precisely in the current environment – characterized by high demand and a lack of skilled workers – that competent advice and efficient installation solutions are further key competitive advantages in the business with customers from the construction industry. These enable our customers to have more productive work processes, with the quality of the solutions implemented being high. A good example of this is the business performance in the application area Flat Roof, which has seen impressive growth in the last two years (51% in 2022 and 21% in 2021).

Solid growth was achieved in the application area of riveting solutions for the automotive industry in the second half of the year, following a first weaker half. The business used its good positioning as a manufacturer of automation solutions to its advantage: Automated processing solutions – which

### Key figures Fastening Systems

In CHF million

	2022	+/- PY	2021	2020
Third party sales	644.9	12.2	574.9	489.7
Sales growth comparable		15.6		
Net sales	658.8	11.7	589.6	500.7
EBITDA	132.5	10.0	120.4	78.6
As a % of net sales	20.1		20.4	15.7
Operating profit (EBIT)	116.3	13.7	102.3	59.7
As a % of net sales	17.7		17.4	11.9
Operating profit (EBIT) adjusted <sup>1</sup>	116.3	13.7	102.3	57.6
As a % of net sales	17.7		17.4	11.5
Average capital employed	296.4	12.7	263.0	270.9
Investments	13.7	38.4	9.9	10.9
Employees (FTE)	2,564	2.2	2,510	2,438
ROCE (%) <sup>2</sup>	39.2		38.9	21.3

<sup>1</sup> 2020 adjusted for book gains from the disposal of non-operating assets of CHF 2.1 million

<sup>2</sup> EBIT adjusted in % of average capital employed



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.

Ongoing demand from industrial customers throughout the year resulted in encouraging growth for the business area. Applications that are heavily driven by sustainability-related requirements (for example fastening solutions for solar panels and heat pumps or fine particle filters for wood-burning stoves →) formed the basis of this positive performance. Thanks to its expertise in riveting technology and its international sales organization, the business area was able to continue its efforts to gain a more solid foothold in this attractive, growing application area.

Sales in the segment amounted to CHF 644.9 million in the period under review, which corresponds to another impressive 12.2% increase over the prior-year period. Sales in the first half of the year were 7.8% above those of the second half. In organic terms, a sales increase of 15.6% was achieved. Currency effects negatively impacted sales by -4.0%.

**Expansion of production capacity in North America**

In order to continue to make use of the strong demand and maintain the high delivery capability, the Construction division is expanding production capacity at the site in Exeter, Pennsylvania (USA). To this end, another hall was added to the existing manufacturing facilities. The new capacity is allowing the division to realize the growth that is forecast for the next years.

**Constantly high capacity utilization and efficiency**

Persistently high capacity utilization, efficient processes, and prudent cost and price management have enabled the segment to seize opportunities from the dynamic market environment. The EBIT margin for the period under review amounts to 17.7%, which corresponds to an increase of 30 basis points over the previous year. The EBIT margin declined by 3 percentage points in the second half of the year compared to the first half year, mainly as a result of higher energy costs.

**New head of Construction division appointed**

Arthur Blank has worked for SFS since 1983 and spent eight years as Head of the Construction division. He will step down from this position at the end of 2023, but continue to support SFS in selected projects until he retires at the end of 2024. During his career – spanning some 40 years – Arthur helped to set up the Construction division and contributed significantly to its successful positioning.

In the interests of early succession planning and a smooth transition, the Board of Directors appointed Thomas Jung as Arthur Blank’s successor. Thomas began his career with SFS in 2010 as general manager for Central and Eastern Europe at the company’s site in Oberursel, Germany. In the last



**Digital toolbox creates added value**

SFS products and services in the areas of fastening and hinge technology for building envelopes offer added value to customers in many ways. To further support and automate customers’ work processes, SFS is setting up an online toolbox with selected tools over the next few years. Connect-Suite® offers useful services in the areas of calculation, measurement and configuration. This makes it easier and quicker for façade engineers or installers to prepare quotes or determine the right color for façade fasteners, for example. If a specialist firm wishes to offer a fall protection system against falling from a roof, it will find the respective tool in Connect-Suite® on the SFS website. The range of services is constantly being expanded.

three years, he has been responsible for the Construction division's business activities in North America, based in the United States. His extensive knowledge and experience make him the ideal candidate to head the division. Thomas Jung will continue to live in the United States. With his appointment as Head of the Construction division on January 1, 2024, he will join the Group Executive Board.

### Outlook

SFS expects in the Fastening Systems segment solid organic sales growth along the target bandwidth of the Group in 2023. For applications in the construction industry – both new building projects as well as renovations projects – SFS expects stable customer demand overall. The two divisions are well positioned to take advantage of arising chances and opportunities.



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## The Birdie®

GESIPA® has launched the Birdie® on the market. It is the smallest and lightest cordless riveting tool in its performance class. At 900 g (excluding the battery), it is extremely light and processes blind rivets of any material. Thanks to the recuperation technology, the brake energy generated is fed back into the battery, providing power for further riveting. If the battery does empty, the control system signals the need to recharge, both visually and acoustically.

The tool was developed to offer maximum practicability. It had to be simple though high-quality and cost-effective, while at the same time offer users the greatest possible freedom. One result of this approach is the tool's use of the proven Cordless Alliance System (CAS) battery. The CAS battery is now incorporated by over 30 manufacturers into more than 300 tools for various trades.

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## Segment report – Distribution & Logistics

# Leading in Europe

**The Distribution & Logistics segment set a decisive course to achieve forward-looking development during the 2022 financial year. Since the transaction with Hoffmann was completed, the teams in both divisions have been focused and highly motivated in their work to jointly start implementation of growth potential. In the year under review, the growth trend continued in all regions and strong results were achieved.**

Based on an attractive product range and thanks to good material availability, the Distribution & Logistics (D&L) segment took advantage of the positive market environment again in 2022 to generate stable growth. All three regions North America, Europe, and Asia contributed to these results – the with regard to sales smallest region North America experiencing the strongest percentage growth. Demand from both industrial manufacturing and construction customers was positive. Customers from the construction industry, which are mostly based in Switzerland, accounted for around 10% of sales in the segment following the inclusion of Hoffmann.

The segment generated sales of CHF 1,073.0 million in the period under review. This corresponds to a year-on-year growth surge of 212.8%, which was mainly driven by consolidation effects of 208.1% that arose as a result of the inclusion of Hoffmann as per May 1, 2022. Organic growth, on a like-for-like basis, amounts to 5.3%. Foreign currency effects amounted to –0.6%.

### Efficient logistics the key to success

In addition to competent product advice, high-performance logistics is also critical for success in trading with tools, fastening systems and complementary product ranges. Wide 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. Major progress was made in this area in the year under review:

- In order to consolidate and optimize logistics activities for business in central Switzerland, the existing warehouse in Emmenbrücke (Switzerland) was sold to an external logistics partner in 2018. As part of the agreement, the partner took on the employees and invested heavily in expanding, renewing and automating the site. The expansion allowed one of the other warehouse sites in Bäretswil (Switzerland) to be integrated into the enlarged warehouse in Emmenbrücke. The move was successfully completed at the end of 2022 and will allow customers to be supplied more efficiently from a state-of-the-art warehouse operation.

### Key figures Distribution & Logistics

In CHF million

	2022	+/- PY	2021	2020
Third party sales	1,073.0	212.8	343.0	316.9
Sales growth comparable		5.3		
Net sales	1,067.4	206.8	347.9	321.6
EBITDA	100.5	166.6	37.7	34.1
As a % of net sales	9.4		10.8	10.6
Operating profit (EBIT)	79.3	143.3	32.6	28.7
As a % of net sales	7.4		9.4	8.9
Operating profit (EBIT) adjusted <sup>1</sup>	102.2	213.5	32.6	28.7
As a % of net sales	9.6		9.4	8.9
Average capital employed	627.8	381.4	130.4	126.9
Investments	16.0	290.2	4.1	4.1
Employees (FTE)	3,704	511.2	606	598
ROCE (%) <sup>2</sup>	16.3		25.0	22.6

<sup>1</sup> 2022 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.

<sup>2</sup> EBIT adjusted in % of average capital employed

- After an extensive test phase as a result of its size and high degree of automation, the ramp-up of LogisticCity in Nuremberg (Germany), Europe's most high-performance logistics center for quality tools, was successfully concluded at the end of the year. The current expansion status comprises:
  - More than 100,000 m<sup>2</sup> of logistics area
  - Delivery service within 24 hours in DE and 48 hours in central Europe
  - Up to 60,000 positions, with more than 15,000 parcels per day

The state-of-the-art, automated logistics center is replacing several rented warehouses in the vicinity of Nuremberg that no longer meet customer requirements as a result of the steady growth of the Distribution & Logistics International division. As at the end of the year under review, 100% of deliveries had been handled reliably, with 99% delivery quality. LogisticCity will give the segment a strong competitive advantage in the future. Significant growth reserves are being provided for in both the existing expansion stage and any future expansion phases. Other SFS business areas will also be able to benefit from this in the medium to long term.

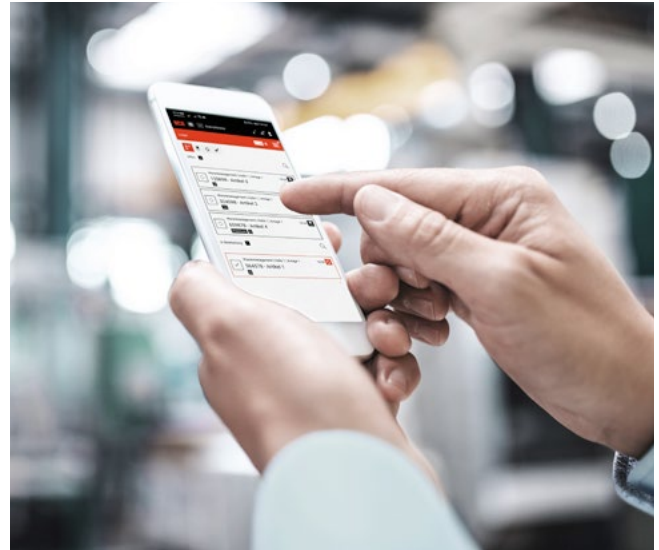
### Significant increase in earnings

Thanks to good sales growth, prudent cost and price management and the inclusion of Hoffmann from May 1, 2022, adjusted operating profit (EBIT) of CHF 102.2 million was generated in the year under review, which corresponds to an increase of 213.5%. The adjusted EBIT margin of 9.6% was stable over the course of the year. The reported result is weighed down by increased material expenses of CHF 22.9 million due to acquisition effects.

### Exploiting the potential for collaboration

A project team comprised of employees from all affected business areas was assembled to carefully examine all areas of potential synergies connected to the collaboration with Hoffmann and prioritize the realization of that potential. Existing solutions and processes were systematically compared and contrasted to assess where the shared use of existing applications, platforms and processes might offer significant, strategically relevant or economically attractive potential. These assessments focused on the areas of logistics, product management, cross-selling, financial reporting, information technology, human resources, sustainability as well as marketing and communication. This first phase of intense cooperation was accompanied by regular communications aimed at providing employees with timely information not only on the objectives of this collaboration but also to report on new developments and provide progress reports. The following business related long-term growth potential was identified and efforts to realize that potential will be prioritized in the next few years:

- Penetrate current key accounts and high potential customers with a complementary portfolio of mechanical fastening systems and electronic procurement solutions



## From logistics systems to digital order management

Logistics systems such as turnLOG<sup>®</sup>, pushLOG<sup>®</sup> and weight-LOG<sup>®</sup> have been continually developed in recent years in order to simplify the operation and extend the range of applications. Digital functions have already been complementing the solutions for a long time. For example, functions such as communication with mobile devices or eLogistics<sup>®</sup> software to control all procurement parameters have already been offered for years. The next version of this platform, eLogistics<sup>®</sup> NXT, enables users to automate their processes, regardless of whether the trigger system or the products managed originate from SFS or not. Both internal stock movements and external value creation processes – upstream or downstream – can be illustrated and optimized with the platform. The cloud-based solution is a strong instrument for improving processes and increasing transparency and efficiency both for customers and suppliers.

messageLOG<sup>®</sup>, an app to allocate and settle recurring orders efficiently, even goes one step further. The app – which came about from digitalization expertise in the area of inventory management solutions – has great potential for countless application areas in a wide range of industries, but no longer has anything to do with inventory management.

- Supply current key accounts outside Switzerland with quality tools
- Optimize the supply chain for Swiss customers by using the procurement and logistics capacities of D&L International
- Evaluate and implement shared, efficient processes and platforms for an optimized customer journey

**Outlook**

In the Distribution & Logistics segment, SFS expects stable customer demand and – on a like-for-like basis – a solid organic sales growth along the target bandwidth of the Group in 2023.



**Exploiting the potential offered by digitalization of products and processes**

Around 60 experts from the areas of sales, product management, information technology and finance work in the D&L International division in cross-functional teams on four strategic initiatives to exploit the potential offered by digitalization of products and processes:

- Optimizing the customer experience: Build a new product data and content structure to deliver comprehensive, high-quality content faster and more efficiently to all front-end channels and make it easier for customers to do business with simplified filter and search capabilities and personalized product recommendations
- Harmonization and digitalization of internal processes: Switching to the next-generation ERP system S/4HANA in order to meet market and customer requirements better and improve efficiency through a higher degree of standardization and automation
- Leverage data and analytics capabilities: Define a unified view on customer, product, and supplier data across the company and implementation of a cloud-based analytics platform to realize analysis such as product recommendations, demand forecasts and data-driven portfolio decisions, with greater flexibility and quality
- Implementation of Industry 4.0 solutions: Enabling customer solutions such as the automated supply of indirect materials to the factory-floor by connecting production equipment, logistics systems, material demand forecasts, current inventory levels and tool usage data

**Success stories**

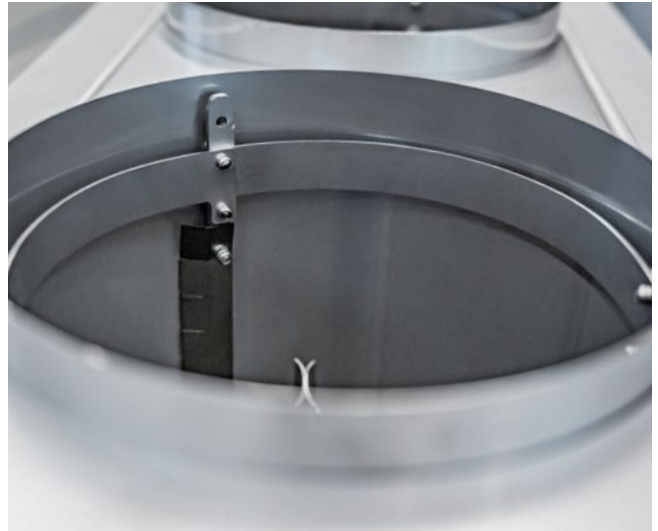
# Creating added value

**Our aim of continuous improvement as we seek to create value for the customer can be achieved only with a strong work ethic: an unwavering commitment by the SFS Value Creator to “Inventing success together”. That is our corporate DNA, which impressively becomes reality through our success stories.**



## **Miniature parts made of wire →**

Unisteel's broad-based experience in wire form manufacturing and extensive portfolio of CNC spring coilers allow it to produce a myriad of wire formed products in all sorts of shapes and sizes designed to customers' specifications. The potential configuration opportunities are endless. Our wire formed components can be used in consumer products such as smart wearables, smart home devices and hard disk drives, to name but a few.



## **“Time savings, simpler handling and a next step towards automation” →**

OekoSolve is an innovative Swiss company that develops and produces fine dust filters for ecofriendly woody biomass heaters and sells them around the world. The company's focus is on simple handling, reliability and ease of maintenance – with its entire development process geared toward precisely these objectives. GESIPA®, a company of the SFS Group, has been helping OekoSolve continuously develop its products and optimize processes for the past few years.



## Proven partnership as a success factor →

During the pandemic we faced the same challenges in the Swiss market as other companies: Employee absences, bottlenecks and price increases. It is precisely at times like these that steadfast partnerships, like the one we maintain with the technology group Bühler AG, stand the test. Since 2015, SFS furnishes Bühler with a wide range of fastening systems, tools and eLogistics® systems like pushLOG® – trend rising.



## Foundation laid for the next 20 years →

Two years of extremely demanding preparations culminated in the successful rollout of the new SAP platform – S/4 HANA – at the start of September 2022. The new platform replaces the previous SAP system, which had been in use for over 20 years. The first migration step was largely disruption-free and affected the Finance departments worldwide as well as the business processes of the Distribution & Logistics Switzerland division.





# Corporate Governance

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# Sustainable Commitment

**The Board of Directors and Group Executive Board attach very great importance to good Corporate Governance. In the interest of shareholders, customers, business partners and employees, the principles of Corporate Governance ensure the necessary transparency and a healthy balance of management and control.**

The structure of the following Corporate Governance report follows the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange AG (DCG). All figures apply to December 31, 2022, unless otherwise stated.

The Board of Directors and Group Executive Board are supported in their management and supervisory functions by the corporate cross-functions Corporate IT & Finance (information technology, finance, controlling, tax, legal & compliance), Corporate Services (human resources, communication, marketing and corporate development) and Technology (technology and knowledge transfer, operations and business development).

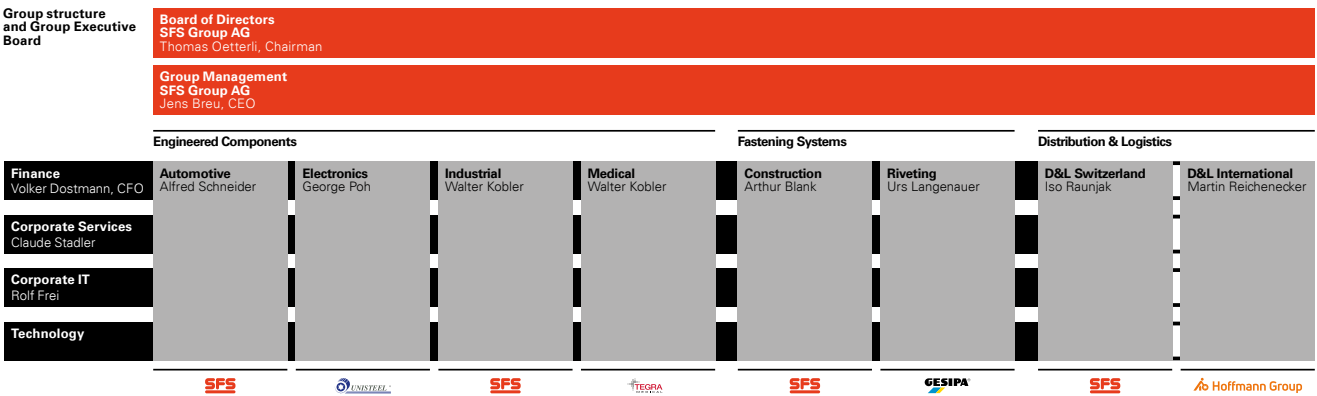
## 1 Group structure and shareholders

### 1.1 Group structure

SFS Group is organized in three segments: Engineered Components, Fastening Systems and Distribution & Logistics. Engineered Components develops, manufactures and sells precision parts and assemblies in four divisions. Fastening Systems combines the principles of threaded fastening and riveting technologies and consists of two divisions. Distribution & Logistics with the two divisions is a leading supply partner for fasteners, special parts, tools, architectural hardware and logistics solutions.

The parent company of SFS Group is SFS Group AG, domiciled in Heerbrugg, municipality of Widnau/SG, Switzerland. It is incorporated under Swiss law and listed on the SIX Swiss Exchange AG under the Swiss Reporting Standard (security number 23.922.930, ISIN CH 023 922 930 2). Its share capital is CHF 3,890,000 (PY 3,750,000) and its market capitalization was CHF 3,403.8 million (PY CHF 4,732.5 million) as at December 31, 2022.

An overview of all affiliated companies in the scope of consolidation can be found in section 5.2 of the appendix of the Financial Report. The scope of consolidation does not contain any other listed companies besides SFS Group AG.



## 1.2 Significant shareholders

The founding families of SFS Group AG, Huber and Stadler/Tschan, form an organized group according to Art. 12 of the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FINMA Financial Market Infrastructure Ordinance, FinMIO-FINMA).

### Share capital and voting rights

	12.31.2022	12.31.2021
Founding families	53.0%	54.9%

Both families have defined their principles of cooperation and partnership in a pool agreement. It is their intention to retain a majority of more than 50% of the capital and the voting rights in the long run. They agree with each other on important decisions and always put the successful development of the SFS Group before the particular interests of the families.

The group established in the previous year by representatives of the founding families as well as two other major shareholders pursuant to Art. 12 of the FinMIO-FINMA, all together holding 47.44% of the share capital and voting rights, has fulfilled its purpose (support of the motions of the Board of Directors of SFS Group AG at the extraordinary general meeting of January 31, 2022, for the creation of authorized share capital on the one hand and support of the election of Peter Bauschatz as a new member of the Board of Directors at the Annual General Meeting 2022 on the other hand) in the reporting year and has been dissolved.

In the same context (acquisition of Hoffmann SE) a further group in the sense of Art. 12 of the FinMIO-FINMA was established in the previous year. The purpose of this second group, consisting of companies controlled by the previous shareholders of Hoffmann SE, is the future acquisition of 4.09% of the shares in SFS Group AG in the light of the acquisition and the respective lock-up obligation. Since the lock-up obligation is still valid at the end of the reporting year, this organized group is still existing. This shareholder group under the name "First SALT Stiftung/First ELF Stiftung" holds 4.11% of the shares in SFS Group AG as per December 31, 2022 (PY none). The disposal position of SFS Group AG in the extend of 4.09% has been dissolved with the closing of the transaction.

The Board of Directors is not aware of any shareholders listed in the share register or shareholder groups holding more than 3% of the share capital or voting rights (PY UBS Fund Management (Switzerland) AG).

SFS Group AG holds treasury shares to the extent of 0.03% (PY 0.15%). Disclosure notifications pertaining to shareholdings are published on the electronic publication platform of SIX Swiss Exchange AG. The notifications can be assessed via the following web link to the database search page of the disclosure office: [Significant Shareholders](#) →

## 1.3 Cross-shareholdings

No cross-shareholdings of capital or voting rights exist with any other company.

# 2 Capital structure

## 2.1 Capital

The share capital of SFS Group AG amounts to CHF 3,890,000 (PY CHF 3,750,000) and is divided into 38,900,000 (PY 37,500,000) registered shares each with a par value of CHF 0.10.

## 2.2 Authorized and conditional capital

Due to the creation of authorized capital at the extraordinary general meeting of December 31, 2022, SFS Group AG has at its disposal as at the end of the reporting year an amount of CHF 20,000 (PY none). Due to the revision of the corporate law in Switzerland as per January 1, 2023, there is no longer a legal base for the actual creation of this authorized capital.

## 2.3 Changes in capital

In the reporting year the share capital has been increased by CHF 140,000 to CHF 3,890,000. There were no changes in capital in the two years preceding the reporting year.

## 2.4 Shares and participation certificates

The share capital of SFS Group AG is divided into 38,900,000 registered shares with a nominal value of CHF 0.10 each. The share capital is fully paid in and entitled to dividend. Each share represents one voting right at the Annual General Meeting. SFS Group AG has issued no participation certificates.

## 2.5 Dividend right certificates

SFS Group AG has issued no dividend right certificates.

## 2.6 Limitations on transferability and nominee listings

Persons acquiring registered shares of SFS Group AG are entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the said shares in their own name and for their own account and comply with the disclosure requirement stipulated by the Stock Exchange Act.

Persons not expressly declaring themselves to be holders of shares for their own account in their application for entry in the share register or on request by the Company (nominees) are entered in the share register with voting rights without further inquiry up to a maximum of 2.0% of the share capital outstanding at that time. Above this limit, registered shares held by nominees are entered in the share register with voting rights only if the nominee declares the names, addresses and shareholdings of the persons for whose account they are holding 0.3% or more of the share capital outstanding at that time, and provided that they comply with the disclosure requirement stipulated

by the Stock Exchange Act. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements.

The above-mentioned limit of registration also applies to the subscription for or acquisition of registered shares by exercise of preemptive, option or convertible rights arising from shares or any other securities issued by the Company or third parties.

Legal entities or partnerships or other associations or joint ownership arrangements linked through capital ownership or voting rights, through common management or in like manner, and individuals, legal entities and partnerships (in particular syndicates) that act in concert with the intent to avoid the entry restriction are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the above restrictions. After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information requested. The person concerned must be informed of the deletion. In the reporting year, no exceptions were granted and no deletions were executed (PY none). Cancellation or easing of the restrictions on the transferability of registered shares requires a resolution of the General Meeting passed by at least two-thirds of the shares represented and an absolute majority of the par value of the shares represented.

### 2.7 Convertible bonds and options

No convertible bonds are outstanding and SFS Group has issued no options (including employee options).

## 3 Board of Directors

### 3.1 Members of the Board of Directors

The Board of Directors of SFS Group AG consists of a minimum of five and a maximum of nine members. At the end of the reporting year, it consisted of seven members (PY seven). The average age of the members of the Board of Directors was 55.1 years as at December 31, 2022 (PY 57.0 years). The members of the Board of Directors were on average in their 7<sup>th</sup> term of office (PY 9<sup>th</sup> term of office).

Over the last three years, the external members of the Board of Directors have not had any material business relationship with SFS Group with the exemption of the below mentioned transactions.

The SFS Group rendered services for information technology, finance and human resources to related parties and their companies based on internal group rates. In addition and at arm's length, goods were exchanged and property was rented or leased.



From left: Thomas Oetterli, Nick Huber, Manuela Suter, Jörg Walther, Bettina Stadler, Urs Kaufmann, Peter Bauschatz

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**Thomas Oetterli**

- Chairman of the BoD since 2022
- Independent, non-executive member since 2011
- Chairman of the Audit Committee 2014–2022
- Swiss citizen, born 1969

**Other activities**

- Schindler Group, Chief Executive Officer 2016–2022
- Schindler Group, Head of China 2013–2016
- Schindler Group, Head of Europe North & East 2010–2013
- Schindler Group, member of the Executive Management Committee 2010–2022
- Schindler Group, Head of Switzerland 2006–2009
- Schindler Group 1994–2022

**Qualifications**

- Master's degree in economics, University of Zurich 1996

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**Peter Bauschatz**

- Independent, non-executive member since 2022
- German citizen, born 1971

**Other activities**

- Hoffmann SE, Chairman of the BoD since 2017
- SZA Schilling, Zutt & Anschütz Rechtsanwalts-gesellschaft mbH, Partner since 2016
- TRITIO Rechtsanwalts-gesellschaft, Partner 2013–2016
- McDermott Will & Emery Attorneys at law, Partner 2007–2013
- GSK Gassner Stockmann & Kollegen, Partner 2004–2007
- ckss Attorneys at law, Tax consultant 2001–2004

**Qualifications**

- Specialist attorney for tax law 2001
- Master in European and International Business Law (MBL-HSG), University of St.Gallen 2001
- Promotion in tax law at the University of Augsburg 2000
- Attorney at law 1998
- Master of law at the University of Bayreuth and Constance 1996

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**Nick Huber**

- Non-executive member since 2017
- With SFS from 1995–2016 in various management positions
- Family shareholder Huber
- Swiss citizen, born 1964

**Other activities**

- Inventx AG, member of the BoD since 2022
- DGS Druckguss Systeme AG, member of the BoD since 2017
- stürmsfs ag, member of the BoD since 2014
- COLTENE Holding AG, Chairman of the BoD since 2008
- HUWA Finanz- und Beteiligungs AG, member of the BoD since 1997
- Gurit Holding AG, member of the BoD since 1995
- IBM (Switzerland) AG, Account Manager 1990–1995

**Qualifications**

- Stanford Executive Program, Stanford University 2013
- SKU, Advanced Management Program, Switzerland 2002
- Matura type E in economics 1984

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**Urs Kaufmann**

- Independent, non-executive member since 2012
- Lead Director since 2014
- Chairman of the Nomination and Compensation Committee since 2014
- Swiss citizen, born 1962

**Other activities**

- HUBER + SUHNER AG, Chairman of the BoD since 2017
- HUBER + SUHNER AG, deputy of the BoD 2014–2017 and Chief Executive Officer 2002–2017
- Schaffner Holding AG, Chairman of the BoD since 2017 (until AGM January 2023)
- Vetropack Holding AG, member of the BoD since 2017
- Müller Martini Holding AG, member of the BoD since 2009
- SWISSMEM, member of the Executive Committee since 2012
- Swiss Employer's Association (SAV), member of the Executive Committee since 2018

**Qualifications**

- Senior Executive Program IMD Lausanne 1995
- Master's degree in engineering, Swiss Federal Institute of Technology (ETH) Zurich 1987

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### **Bettina Stadler**

- Non-executive member since 2017
- Family shareholder Stadler/Tschan
- Swiss citizen, born 1967

#### Other activities

- icotec ag, member of the BoD since 2022
- Stadler Holding AG, member of the BoD since 2021
- EVTI-BEST AG, member of the BoD since 2019
- POLYGENA AG, Head of HR and member of the Executive Board 2016–2020
- PWB AG, Human Resources Manager 2003–2018, member of the Executive Board 2008–2018
- Frauenhof Immobilien AG, member of the BoD since 2016
- Residenz Frauenhof AG, Chairman of the BoD since 2015, member of the BoD and Managing Director since 2007
- WISTAMA Finanz- und Beteiligungs AG, member of the BoD since 2011
- Raiffeisenbank Oberes Rheintal, member of the BoD 2006–2011
- Raiffeisenbank Lüchingen Altstätten, member of the BoD 2002–2006

#### Qualifications

- Swiss Board School, IMP-HSG, University of St.Gallen 2015
- Degree in business administration HF 1995

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### **Manuela Suter**

- Independent, non-executive member since 2021
- Swiss citizen, born 1974

#### Other activities

- SwissHoldings, Member of the Board since 2021
- Bucher Industries, Chief Financial Officer since 2018
- Bucher Industries, Head of Group Controlling 2014–2018
- Bucher Industries, Group Controller 2011–2014
- SIX Exchange Regulation, Zurich, Senior Financial Reporting Specialist 2010–2011
- Holcim, Zürich, Head Financial Holdings 2007–2010
- Ernst & Young, Auditor 2001–2007

#### Qualifications

- Certified public accountant 2005
- Master's degree in economics, University of Zurich, 2001

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### **Jörg Walther**

- Independent, non-executive member since 2014
- Chairman of the Audit Committee since 2022
- Swiss citizen, born 1961

#### Other activities

- HUBER + SUHNER AG, member of the BoD and Chairman of the Audit Committee (member of the BoD since 2016)
- Zehnder Group AG, Vice Chairman of the BoD and Chairman of the Audit Committee (member since 2016)
- AEW Energie AG, Vice Chairman of the BoD since 2020, member of the Audit Committee (member since 2014)
- Kraftwerk Augst AG, member of the BoD since 2015
- Immobilien AEW AG, Vice Chairman of the BoD since 2015
- swissVR, member of the board since 2021
- Schärer Attorneys at law, Partner since 2010
- Resun AG, General Counsel and Head Corporate Services, member of the Executive Committee 2010–2012
- Novartis International AG, Global Head Legal M&A and Antitrust, member of the Group Legal Executive Committee 2001–2009
- ABB Asea Brown Boveri AG, Group Vice President M&A 1999–2001
- ABB Schweiz AG, Senior Legal Counsel 1995–1998
- Danzas Management AG, Senior Legal Counsel and Head Legal Services 1991–1995

#### Qualifications

- MBA, University of Chicago, Booth School of Business 1999
- Postgraduate certificate in European economic law, University of St.Gallen 1993
- Admitted to the bar (Attorney at Law) 1990
- MLaw, University of Zurich 1989

At the 2022 ordinary general meeting, the long-serving Chairman of the Board of Directors, Heinrich Spoerry, resigned from the Board of Directors after reaching the age limit of 70 years stipulated in the Articles of Association. Thomas Oetlerli, non-executive and independent member of the Board of Directors since 2011 and Chairman of the Audit Committee since 2014, was elected by the shareholders as his successor as the Chairman of the Board of Directors at the 2022 Annual General Meeting.

### 3.2 Other activities and vested interests

The profiles of the members of the Board of Directors give an overview of other activities and vested interests. Beyond that, no member of the Board of Directors belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office.

### 3.3 Permitted additional activities

The members of the Board of Directors may have other functions in the executive management or administrative bodies. The number of functions for third parties and legal units that are not controlled by SFS Group is limited to:

- Five mandates in publicly traded companies (Art. 727 para. 1 num. 1 OR); and, in addition;
- Ten mandates in companies that exceeded in two successive reporting years CHF 20 million of total assets, CHF 40 million of total sales and 250 full-time employees on average (Art. 727 para. 1 num. 2 OR); and, in addition;
- Twenty mandates in legal entities that do not meet the above-mentioned criteria; and, in addition;
- Ten mandates in associations, charity foundations and employee assistance foundations.

Mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

### 3.4 Election and terms of office

The terms of office of each member of the Board of Directors correspond to the legally permitted maximum term of one year. The members of the Board of Directors, the Chairman and the members of the Nomination and Compensation Committee are elected by the Annual General Meeting. Every member is elected individually.

The term of office ends at the end of the next Annual General Meeting. Re-election is possible as long as the relevant member has not attained the age of 70.

If the office of the Chairman of the Board of Directors is vacant, the Nomination and Compensation Committee is not complete or the company does not have an Independent Proxy, the Board of Directors shall appoint a substitute for the time period until the conclusion of the next Annual General Meeting who must be – with the exception of the Independent Proxy – a member of the Board of Directors.

### 3.5 Internal organizational structure

The Board of Directors is responsible for the ultimate direction, supervision and control of the Group Executive Board.

In support of its directive and supervisory capacity, the Board of Directors has nominated an independent Lead Director and has formed two standing committees, the Nomination and Compensation Committee and the Audit Committee.

#### Board of Directors' procedures

A meeting of the Board of Directors is held whenever the business of the Company requires but at least six times per annum. The meetings are usually spread at regular intervals over the first and second half-year. The Chairman, or in his absence the Lead Director, or in the absence of both, another member of the Board of Directors, chairs the meeting. He convenes Board meetings and sets meeting agendas. Additionally, he ensures that the meeting agenda and supporting material are sent to Board members no later than 10 days before the meeting date. The Chief Executive Officer, Chief Financial Officer and other members of the Group Executive Board for specific agenda items attend Board meetings with an advisory vote. The Board of Directors carries out an internal self evaluation usually twice a year.

In the reporting year, a total of eight (PY eight) ordinary and one (PY four) extraordinary Board meetings took place. Three meetings lasted less than two hours, five meetings lasted for a day, and one strategy conference was held over a period of three days. The meetings were held at regular intervals of one or two months during the reporting year. Bettina Stadler participated in all but one Board meeting, all other members of the Board of Directors in all Board meetings (PY Urs Kaufmann participated in all but one Board meeting, all others in all Board meetings).

The Chairman of the Board of Directors maintains continuous contact with the members of the Board of Directors and keeps them updated in a regular and timely fashion. Decisions are made by the Board of Directors as a whole. A quorum of the Board of Directors is constituted when a majority of the members attend the meeting in person. In exceptional cases, the presence can take place by telephone or electronic media. The Board of Directors passes its resolutions with the majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Voting by proxy is not allowed. All resolutions and deliberations are recorded. The minutes are signed by the Chairman and the secretary and must be approved by the Board of Directors.

### Lead Director

The Board of Directors elected Urs Kaufmann as Lead Director until the end of the next Annual General Meeting. In his function, he takes the chair of the Board meetings if the Chairman is indisposed. In particular, the Lead Director chairs Board meetings if the Chairman is required to abstain from the deliberation and decision taking if the following items are on the agenda:

- Assessment of the Chairman’s work
- Decision of the Board of Directors on the request to the General Meeting for the re-election or not of the Chairman
- Decision about the Chairman’s compensation.

### Committees constitution and procedures

The committees areas of authority and responsibility are defined in Section 5 of the Organizational Regulations of SFS Group. Available on the SFS Group website: [Corporate Governance](#) →

The committees support the Board of Directors in its supervisory and control capacities and act mainly as consulting, assessment and preparation bodies. The committees have final decision competence only in the topics explicitly mentioned below.

At the end of the reporting period, the committees were set up as follows:

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#### Nomination and Compensation Committee

Urs Kaufmann	Chairman
Nick Huber	Member
Thomas Oetterli (since April 2022)	Member

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#### Audit Committee

Jörg Walther (since April 2022)	Chairman
Bettina Stadler	Member
Manuela Suter	Member

With the resignation of Heinrich Spoerry as Chairman of the Board of Directors, he also stepped down from the Nomination and Compensation Committee. As his successor Thomas Oetterli was elected by the shareholders. At the same time, Thomas Oetterli resigned from the Audit Committee.

The committees meet as often as the business of the company requires. The Audit Committee typically meets in January, February and autumn. The Nomination and Compensation Committee usually meets in February and December. A record is kept of every meeting, and participants and the Board of Directors are provided with the minutes. The chairmen of the committees report on the committees’ activities at the next meeting of the Board of Directors and prepare formal requests to the Board of Directors.

The term of office of the committee members is one year and corresponds to their term of office as members of the Board of Directors.

### Nomination and Compensation Committee

The committee consists of a chairman and at least one additional member with a maximum of four members of the Board of Directors. The committee members are elected by the General Meeting on a yearly basis by request of the Board of Directors. The Nomination and Compensation Committee constitutes itself. The committee prepares all relevant decisions related to the nomination and compensation of the members of the Board of Directors and the Group Executive Board.

The Chief Executive Officer and the Head of Human Resources attend the meetings of the committee unless their own nomination or compensation is being discussed. In the reporting period, the committee held four meetings (PY two), each lasting about three hours. In particular, the Nomination and Compensation Committee has the following duties:

- Requests related to the compensation system of the SFS Group;
- Requests related to the setting of compensation-related targets for the Group Executive Board;
- Requests related to the approval of the individual compensation of the Chairman and the members of the Board of Directors, the Chief Executive Officer and other members of the Group Executive Board;
- Requests related to amendments to the Articles of Association in respect of the compensation system;
- Proposals related to a balanced composition of the Board of Directors and determination of the criteria of independence;
- Selection process for new members of the Board of Directors, the Chief Executive Officer and members of the Group Executive Board;
- Evaluation of proposals of the Chief Executive Officer related to the appointment or removal from office members of the Group Executive Board;
- Approval of agreements and employment contracts with the Chairman of the Board of Directors, the Chief Executive Officer and other members of the Group Executive Board;
- Approval of the acceptance of external mandates by members of the Board of Directors and the Group Executive Board.

The motions of the committee are proposed to the full Board of Directors as a whole. Further functions of the Nomination and Compensation Committee are defined in Section 5.3 of the Organizational Regulations.

### Audit Committee

The Audit Committee has a minimum of three members, elected by the Board of Directors. The Audit Committee constitutes itself and supports the Board of Directors in its ultimate supervisory function on the completeness of the financial statements, compliance with the legal requirements, the aptitude of the external auditor and the performance of



the internal and external auditors. The Audit Committee assesses the appropriateness of the financial reporting, the internal control system and the general control of business risks.

The Chief Financial Officer, the Chief Executive Officer, the Head of Corporate Controlling, the Head of Internal Audit and the external auditor attend the meetings of the Audit Committee. If necessary, the Audit Committee discusses certain agenda items separately with the external auditor. In the reporting period, the committee held five meetings (PY four), each lasting about two hours.

In particular, the Audit Committee has the following duties and competences:

- Evaluation of the external auditor and proposal to the Board of Directors on the appointment of the external auditor at the General Meeting;
- Assessment of the performance of the current external auditor and approval of the budget for auditing and other fees by the external auditor;
- Organization of the internal audit, appointment of the internal auditor and assessment of its performance review
- Approval of the audit plans of both the internal and external auditors;
- Approval of any non audit-related services of the external auditor;
- Request for information from the Group Executive Board and the internal and external auditors on major risks, contingent liabilities and other liabilities of the Group and assessment of the minimization measures taken;
- Review and discussion of the annual and interim financial statements and other published financial information;
- Discussion of the results of the annual audit with the external auditor and the reports of the internal audit and submissions or proposals to the Board of Directors assessment;
- Assurance of the collaboration between external and internal auditors.

Further functions of the Audit Committee are defined in Section 5.2.2 of the Organizational Regulations.

### 3.6 Definition of areas of responsibility

The functions and responsibilities of the various bodies are set out in detail in Section 2 ff. of the Organizational Regulations. The Board of Directors is responsible for the ultimate direction, supervision and control of the Group Executive Board.

The Board of Directors deals with all matters that are not delegated to the General Meeting or another body of the Company either by law, its Articles of Associations or the Organizational Regulations.

Pursuant to the Articles of Association and the Organizational Regulations, the Board of Directors has delegated corporate management responsibility to the Group Executive Board. The Organizational Regulations are reviewed and amended by the Board of Directors on a regular basis.

The Board of Directors approves in particular the business strategy and organization as proposed by the Group Executive Board, the budgets, medium-term plans and any other business that by its nature or financial importance is considered strategically significant. For any projects that require a Board of Directors' decision, written requests are prepared.

### 3.7 Information and control instruments vis-a-vis Group Executive Management

During the Board of Directors' meeting, the Chief Executive Officer and the Chief Financial Officer give information on the current state of business, the most important business transactions of the segments, the divisions and the subsidiaries (management units) and the execution of functions delegated to the Group Executive Board.

The management information system of SFS Group works as follows: The balance sheet, income statement, cash flow statement and key figures of the management units are set up and consolidated on a quarterly, half-yearly and yearly basis, and compared with the previous year's figures and budget. The budget is reviewed based on the quarterly financials in the form of a latest best estimate on the reachability of each unit and on a consolidated basis. The Board of Directors is provided with a monthly overview of the development of the group sales and a quarterly estimate of financial results for the whole reporting year.

The Board of Directors approves the budget of SFS Group, the segments and the divisions. Once a year the Board of Directors is provided with the results of the current mid-term planning for the following three to five years. Usually, the Board of Directors deals with strategic questions about the group, the segments and the divisions in a one and a half to two day meeting.

The Chief Executive Officer, the Group Executive Board and the Chairman of the Board of Directors are provided with condensed financial reporting about the business development on a monthly basis. Substantial discrepancies and developments are brought to the attention of the whole Board of Directors immediately in written form.

The internal audit is executed by the Corporate Controlling team and in cooperation with an external specialized partner. Although the Head of Internal Audit is subordinate to the Chief Financial Officer, he reports directly to the Audit Committee in regard to these activities. The internal audit of SFS Group is aligned with the size of the group. Based on financial risk considerations approved by the Audit Committee, the group companies are audited every two to four years depending on the risk assessment. The written internal audit report is discussed with the management of the companies concerned and the most significant measures are agreed. Material findings of the internal audit and the audit reports are presented to and discussed in the Audit Committee. In the reporting year, six internal audits took place (PY eight).

The external auditor assesses the internal control system (ICS) annually in a comprehensive report to the Audit Committee and confirms its existence.

The Group Executive Board selects and assesses the substantial financial, operational and strategic risks annually together with the ICS managers. Based on its own assessment (top-down) and on information provided by the segments and divisions (bottom-up), risks are categorized depending on their probability of occurrence and their potential financial impact. For each listed risk, mitigation measures are defined. The risks assessed and the actions defined are submitted in the Risk Analysis of the SFS Group to the Board of Directors' meeting in December for discussion and approval. In the reporting period, the following potential risks with possible countermeasures were discussed in particular (hereinafter listed without prioritization):

- Loss of data and impairment of going concern due to cyberattacks;
- Investment risks in large-scale projects;
- Delivery constraints (caused by COVID-19 pandemic, Ukraine conflict, trade conflict China/USA);
- Risks with acquired corporations;
- Shortage of energy, increase of energy cost;
- Warranty risks due to recalls;
- Dependency on global economic developments;
- Compliance risks;
- Currency risks.

## 4 Group Executive Board

### 4.1 Members of the Group Executive Board

The Chief Executive Officer, together with the Group Executive Board, is responsible for the management of the SFS Group. Under his leadership, the Group Executive Board addresses all issues of relevance to the Group, takes decisions within its remit and submits proposals to the Board of Directors. The heads of the segments, divisions and corporate cross-functions are responsible for the outline and achievement of their business objectives and for the autonomous management of their units.

At the end of the reporting year 2022, the Group Executive Board consisted of ten (PY nine) members.



Group Executive Board on 12.31.2022, from left: Volker Dostmann, Iso Raunjak, Arthur Blank, Jens Breu, George Poh, Claude Stadler, Alfred Schneider, Urs Langenauer, Walter Kobler, Martin Reichenecker

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**Jens Breu**

- Chief Executive Officer since 2016
- Head of Segment Engineered Components since 2014
- Head of Segment Fastening Systems since 2014
- Head of Segment Distribution & Logistics since 2022
- With SFS since 1995
- Swiss citizen, born 1972

## Functions within SFS Group

- Member of the BoD of several SFS Group companies
- Chief Operating Officer from 2014–2015
- Head of Division Industrial 2012–2013
- Technical Director SFS intec 2008–2013
- Vice President of manufacturing SFS Group USA 2000–2008
- Tool engineer 1995–2000

## Other functions

- Dätwyler Holding AG, member of the BoD since 2019

## Qualifications

- MBA, Cleveland State University 2007
- Mechanical engineer, FHS St.Gallen 1996

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**Arthur Blank**

- Head of Division Construction since 2014
- With SFS since 1979
- Swiss citizen, born 1959

## Functions within SFS Group

- Member of the BoD of several SFS Group companies
- General Manager Europe 2010–2013
- Head of various Business Units 2008–2010
- General Manager International Manufacturing 1998–2008

## Qualifications

- SKU Advanced Management Program, Switzerland 2000
- International management program with focus on manufacturing management, IMD Lausanne 1994
- Bachelor of Science (B. Sc.), Buchs Institute of Technology (NTB) 1982

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**Volker Dostmann**

- Chief Financial Officer since 2021
- With SFS since 2020
- Swiss citizen, born 1970

## Functions within SFS Group

- Member of the Group Executive Committee since 2020
- Member of the BoD of several SFS Group companies

## Other functions

- Chief Financial Officer Kistler Instruments Ltd 2018–2020
- Chief Financial Officer Oerlikon Surface Solutions Segment at OC Oerlikon 2010–2017

## Qualifications

- Senior Executive Program, London Business School 2017
- Executive MBA Business Engineering, University St.Gallen 2007
- Economist SEBA, HWV Zürich 1994

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**Walter Kobler**

- Head of Division Industrial since 2014
- Head of Division Medical since 2021
- With SFS since 1987
- Swiss citizen, born 1963

## Functions within SFS Group

- Member of the BoD of several SFS Group companies
- General Manager of SFS intec aerospace activities 2004–2014

## Qualifications

- Stanford Executive Program, Stanford University 2012
- Sales manager at the Institute of Marketing, University of St.Gallen 1994
- Advanced courses in sales and leadership, Management Center St.Gallen 1992
- Federally certified marketing planner, Kaderschule St.Gallen 1990

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**Urs Langenauer**

- Head of Division Riveting since 2019
- With SFS since 1995
- Swiss citizen, born 1979

## Functions within SFS Group

- General Manager Division Automotive, SFS Group USA 2013–2019
- Vice President Manufacturing, SFS Group USA 2008–2013

## Qualifications

- Engineer in mechatronics, University of Applied Sciences St.Gallen, 2003

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**George Poh**

- Head of Division Electronics since 2014
- With SFS (Unisteel) since 1995
- Singapore citizen, born 1963

## Functions within SFS Group

- Member of the BoD of several SFS Group companies
- Chief Operating Officer Unisteel 2012–2014
- Chief Technology Officer Unisteel 2011–2012
- Managing Director Unisteel 2003–2011
- Various management positions within Unisteel 1995–2003

## Qualifications

- MBA, University of Hull, UK 1998
- Bachelor of Engineering (B.Eng.), mechanical engineering, University of Sheffield, UK 1988
- Diploma mechanical engineering, Singapore Polytechnic 1983

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**Iso Raunjak**

- Head of Division Distribution & Logistics Switzerland since 2020
- With SFS since 1992
- Swiss citizen, born 1976

## Functions within SFS Group

- Head of Business Unit Architectural Hardware 2018–2019
- Head of Business Unit Central Logistics 2012–2018
- Head of Quality Management 2006–2012

## Qualifications

- Diploma in logistics management at the University of St.Gallen 2014
- Training in antitrust law at the University of Constance 2008
- Training as a technical merchant 2004

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**Martin Reichenecker**

- Head of Division Distribution & Logistics International since 2022
- With SFS (Hoffmann) since 2004
- German citizen, born 1977

## Functions within SFS Group

- Chief Executive Officer of Hoffmann Group since 2021
- Member of the Management resp. of the BoD of several SFS Group companies
- Director of sales and marketing and delegate of the executive board Hoffmann 2018–2021
- Group Executive sales and marketing Hoffmann 2015–2018
- Group Executive product management and purchasing Hoffmann 2014–2015
- Head of International Key Account Management Hoffmann 2011–2013
- Various management positions Hoffmann 2004–2011

## Qualifications

- Master of Business Administration and Engineering, University of Applied Sciences Mannheim 2004
- Diploma in Business Administration, Academy Ravensburg 2001

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**Alfred Schneider**

- Head of Division Automotive since 2014
- With SFS since 1987
- Swiss citizen, born 1959

## Functions within SFS Group

- Member of the BoD of several SFS Group companies
- Member of the BoD of the joint venture in China, Sunil SFS intec since 2008
- General Manager Automotive Products 2008–2013
- General Manager Industrial Products 2002–2008

## Other functions

- Libracore AG, Member of the BoD since 2019

## Qualifications

- SKU Advanced Management Program, Switzerland 1999
- Diploma in sales management, University of St.Gallen 1994
- Business management, Swiss Engineering STV 1986
- Mechanical engineer, Buchs Institute of Technology (NTB) 1982

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**Claude Stadler**

- Head of Corporate Services since 2018
- With SFS since 2013
- Swiss citizen, born 1976

## Functions within SFS Group

- Head of Corporate Communications and Investor Relations 2013–2017

## Other functions

- Golfyr AG, member of the BoD since 2022
- Stadler Holding AG, Chairman of the BoD since 2021
- University of Applied Science of St. Gallen, member of the BoD since 2019
- Rüden AG, member of the BoD since 2019
- icotec AG, Chairman of the BoD since 2022 (member since 2015)
- Avantama AG, member of the BoD since 2015
- WISTAMA Finanz- und Beteiligungs AG, member of the BoD since 2011

## Qualifications

- Swiss Board School, IMP-HSG, University of St.Gallen, 2015
- University of St.Gallen, Master's degree in Information & Technology Management, 2001
- Stockholm School of Economics, CEMS MIM, 2000

#### 4.2 Other activities and vested interests

The profiles of the members of the Group Executive Board in Section 4.1 give an overview of other activities and vested interests. Beyond that, no member of the Group Executive Board belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office.

#### 4.3 Permitted additional activities

The members of the Group Executive Board may have other functions in the executive management or administrative bodies if approved by the Nomination and Compensation Committee. The number of functions for third parties and legal units that are not controlled by SFS Group is limited to:

- Two mandates in publicly traded companies (Art. 727 para. 1 num. 1 CO); and, in addition;
- Three mandates in companies that exceeded in two successive reporting years CHF 20 million of total assets, CHF 40 million of total sales and 250 full-time employees on average (Art. 727 para. 1 num. 2 CO); and, in addition;
- Five mandates in legal entities that do not meet the above-mentioned criteria.

Mandates in companies that are under uniform control or the same beneficial ownership are deemed one mandate.

#### 4.4 Management contracts

No management contracts exist with companies or individuals outside SFS Group.

## 5 Compensation, shareholdings and loans

All information on this subject can be found in chapter 2 Fundamental principals of the compensation system of the Compensation Report of this Annual Report.

## 6 Shareholders' participation

#### 6.1 Voting rights and representation restrictions

Shareholders' participation rights are detailed in Art. 11 of the Articles of Association.

Each share entitles to one vote, subject to the provisions in Section 2.5 Limitations on transferability and nominee listings. In the reporting year, no exceptions were granted (PY none).

The Board of Directors determines the requirements related to proxies and voting instructions.

An easement or abolition of the restriction of the transferability of the registered shares can be resolved by the General Meeting. A resolution passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required.

The Articles of Association do not contain any regulations concerning the issuance of instructions to the Independent Proxy or the electronic participation at the Annual General Meeting.

Each shareholder may be represented by the Independent Proxy. The term of office of the Independent Proxy ends at the next Annual General Meeting. Re-election is possible. Its duties are governed by the relevant statutory provisions. The Annual General Meeting of April 27, 2022, elected bürki bolt Rechtsanwälte, 9435 Heerbrugg, as Independent Proxy until the next Annual General Meeting.

#### 6.2 Statutory quorums

For:

- The cases listed in Art. 704 para. 1 CO and in Art. 18 and 64 of the Federal Act on Merger, Demerger, Transformation and Transfer of Assets (Merger Act);
- The easement or abolition of the restrictions of the transferability of registered shares;
- Any change to the provisions of Art. 13 of the Articles of Association (Quorums);

a resolution of the General Meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required.

#### 6.3 Convocation of the Annual General Meeting

No regulations deviate from the relevant statutory provisions.

#### 6.4 Inclusion of items on the agenda

The Board of Directors states the items on the agenda.

Registered shareholders with voting rights individually or jointly representing at least 5% of the share capital may demand that items are put on the agenda. Such demands must be submitted in writing to the Chairman of the Board of Directors at least 45 days before the date of the Annual General Meeting.

#### 6.5 Registration in the share register

No registrations are made in the share register in the ten days before and the five days after the date of the Annual General Meeting. The exact dates are set out in the invitation to the Annual General Meeting. In the reporting year, the Board of Directors has granted no exceptions to this rule (PY none).

## 7 Changes of control and defense measures

### 7.1 Duty to make an offer

Pursuant to Art. 31 of the Articles of Association, the obligation to submit a public takeover offer pursuant to Art. 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading (SESTA; newly regulated in Art. 135 and 163 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading, FinMIA) has been waived in accordance with Art. 22 para. 2 SESTA (opting out; newly regulated in Art. 125 para. 3 FinMIA).

### 7.2 Clauses on changes of control

No contractual clauses governing changes in control exist in agreements or plans with the members of the Board of Directors. The employment contracts of the members of the Group Executive Board do not contain any provisions related to change of control. The blocking period of shares continues to apply in the event of a change of control. There are no clauses related to a change of control in the employment contracts of other key members of the management.

The contractual notice period for members of the Group Executive Board is set to a maximum of twelve months. The agreed non-competition clause of members of the Group Executive Board of two years is not applicable if employment is terminated due to a change of control.

## 8 Auditing body

### 8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, St.Gallen, has been the independent auditor of SFS Group AG and several subsidiaries since 1993. The independent auditor is elected by the Annual General Meeting for a period of one year. The lead auditor in the present mandate, Gianluca Galasso, took office at the Annual General Meeting of 2021.

### 8.2 Audit fees

In the reporting period, PricewaterhouseCoopers charged SFS Group about CHF 1.3 million (PY CHF 0.6 million) for the audit of SFS Group AG, the Group financial statements and several subsidiaries.

### 8.3 Additional fees

PricewaterhouseCoopers AG and affiliated companies did not raise invoices for audit-related services in the reporting period (PY <CHF 0.1 million). For additional services related to tax compliance and other tax consulting services, a total amount of CHF 0.4 million (PY CHF 0.2 million) was paid to PricewaterhouseCoopers AG.

In relation to the acquisition of Hoffmann SE (financial and tax due diligence), SFS paid fees in the amount of <CHF 0.1 million to PricewaterhouseCoopers (PY CHF 0.9 million).

### 8.4 Informational instruments pertaining to an external audit

The Audit Committee briefs the Board of Directors on the work done by and the working relation with the external auditor at least once a year.

Each year, the external auditor submits an audit plan and a comprehensive report on the financials for the attention of the Board of Directors and the Audit Committee. The report contains conclusions on financial accounting, the internal control system and the process and results of the audit.

The Audit Committee evaluates the scope of the annual audit and the audit plans, and discusses audit results with the external auditor. In the reporting period, the external and internal auditors were present at five meetings of the Audit Committee (PY four).

The Audit Committee makes an annual assessment of the effectiveness, performance, independence and fees paid to the external auditor, and provides the Board of Directors with a proposal for the election of the auditor by the General Meeting.

This evaluation is based on the reports and presentations provided by the external auditor, the discussions held in the meetings, its objectivity and its technical and operational competency.

The Audit Committee assesses the sustainability, the scope and the fee for the services rendered by the external auditor.

## 9 Information policy

Open and regular communication on all levels is an important part of the managerial responsibility. All information measures are based on a commitment to uphold the credibility of the group. Communication is carried out in an active, open and timely way with all stakeholders.

SFS Group maintains a dialog with investors and media on a regular basis, including media and analyst conferences in March and in July (in the reporting period exceptionally in August), an investor day every other year in August/September (in the reporting period due to the acquisition of Hoffmann SE additionally in June), roadshows in spring and every other autumn, a volume notification with sales numbers in January and investors days at various banks. An overview of the dates of significant events for shareholders, analysts, investors and media is available here: [Agenda](#) →

As a company listed on the SIX Swiss Exchange AG, SFS Group AG is subject to the ad hoc publicity regulations; i.e. the obligation to report any information that is potentially relevant to the share price. All according to Art. 53 LR ad hoc announcements, as well as further news, can be found here: [Media & Newsroom](#) →

Interested parties can subscribe to an email service free of charge at the following link: [Mailing list subscription](#) →

Annual reports and half-year reports, presentations on important activities and other relevant documents go online simultaneously with publication on the following website: [Financial publications](#) →

The annual report webpage can be found here: [Online Annual Report](#) →

Shareholders receive the short version of the annual report automatically with the invitation to the Annual General Meeting. The complete version of the Annual Report is available electronically on the website.

Official announcements and company notices are published in the Swiss Commercial Gazette (SOGC).

The following information is available on the SFS Group website [www.sfs.com](http://www.sfs.com):

[Numbers: SFS at a glance](#) →

[Information for investors](#) →

[Articles of association](#) →

[Organizational regulations](#) →

Investor Relations  
Benjamin Sieber  
Rosenbergsaustasse 8  
9435 Heerbrugg Switzerland  
T +41 71 727 62 48  
[corporate.communications@sfs.com](mailto:corporate.communications@sfs.com)

## 10 Blocking periods

The SFS Group Trading Policy specifies fixed blocking periods for trading in shares of SFS Group AG or derivatives that are significantly influenced by the share price of SFS Group AG (Ordinary Blocked Periods) for employees who have insider knowledge due to their function in the phase of preparing the Half-Year and Annual Financial Reports. In addition to the members of the Board of Directors and the Group Executive Board, this group consists of various persons designated by the CEO or CFO, in particular in the areas of finance, IT and communication. The fixed blocking periods last from December 1 until the day after the publication of the Annual Report and from June 1 until the day after the publication of the Half-Year Report. In the reporting year, there were thus fixed blocking periods from December 1, 2021, to March 4, 2022, from June 1, 2022, to August 26, 2022, and from December 1, 2022, to March 3, 2023. Exceptions to the trading suspension may be approved by the CEO or the Chairman of the Board of Directors. No exceptions were granted during the reporting period (PY none).

Furthermore, the Trading Policy of SFS Group provides for Extraordinary Blocked Periods, which can be declared by the CEO or the Chairman of the Board of Directors if there is a risk of insider information being available during a certain period of time which is only accessible to a limited group of persons. In the reporting year, no special blocked period was declared (PY special blocked period during the period from July 15, 2021, to December 22, 2021, in the preparation of the signing of the purchase agreement for the shares in Hoffmann SE).

## 11 Non-applicability/negative statement

It is explicitly declared that all statements that are not included or mentioned in this report are considered as either not applicable or negative statement (according to the Directive on Information relating to Corporate Governance published by SIX Swiss Exchange AG or the associated Commentary).







# Compensation report

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# 1 Introduction

This Compensation Report provides information about the compensation system established by SFS Group and the compensation paid to the Board of Directors (BoD) and the Group Executive Board (GEB). SFS Group updated the compensation system in conjunction with its IPO in 2014 and revised it in the year 2018.

This Compensation Report satisfies the provisions of the Ordinance Against Excessive Compensation in listed companies (OAEC) in effect as of January 2014 and the pertinent provisions of the Swiss Code of Obligations in connection therewith. The structure of this report basically follows the provisions set forth in the Directive on Information relating to Corporate Governance issued by SIX Swiss Exchange AG and the Articles of Association of SFS Group AG.

## 2 Fundamental principles of the compensation system

The success of SFS Group depends to a large extent on the quality, entrepreneurial mindset and motivation of its workforce. The aim of the compensation system is to attract well-qualified specialists and executives, and foster commitment to the company's long-term goals. The compensation policy of SFS Group satisfies the following criteria:

- Performance-oriented with fixed and variable compensation components
- Based on clearly defined and measurable targets
- Clear and straightforward
- Compensation is fair and market-based
- Predefined maximum and minimum thresholds

The basic principles of the compensation program are set forth in Arts. 25–30 of SFS Group AG's Articles of Association.

The Articles of Association prohibit the Company from providing members of the BoD or the GEB with any loans, credits, or pension benefits other than from occupational pension plans.

Responsibility for revision of the compensation system and proposal of the amounts of compensation to be paid lies with the Nomination and Compensation Committee (NCC). Its proposals are submitted to the entire BoD. The composition, tasks and duties and working methods of the NCC are disclosed in the Corporate Governance Report. The NCC comprises at least two but not more than four members out of the BoD elected annually by the General Meeting.

### 2.1 Compensation of the Board of Directors

The members of the BoD receive a fixed basic fee, fixed fees for membership of committees of the BoD and a lump-sum compensation for expenses. The various amounts of com-

penensation are determined annually by the BoD based on a proposal submitted by the NCC. The amount of compensation paid is subject to and within the limits of the aggregate amounts approved by the Annual General Meeting. Compensation is paid in cash and in the form of a fixed number of shares of SFS Group AG. The SFS shares are a compensation component focused on long-term success and are subject to a minimum holding period of three years. The weighting of SFS shares as a component of overall compensation is reviewed on a regular basis by the NCC. Proposals for modification will be submitted to the BoD.

#### Basic fee and share allocation

	Fixed basic fee in CHF	Fee for membership in a committee in CHF	Fixed number of shares
Chairman of the Board of Directors	240,000	–	1,500
Members of the Board of Directors	60,000	20,000	500

An additional compensation, as specified in Art. 25 of the Articles of Association, was not awarded during the year under review or during the previous year. Compensation of the members of the BoD is subject to approval by the Annual General Meeting.

In principal, there will be no payments to pension funds or similar institutions for the members of the BoD. In exceptional cases such payments may be made upon request of the NCC and are subject to the approval by the Annual General Meeting if the members in question do not have other insurable income from subordinate employment.

### 2.2 Compensation of the Group Executive Board

Members of the GEB receive a base salary in cash commensurate with their responsibilities and experience. In addition, a variable component of compensation based on individual performance and the operational results is paid in cash and in the form of SFS shares. The SFS shares awarded are blocked for a period of at least three years.

Compensation of the members of the GEB is subject to approval by the Annual General Meeting. Members of the GEB also receive a lump-sum cash payment as reimbursement for business and representational expenses, in accordance with local legislation and in Switzerland with the business and travel expense policy document approved by the competent cantonal tax authority.

The compensation for GEB members comprises the following components:

- 1) Base salary
- 2) Variable cash compensation
- 3) Variable SFS share compensation

1) Base salary

The base salary is fixed individually and considers the function performed and the responsibility of the particular member of the GEB.

2) Variable cash compensation

The variable compensation system of the GEB is based on the MBO (Management by Objectives) process of the SFS Group. A success and performance-oriented target compensation in cash is agreed in advance for each member of the GEB which according to the Articles of Association may not exceed an amount equal to 100% of the base salary. For the Chief Executive Officer (CEO), the variable target cash compensation is limited to 40 to 60%, and for the other GEB members to 30 to 50% of the base salary. If the threshold for the specific target is not met, no variable cash compensation will be paid out. Where the agreed targets are significantly outperformed, a cap for this salary component is set at 150% of the agreed variable cash amount.

The amount of variable cash compensation is governed by three criteria:

a) The extent to which the financial targets have been achieved

The financial targets are set in advance for a one-year period of service. For the 2022 financial year, same as in the previous year, the financial targets at Group, segment and divisional level pertained to sales and the EBIT margin.

b) The achievement of individual annual targets

These compensation-relevant targets for the CEO are determined by the BoD; in respect of all other GEB members, they are determined individually by the CEO. Ongoing projects, the established strategic targets and sustainable corporate development serve as guidelines in this process. A floor value is determined for each of the defined targets, below which there is no entitlement to compensation. A cap value determines the maximum amount of variable compensation for each target.

As of calendar year 2021 specific ESG goals are defined for all GEB members as part of the individual targets to strengthen the emphasis on ecological and social aspects in the context of corporate management. This includes e.g. the use of renewable energy, CO<sub>2</sub> reduction as well as topics from the field of occupational health and safety, equal treatment and training and education.

c) A discretionary decision regarding leadership

Leadership, values and conduct are also evaluated when determining entitlement to variable cash compensation. Performance in this respect is evaluated through the direct line manager and approved by the responsible management body.

The weighting of the goals for the variable cash compensation is determined by the BoD based on a proposal submitted by the NCC. For the year under review and the previous year, these weightings were set as follows:

	CEO, CFO and Head of Corporate Services	Other members of GEB
Financial targets Group	60%	30%
Financial targets segments and divisions	–	30%
Individual targets	20%	20%
Leadership, values, conduct	20%	20%

3) Variable SFS share compensation

A second part of the variable compensation is paid out in the form of SFS shares. The BoD determines a certain number of SFS shares to be awarded to each member every year at the beginning of the performance period. The number of the shares should be for the CEO within a target range of 1,500 to 2,500 shares and for the other members of the GEB within a target range of 250 to 1,000 shares. At the end of the performance period, the BoD will determine at its own discretion how many SFS shares will be granted based on the proposal submitted by the NCC, taking into consideration the market environment (economic activity, industry developments, etc.), the execution of Company strategy, the Company's financial situation as well as the individual performance. A factor of 0 to 150% may be applied. The SFS shares are transferred to the members at the end of the Annual General Meeting at which this compensation is confirmed. These SFS shares are blocked for a period of at least three years. Shares awarded to a member of the GEB shall remain their property on separation from the Company.

The compensation of the members of the GEB is subject to approval by the General Assembly.

**2.3 Stock ownership plan**

SFS Group can periodically offer company shares to selected and long-standing employees. The BoD issued a regulation addressing the following elements in particular: Determination of the purchase price, granting of a potential discount on the purchase price, maximum reference value (valued upon allocation) in relation to the individual annual base compensation as well as a blocking period of the shares. The conditions are determined by the BoD based on a proposal of the NCC. Members of the BoD and the GEB may be included in this programme. The SFS shares acquired through this plan will be blocked for at least three years.

In 2022, unlike in the previous year, no stock ownership program was executed. The BoD and the GEB were excluded from the stock ownership program the previous year as they had insider information about the planned acquisition of Hoffmann. In the circumstances the members of the BoD and the GEB along with other employees excluded due to their

insider knowledge were given the opportunity in the year under review to participate in a stock ownership program on equal terms.

### 3 Process used to determine compensation

The NCC discusses the financial and individual targets to be set for the GEB for the coming financial year at the end of every year. It submits its proposals to the entire BoD for approval.

Compensation of the BoD and the variable compensation of the GEB is determined every year in February after the close of the financial year by the full BoD based on the proposals of the NCC, subject to approval by the Annual General Meeting. The base salary of the GEB for the upcoming year is determined in December of the previous year by the full BoD at the request of the NCC.

When setting its own compensation, all members of the BoD are present and they all have decisionmaking authority.

When setting the aggregate compensation of the BoD and the GEB, data for listed international industrial companies with a similar geographic footprint and of a similar size and with headquarters in Switzerland are consulted, and the individual responsibilities and experience of the respective member are also taken into consideration. This data is reviewed on a regular basis.

In the year under review the peer group included: Arbonia, Autoneum, Bucher Industries, Bossard, EMS, Geberit, Huber+Suhner, Rieter and VAT.

Responsibility for determination of variable compensation and aggregate compensation is shown in the following table:

	Proposal	Decision	Approval
Board of Directors	NCC	BoD	AGM
Chief Executive Officer	NCC	BoD	AGM
Group Executive Board members	NCC	BoD	AGM

As stated in the Articles of Association, each year the Annual General Meeting casts separate votes on the proposals of the BoD regarding the aggregate amount of:

1. Compensation of the BoD for the term of office up to the next Annual General Meeting;
2. Any additional compensation of the BoD for the preceding financial year;
3. The variable compensation of the CEO and the GEB based on the operational results and individual objectives achieved in the preceding financial year, to be paid immediately after approval;
4. The fixed compensation of the CEO and the GEB to be paid in the following financial year.

If the Annual General Meeting does not approve the proposed amount of the fixed compensation or the variable compensation, the BoD may convene a new extraordinary Annual General Meeting and submit new proposals, or submit the proposals for compensation for retrospective approval at the next Annual General Meeting.

The respective amounts of aggregate compensation include all social and pension plan contributions due from the members of the BoD and the GEB and of the Company (employee and employer contributions).

If new members are appointed to the GEB or existing members promoted and take up their position with the Company after the Annual General Meeting has approved the maximum aggregate amount of fixed compensation for members of the GEB for the financial year in question, each of the newly appointed or promoted board members may be paid aggregate compensation for the period up to the next Annual General Meeting of no more than 25% of the aggregate compensation most recently approved for the GEB by the Annual General Meeting.

## 4 Compensation in the year under review and in the previous year

This section is subject to inspection by the auditors.

### 4.1 Compensation of the Board of Directors 2022

At the 2022 Annual General Meeting, the shareholders approved a maximum aggregate amount of CHF 1,600,000 (incl. social benefit contributions) for the 2022/2023 term of office. The compensation actually allocated for this period will amount to CHF 1,427,869 (incl. social benefit contributions) and therefore be below the approved amount.

In CHF except number of shares	Base salary in cash	Number of SFS shares	Value of SFS shares <sup>1</sup>	Social benefits <sup>2</sup>	Total
Thomas Oetterli, Chairman since April 2022	186,667	1,500	180,000	53,430	420,097
Heinrich Spoerry, Chairman until April 2022	59,937	–	–	7,645	67,582
Peter Bauschatz since April 2022	53,333	500	60,000	–	113,333
Nick Huber	80,000	500	60,000	21,380	161,380
Urs Kaufmann	80,000	500	60,000	21,380	161,380
Bettina Stadler	80,000	500	60,000	21,380	161,380
Manuela Suter	80,000	500	60,000	21,380	161,380
Jörg Walther	80,000	500	60,000	21,286	161,286
<b>Total Board of Directors</b>	<b>699,937</b>	<b>4,500</b>	<b>540,000</b>	<b>167,881</b>	<b>1,407,818</b>

<sup>1</sup> The exchange value of the SFS shares at the time of the allocation of the number of shares on May 3, 2022, was CHF 120.00 per share.

<sup>2</sup> Employer contributions as well as employee contributions taken over by the employer to social security schemes.

### 4.2 Compensation of the Board of Directors 2021

In CHF except number of shares	Base salary in cash	Number of SFS shares	Value of SFS shares <sup>1</sup>	Social benefits <sup>2</sup>	Total
Heinrich Spoerry, Chairman	212,500	1,500	177,000	51,280	440,780
Nick Huber	80,000	500	59,000	21,225	160,225
Urs Kaufmann	80,000	500	59,000	21,225	160,225
Thomas Oetterli	80,000	500	59,000	21,247	160,247
Bettina Stadler	80,000	500	59,000	21,225	160,225
Manuela Suter	53,333	500	59,000	17,179	129,512
Jörg Walther	80,000	500	59,000	21,247	160,247
<b>Total Board of Directors</b>	<b>665,833</b>	<b>4,500</b>	<b>531,000</b>	<b>174,628</b>	<b>1,371,461</b>

<sup>1</sup> The exchange value of the SFS shares at the time of the allocation of the number of shares on May 3, 2021, was CHF 118.00 per share.

<sup>2</sup> Employer contributions as well as employee contributions taken over by the employer to social security schemes.

### 4.3 Compensation of the Group Executive Board 2022

A new member joined the GEB on May 11, 2022, in connection with the acquisition of Hoffmann SE. The total target compensation of the GEB was reviewed as of January 1, 2022. No changes were made. The total target compensation for the financial year amounted to CHF 6,419,177 (gross incl. social benefit contributions). This was 7.9% more than the previous year, as a consequence of an additional member joining. As part of the management of the pandemic, out of solidarity with the employees during the pandemic-related measures and depending on the situation in the divisions, the GEB voluntarily waived part of its fixed base salary for a limited period in the financial years 2021 and 2020. This further limits the comparability of compensation.

At the Annual General Meeting 2021 the shareholders approved maximum fixed compensation to the GEB of CHF 4,100,000 (gross incl. social benefit contributions) for 2022. The compensation actually paid for this period amounted to CHF 3,767,239 (gross incl. social benefit contributions) and was thus below the approved amount.

Likewise, at the Annual General Meeting 2022 the shareholders approved maximum total variable compensation of CHF 3,700,000 (gross incl. social benefit contributions) for the GEB for the financial year 2021. The allocation of shares was valued at the market value of CHF 133.40 per share on February 22, 2022. Due to the lower share price of CHF 121.40 at the time of allocation on April 28, 2022, the maximum variable compensation approved by the AGM reduced to CHF 3,572,189 (gross incl. social benefit contributions). The variable compensation actually paid out amounted to CHF 3,426,906 (gross incl. social benefit contributions) and was thus below the approved amount.

The overall target achievement for the variable cash compensation of the GEB for the financial year 2022 was in the range between 91% and 125%. For the determination of the share factor, the aspects market environment, strategy implementation and financial situation of the company (detailed description in section 2.2 of the compensation report) were assessed by the BoD. Due to the broad economic recovery, the market environment was assessed as good to very good, depending on the division. Overall, strategy implementation is on track in all areas and the company's financial situation and future prospects are considered to be positive. This resulted in individual share factors of between 1.00 and 1.25.

In CHF except number of shares	Base salary gross in cash	Variable cash compensation gross	Number of SFS shares	Value of SFS shares gross <sup>1</sup>	Other benefits <sup>2</sup>	Total
Jens Breu, CEO	639,002	373,964	2,500	299,266	154,841	1,467,073
Other members of GEB <sup>3</sup>	2,725,154	1,352,314	5,588	674,559	576,914	5,328,941
<b>Total GEB</b>	<b>3,364,156</b>	<b>1,726,278</b>	<b>8,088</b>	<b>973,825</b>	<b>731,755</b>	<b>6,796,014</b>

<sup>1</sup> The exchange value of the SFS shares at the time of the determination at the meeting of the Board of Directors on February 23, 2023, was CHF 109.20 per share. Employee contributions to social security had been added to compensation "gross" numbers.

<sup>2</sup> Employer contributions to social security schemes and occupational pension plans.

<sup>3</sup> At the end of the reporting period the GEB consisted of nine members (CEO not included).

#### 4.4 Compensation of the Group Executive Board 2021

In CHF except number of shares	Base salary gross in cash	Variable cash compensation gross	Number of SFS shares	Value of SFS shares gross <sup>1</sup>	Other benefits <sup>2</sup>	Total
Jens Breu, CEO	635,070	450,000	2,500	366,576	173,272	1,624,918
Other members of GEB <sup>3</sup>	2,499,465	1,434,435	5,862	883,256	669,639	5,486,795
<b>Total GEB</b>	<b>3,134,535</b>	<b>1,884,435</b>	<b>8,362</b>	<b>1,249,832</b>	<b>842,911</b>	<b>7,111,713</b>

<sup>1</sup> The exchange value of the SFS shares at the time of the determination at the meeting of the Board of Directors on February 22, 2022, was CHF 133.40 per share. Employee contributions to social security had been added to compensation "gross" numbers.

<sup>2</sup> Employer contributions to social security schemes and occupational pension plans.

<sup>3</sup> At the end of the reporting period the Group Executive Board consisted of eight members (CEO not included).

#### 4.5 Loans and credit facilities

SFS Group did not grant any loans, credits, securities or pension benefits other than from occupational pension funds to the members of the BoD or the GEB.



## 5 Shares owned by the Board of Directors and the Group Executive Board

### 5.1 Board of Directors

	Number of shares <b>12.31.2022</b>	Number of shares 12.31.2021
Thomas Oetterli, Chairman since April 2022, external, independent member	10,820	8,760
Heinrich Spoerry, Chairman until April 2022, external, independent member	n/a	202,760
Peter Bauschatz, external, independent member since April 2022	1,060	n/a
Nick Huber, external member*	116,212	115,152
Urs Kaufmann, external, independent member	11,820	10,760
Bettina Stadler, external member*	393,960	392,900
Manuela Suter, external, independent member	1,280	500
Jörg Walther, external, independent member	6,700	5,640
<b>Total</b>	<b>541,852</b>	736,472

This information on the number of shares held by the BoD does not replace the information disclosed in the notes to the financial report of this Annual report, pursuant to Art. 663c of the Swiss Code of Obligations.

\* Member family shareholders

### 5.2 Group Executive Board

	Number of shares <b>12.31.2022</b>	Number of shares 12.31.2021
Jens Breu, Chief Executive Officer	31,370	28,310
Arthur Blank, Head of Division Construction	15,485	14,455
Volker Dostmann, Chief Financial Officer	1,363	115
Walter Kobler, Head of Divisions Industrial, Head of Division Medical	23,555	22,525
Urs Langenauer, Head of Division Riveting	4,691	3,631
George Poh, Head of Division Electronics	49,197	47,574
Iso Raunjak, Head of Division Distribution & Logistics Switzerland	1,153	373
Martin Reichenecker, Head of Division Distribution & Logistics International since May 2022	560	n/a
Alfred Schneider, Head of Division Automotive	19,055	17,885
Claude Stadler, Head of Corporate Services*	393,266	392,143
<b>Total</b>	<b>539,695</b>	527,011

This information on the number of shares held by the Group Executive Board does not replace the information disclosed in the notes to the financial report of this Annual report, pursuant to Art. 663c of the Swiss Code of Obligations.

\* Member family shareholders

# Report of the statutory auditor

to the General Meeting of SFS Group AG

Heerbrugg, municipality of Widnau

## Report on the audit of the remuneration report

### Opinion

We have audited the remuneration report of SFS Group AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in chapter 4 on pages 55 and 56 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 55 and 56) complies with Swiss law and article 14 to 16 of the Ordinance.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the „Auditor’s responsibilities for the audit of the remuneration report“ section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the chapter marked „audited“ in the remuneration report, the consolidated financial statements, the financial statements and our auditor’s reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Board of Directors’ responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG



Gianluca Galasso  
Licensed audit expert  
Auditor in charge



André P. Kueffer  
Licensed audit expert



# Financial report

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## Consolidated income statement

In CHF million	Notes	2022	%	2021	%	+/-%
<b>Net sales</b>	2.2	<b>2,738.7</b>	<b>100.0%</b>	1,897.3	100.0%	44.3%
Other operating income	2.3	37.7		26.2		
Change in work in progress and finished goods		16.1		19.6		
Material expenses		-1,182.3		-685.1		
<b>Contribution margin</b>		<b>1,610.2</b>	<b>58.8%</b>	<b>1,258.0</b>	<b>66.3%</b>	<b>28.0%</b>
Personnel expenses	2.4	-737.1		-555.3		
Other operating expenses	2.5	-425.0		-295.6		
Depreciation property, plant and equipment	3.4	-110.5		-101.8		
Amortization of intangible assets	3.5	-7.3		-3.6		
<b>Total operating expenses</b>		<b>-1,279.9</b>	<b>-46.7%</b>	<b>-956.3</b>	<b>- 50.4%</b>	<b>33.8%</b>
<b>Operating profit (EBIT)</b>		<b>330.3</b>	<b>12.1%</b>	<b>301.7</b>	<b>15.9%</b>	<b>9.5%</b>
Financial result	2.6	6.4		-0.7		
Share of profit/(loss) from associates/joint ventures		1.1		0.7		
<b>Earnings before tax</b>		<b>337.8</b>	<b>12.3%</b>	<b>301.7</b>	<b>15.9%</b>	<b>12.0%</b>
Income taxes	2.7	-67.2		-53.7		
<b>Net income</b>		<b>270.6</b>	<b>9.9%</b>	<b>248.0</b>	<b>13.1%</b>	<b>9.1%</b>
Attributable to non-controlling interests		3.9		4.2		
Attributable to owners of SFS Group AG		266.7		243.8		
<b>Earnings per share of the owners of SFS Group (in CHF) basic and diluted</b>	4.6	<b>6.95</b>		<b>6.51</b>		<b>6.8%</b>

The notes on pages 67 to 95 are an integral part of these consolidated financial statements.

## Consolidated balance sheet

<b>Assets in CHF million</b>	Notes	<b>12.31.2022</b>	%	12.31.2021	%	+/-%
Cash and cash equivalents	4.1	221.5		286.0		
Trade receivables	3.1	412.7		313.6		
Other current receivables	3.2	104.3		30.9		
Inventories	3.3	630.6		378.8		
Prepayments and accrued income		25.4		19.5		
<b>Current assets</b>		<b>1,394.5</b>	<b>54.2%</b>	1,028.8	55.9%	35.5%
Property, plant and equipment	3.4	1,001.5		702.0		
Intangible assets	3.5	57.7		28.4		
Financial assets	4.2	75.1		45.0		
Deferred tax assets	3.11	45.4		34.9		
<b>Non-current assets</b>		<b>1,179.7</b>	<b>45.8%</b>	810.3	44.1%	45.6%
<b>Assets</b>		<b>2,574.2</b>	<b>100.0%</b>	1,839.1	100.0%	40.0%
<b>Liabilities and equity in CHF million</b>						
	Notes	<b>12.31.2022</b>	%	12.31.2021	%	+/-%
Current borrowings	4.3	27.2		1.7		
Trade payables	3.7	202.6		126.0		
Other current payables	3.8	125.9		63.6		
Accrued liabilities and deferred income		142.9		107.4		
<b>Current liabilities</b>		<b>498.6</b>	<b>19.4%</b>	298.7	16.2%	66.9%
Non-current borrowings	4.3	672.0		5.1		
Other non-current payables		6.4		-		
Pension benefit obligations	3.9	13.4		9.7		
Non-current provisions	3.10	15.4		12.6		
Deferred tax liabilities	3.11	64.8		62.6		
<b>Non-current liabilities</b>		<b>772.0</b>	<b>30.0%</b>	90.0	4.9%	757.8%
<b>Liabilities</b>		<b>1,270.6</b>	<b>49.4%</b>	388.7	21.1%	226.9%
Share capital		3.9		3.8		
Capital reserves		179.8		11.6		
Treasury shares		-1.5		-7.4		
Retained earnings		1,102.5		1,423.7		
<b>Equity attributable to SFS</b>	4.6	<b>1,284.7</b>	<b>49.9%</b>	1,431.7	77.8%	-10.3%
Non-controlling interests		18.9		18.7		
<b>Total equity</b>		<b>1,303.6</b>	<b>50.6%</b>	1,450.4	78.9%	-10.1%
<b>Liabilities and equity</b>		<b>2,574.2</b>	<b>100.0%</b>	1,839.1	100.0%	40.0%

The notes on pages 67 to 95 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

In CHF million	Notes	Share capital	Capital reserves	Treasury shares	Goodwill offset against equity	Cash flow hedges	Net investment hedges	Currency translation adjustments	Other retained earnings	Retained earnings	Equity attributable to SFS	Non-controlling interests	Total equity
<b>Balance as at 1.1.2021</b>		<b>3.8</b>	<b>11.5</b>	-	-1,015.6	0.4	-	-76.7	2,337.9	<b>1,246.0</b>	<b>1,261.3</b>	<b>16.9</b>	<b>1,278.2</b>
Changes of hedges		-	-	-	-	2.2	-	-	-	<b>2.2</b>	<b>2.2</b>	-	<b>2.2</b>
Acquisitions	5.1	-	-	-	-7.1	-	-	-	-	<b>-7.1</b>	<b>-7.1</b>	-	<b>-7.1</b>
Currency translation adjustments		-	-	-	-	-	-	6.3	-	<b>6.3</b>	<b>6.3</b>	<b>-0.8</b>	<b>5.5</b>
Net income		-	-	-	-	-	-	-	243.8	<b>243.8</b>	<b>243.8</b>	<b>4.2</b>	<b>248.0</b>
Dividend for 2020		-	-	-	-	-	-	-	-67.5	<b>-67.5</b>	<b>-67.5</b>	<b>-1.6</b>	<b>-69.1</b>
Purchase of treasury shares	4.6	-	-	-12.5	-	-	-	-	-	-	<b>-12.5</b>	-	<b>-12.5</b>
Disposal of treasury shares	4.6	-	0.1	5.1	-	-	-	-	-	-	<b>5.2</b>	-	<b>5.2</b>
Other changes		-	-	-	-	-	-	-	-0.0	<b>-0.0</b>	<b>-0.0</b>	-	<b>-0.0</b>
<b>Balance as at 12.31.2021</b>		<b>3.8</b>	<b>11.6</b>	<b>-7.4</b>	-1,022.7	2.6	-	-70.4	2,514.2	<b>1,423.7</b>	<b>1,431.7</b>	<b>18.7</b>	<b>1,450.4</b>
Capital increase	4.6	0.1	169.2	-	-	-	-	-	-	-	<b>169.3</b>	-	<b>169.3</b>
Changes of hedges	4.7	-	-	-	-	-2.6	32.0	-	-	<b>29.4</b>	<b>29.4</b>	-	<b>29.4</b>
Acquisitions	5.1	-	-	-	-486.9	-	-	-	-	<b>-486.9</b>	<b>-486.9</b>	-	<b>-486.9</b>
Currency translation adjustments		-	-	-	-	-	-	-49.2	-	<b>-49.2</b>	<b>-49.2</b>	<b>-1.8</b>	<b>-51.0</b>
Net income		-	-	-	-	-	-	-	266.7	<b>266.7</b>	<b>266.7</b>	<b>3.9</b>	<b>270.6</b>
Dividend for 2021		-	-	-	-	-	-	-	-82.0	<b>-82.0</b>	<b>-82.0</b>	<b>-1.9</b>	<b>-83.9</b>
Purchase of treasury shares	4.6	-	-	-20.7	-	-	-	-	-	-	<b>-20.7</b>	-	<b>-20.7</b>
Disposal of treasury shares	4.6	-	-1.0	26.6	-	-	-	-	-	-	<b>25.6</b>	-	<b>25.6</b>
Other changes		-	-	-	-	-	-	-	0.8	<b>0.8</b>	<b>0.8</b>	-	<b>0.8</b>
<b>Balance as at 12.31.2022</b>		<b>3.9</b>	<b>179.8</b>	<b>-1.5</b>	-1,509.6	-	32.0	-119.6	2,699.7	<b>1,102.5</b>	<b>1,284.7</b>	<b>18.9</b>	<b>1,303.6</b>

The notes on pages 67 to 95 are an integral part of these consolidated financial statements.

The capital reserves stem from the statutory capital reserve as well as other capital reserves of SFS Group AG.



## Consolidated cash flow statement

In CHF million	Notes	2022	2021	+/-%
Net income		270.6	248.0	
Income taxes		67.2	53.7	
Financial result		-7.5	-0.0	
Depreciation/amortization	3.4/3.5	117.8	105.4	
Loss from impairment (+)/reversal of impairment (-)		-	-3.1	
Interest paid		-6.3	-1.5	
Income tax paid		-84.2	-44.0	
Changes in provisions and allowances		14.0	0.7	
Other non-cash expenses/income		8.2	-3.0	
Profit (-)/loss (+) from disposal of property, plant and equipment		-1.3	-4.7	
Changes in trade receivables		-15.7	30.6	
Changes in other receivables and prepayments and accrued income		-7.9	2.0	
Changes in inventories		-76.1	-60.1	
Changes in trade payables		-2.5	-12.9	
Changes in other current liabilities, accrued liabilities and deferred income		11.6	13.4	
<b>Cash flow from operating activities</b>		<b>287.9</b>	<b>324.5</b>	<b>-11.3%</b>
Purchases of property, plant and equipment	3.4	-149.2	-104.6	
Proceeds from sale of property, plant and equipment		1.2	13.7	
Purchases of intangible assets	3.5	-21.8	-16.8	
Proceeds from sale of intangible assets		0.2	1.9	
Acquisition of subsidiaries, net of cash acquired	5.1	-519.1	-7.6	
Changes in loans granted		44.2	-0.6	
Investment in/dividends from associates/joint ventures		-0.2	-0.5	
Proceeds from interest and securities		1.2	0.5	
<b>Cash flow from investing activities</b>		<b>-643.5</b>	<b>-114.0</b>	<b>464.5%</b>
Proceeds (+)/repayment from/of current borrowings (-)		-190.7	0.1	
Proceeds (+)/repayment from/of non-current borrowings (-)		588.8	-38.3	
Dividends to the shareholders		-82.0	-67.5	
Dividends to non-controlling interests		-1.9	-1.6	
Purchase (-)/disposal of treasury shares (+)		-19.5	-8.3	
<b>Cash flow from financing activities</b>		<b>294.7</b>	<b>-115.6</b>	
Translation adjustment on cash and cash equivalents		-3.6	3.4	
<b>Changes in cash and cash equivalents</b>		<b>-64.5</b>	<b>98.3</b>	
Cash and cash equivalents at beginning of period	4.1	286.0	187.7	
<b>Cash and cash equivalents at end of period</b>	4.1	<b>221.5</b>	<b>286.0</b>	

The notes on pages 67 to 95 are an integral part of these consolidated financial statements.



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# 1 General information

SFS Group AG 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.

All amounts are in CHF million unless otherwise stated and refer to December 31 for balance sheet items and to the financial year from January 1 to December 31 for items of the income statement.

The structure of the notes is as follows:

- 1 General information
- 2 Performance
- 3 Capital employed
- 4 Financing and risk management
- 5 Group structure
- 6 Events after the balance sheet date

## 1.1 Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. Swiss GAAP FER provides a true and fair view of the financial position of the SFS Group and of its financial performance. The financial statements are based on the principle of historical acquisition costs (except for securities and derivative financial instruments recognized at fair value) and are based on the going concern principle. The consolidated financial statements for the year ended December 31 comprise the company and its subsidiaries and the group's interest in associates and joint ventures. The directives under the accounting standards (Swiss GAAP FER) have not changed in the reporting period.

## 1.2 Consolidation principles and currency conversion

The consolidated financial statements include the financial statements of SFS Group AG and all its Swiss and foreign subsidiaries. Using the full consolidation method, all assets and liabilities as well as the expenses and income of the subsidiaries controlled by SFS Group AG are included in the consolidated financial statements. Control is assumed when SFS Group AG directly or indirectly holds more than 50% of the voting rights of a subsidiary. Equity and profit or loss attributable to third parties are presented as separate line items in the consolidated balance sheet and consolidated income statement. The consolidated financial statements have been prepared based on the financial statements of the Group companies, which have been prepared in accordance with uniform Group accounting policies as of December 31.

Intercompany transactions, balances, income and expenses between Group companies are eliminated. Intercompany profits are eliminated.

The acquisition method is used to account for business combinations. Under this method, the acquiree's net assets and liabilities are measured at their fair values using uniform Group accounting policies. Any excess of consideration transferred over the fair value of the net assets acquired is offset against equity. In case of disposal, acquired goodwill offset with equity at an earlier date is to be considered at original cost to determine the profit or loss recognized in the income statement.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Entities managed equally with an SFS external partner are called joint ventures. Joint control is established by contractual agreement. Strategic, financial and operating decisions require unanimous consent. Associates are those entities in which the Group exerts significant influence, but does not control the financial and operating policies. The group's share of voting rights at joint ventures and associates are between 20% and 50%. SFS is entitled to its proportional share of the net assets. Goodwill (if any) is offset against equity.

Items included in the financial statements of each of the SFS Group's entities are measured using the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

The consolidated financial statements are presented in Swiss francs (CHF). For consolidation purposes, the results and financial positions of all Group entities whose functional currency differs from the presentation currency are translated into the presentation currency. Assets and liabilities are translated at the closing exchange rate at the date of that balance sheet. Income and expenses are translated at average exchange rates. All resulting conversion differences are recognized in equity.

Foreign exchange differences resulting from intercompany equity loans in a foreign currency are recognized in equity and reversed through profit and loss upon disposal of the entity or upon repayment of the loan.

### **1.3 Critical accounting estimates and judgments**

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of income, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, the actual results may differ from these estimates.

The main estimates are in connection with the valuation of the inventory, the determination of useful lives of fixed assets, as well as the capitalization and valuation of deferred tax liabilities and tax assets. All estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances.

## **2 Performance**

This chapter comprises the performance and segment information as well as selected income and expense items.

### **2.1 Segment information**

The SFS Group is divided into three segments: Engineered Components, Fastening Systems and Distribution & Logistics.

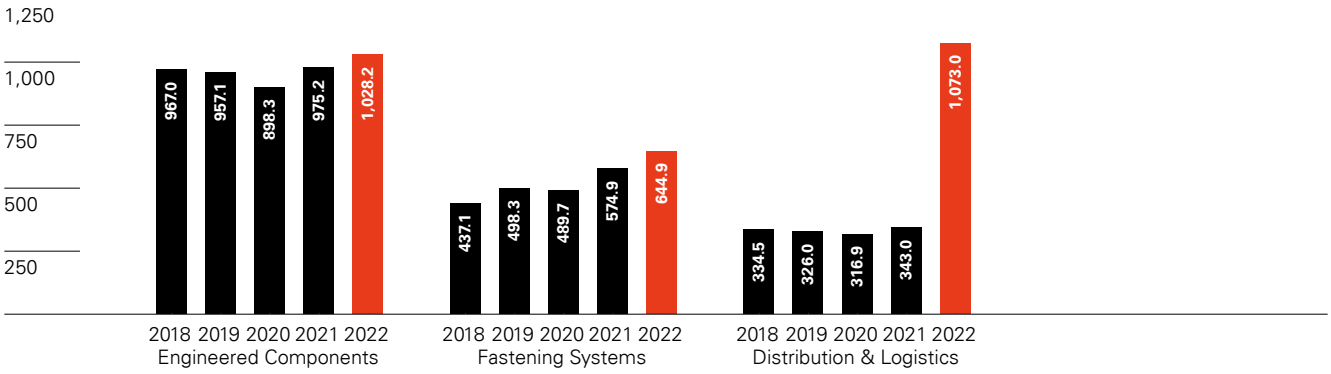
The financial performance of the segments is monitored based on EBIT as well as on operating profit before amortization and depreciation (EBITDA). The segments apply the Group's accounting policies. Internal transactions are conducted based on internal group rates.

Segment assets are all assets which are directly attributable to a segment, such as receivables, inventories, prepayments and accrued income, property, plant and equipment, intangible assets, as well as deferred tax assets. The segment liabilities include directly attributable payables, accrued liabilities and deferred income, pension benefit obligations, non-current provisions as well as deferred tax liabilities. Financial assets and financial liabilities are not allocated to a segment.

Segment assets less segment liabilities adds up to capital employed. Intercompany transactions, balances, income and expenses between segments are eliminated and reported in the "Corporate" column.

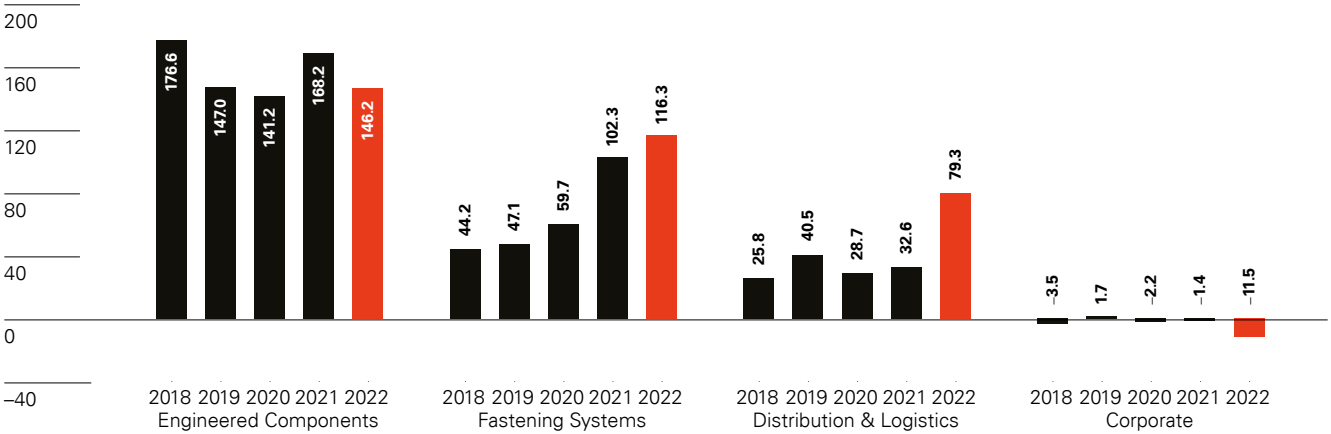
### Third party sales

In CHF million



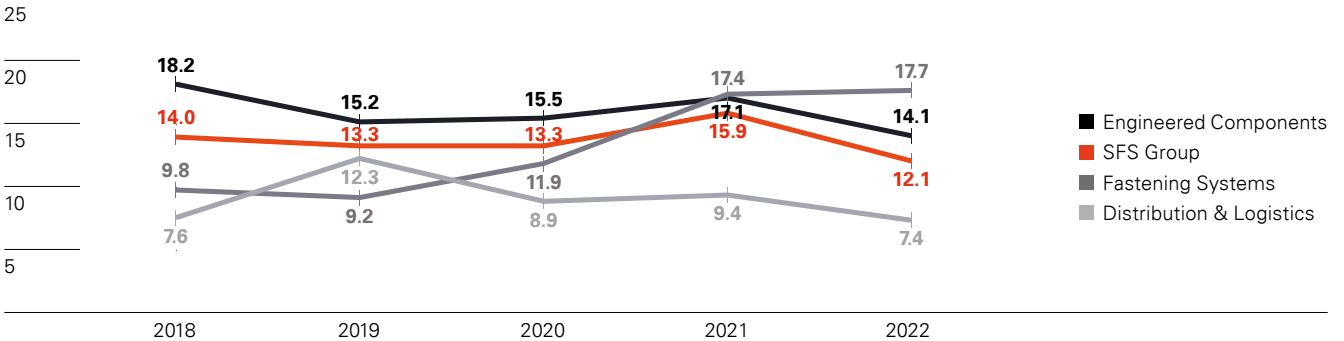
### EBIT

In CHF million



### EBIT

In % of net sales



The key figure EBITDA includes one-off effects:

Engineered Components: 2019 CHF 17.1 million relocation costs in CN-Nantong

Fastening Systems: 2020 CHF 2.1 million book gains

Distribution & Logistics: 2019 CHF 14.3 million book gains; 2022 CHF 22.9 million Amortization of inventory step-up related to purchase price allocation of Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory

Corporate: 2021 CHF 3.1 million book gains

<b>2022</b>	Notes	Engineered Components	Fastening Systems	Distribution & Logistics	Corporate	Total SFS Group
Third party sales	2.2	1,028.2	644.9	1,073.0	–	2,746.1
Increase to previous year in %		5.4	12.2	212.8	–	45.1
<b>Net sales</b>	2.2	<b>1,038.5</b>	<b>658.8</b>	<b>1,067.4</b>	<b>–26.0</b>	<b>2,738.7</b>
<b>EBITDA</b>		<b>220.3</b>	<b>132.5</b>	<b>100.5</b>	<b>–5.2</b>	<b>448.1</b>
In % of net sales		21.2	20.1	9.4		16.4
<b>Operating profit (EBIT)</b>		<b>146.2</b>	<b>116.3</b>	<b>79.3</b>	<b>–11.5</b>	<b>330.3</b>
In % of net sales		14.1	17.7	7.4		12.1
Capital expenditure		125.5	13.7	16.0	15.8	171.0
Operating assets		995.7	399.4	804.4	76.9	2,276.4
Operating liabilities		203.2	96.4	203.4	62.0	565.0
Capital employed		792.5	303.0	601.0	14.9	1,711.4
of which net working capital		255.7	190.3	279.9	–25.4	700.5

#### 2021

Third party sales	2.2	975.2	574.9	343.0	–	1,893.1
Increase to previous year in %		8.6	17.4	8.2	–	11.0
<b>Net sales</b>	2.2	<b>985.0</b>	<b>589.6</b>	<b>347.9</b>	<b>–25.2</b>	<b>1,897.3</b>
<b>EBITDA</b>		<b>244.1</b>	<b>120.4</b>	<b>37.7</b>	<b>4.9</b>	<b>407.1</b>
In % of net sales		24.8	20.4	10.8		21.5
<b>Operating profit (EBIT)</b>		<b>168.2</b>	<b>102.3</b>	<b>32.6</b>	<b>–1.4</b>	<b>301.7</b>
In % of net sales		17.1	17.4	9.4		15.9
Capital expenditure		89.1	9.9	4.1	18.3	121.4
Operating assets		929.5	342.0	162.6	69.9	1,504.0
Operating liabilities		204.9	85.6	33.9	57.5	381.9
Capital employed		724.6	256.4	128.7	12.4	1,122.1
of which net working capital		234.4	139.3	91.6	–23.7	441.6

During the reporting period no customer exceeded the reportable threshold of 10% of third party sales (PY none).

<b>Sales by region</b>	Notes	<b>2022</b>	<b>%</b>	2021	%
Switzerland		373.7	13.6	355.3	18.8
Germany		682.5	24.9	263.7	13.9
Other Europe		729.0	26.5	451.6	23.9
America		507.6	18.5	414.1	21.9
China		300.7	10.9	266.5	14.1
Other Asia		144.6	5.3	136.5	7.2
Africa, Australia		8.0	0.3	5.4	0.2
<b>Third party sales</b>	2.2	<b>2,746.1</b>	<b>100.0</b>	1,893.1	100.0
Not assigned items		-7.4		4.2	
<b>Total net sales</b>	2.2	<b>2,738.7</b>		1,897.3	

Gross sales to third parties are allocated to the countries of the receiving party. Not assigned items include invoiced freight, hedged foreign currency fluctuations effects and cash discounts.

<b>Sales by end market</b>	Notes	<b>2022</b>	<b>%</b>	2021	%
Automotive industry		548.8	20.0	403.7	21.3
Construction industry		679.5	24.7	595.3	31.4
Electrical and electronics industry		434.6	15.8	376.4	19.9
Industrial manufacturing		623.9	22.7	218.1	11.5
Medical devices industry		154.1	5.6	136.4	7.2
Other industries		305.2	11.2	163.2	8.7
<b>Third party sales</b>	2.2	<b>2,746.1</b>	<b>100.0</b>	1,893.1	100.0
Not assigned items		-7.4		4.2	
<b>Total net sales</b>	2.2	<b>2,738.7</b>		1,897.3	

Since 2022 the sales in the end market Industrial are separately disclosed. In the financial report 2021 these sales were included in the end market "Other industries".

### Reconciliation of segments to income statement and balance sheet

<b>Income statement</b>	Notes	<b>2022</b>	2021
<b>Operating profit (EBIT)</b>		<b>330.3</b>	301.7
Financial result	2.6	6.4	-0.7
Share of profit from associates/joint ventures		1.1	0.7
<b>Earnings before tax</b>		<b>337.8</b>	301.7

#### Assets

<b>Operating assets</b>		<b>2,276.4</b>	1,504.0
+ Cash and cash equivalents	4.1	221.5	286.0
+ Derivative financial instruments	4.7	1.2	4.1
+ Financial assets	4.2	75.1	45.0
<b>Assets</b>		<b>2,574.2</b>	1,839.1

#### Liabilities and equity

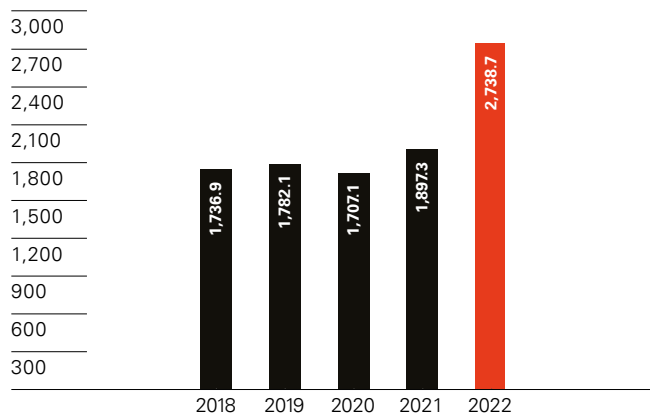
<b>Operating liabilities</b>		<b>565.0</b>	381.9
+ Current borrowings	4.3	27.2	1.7
+ Other non-current payables		6.4	-
+ Long-term borrowings	4.3	672.0	5.1
<b>Liabilities</b>		<b>1,270.6</b>	388.7
<b>Equity (Net assets)</b>		<b>1,303.6</b>	1,450.4



## 2.2 Net sales

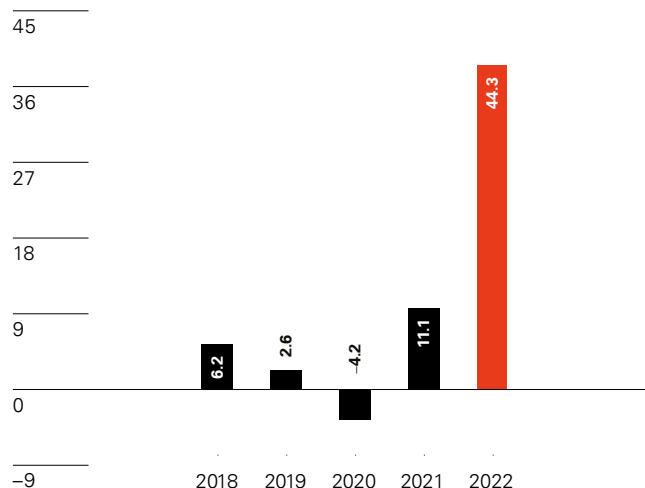
### Net sales

In CHF million



### Increase of net sales

In %



	2022	2021	+/- %
Third party sales	2,746.1	1,893.1	45.1
Other items	-7.4	4.2	
<b>Net sales</b>	<b>2,738.7</b>	1,897.3	44.3

Third party sales increased by 45.1% (PY 11.0%). The growth due to changes in the scope of consolidation amounts to 37.9% (PY 0.8%). Based on a like-for-like view and ignoring foreign currency effects, sales increased by 9.1% (PY 10.3%). The currency translation effect amounts to -1.9% (PY -0.1%).

The service revenues account for less than 1% of total revenue (PY less than 1%). It does not comprise interests, user fees or dividends.

Sales of goods and services are recognized when the risks and rewards have been transferred to the customer, which is the point of shipping or billing or when services are rendered. Cash discounts and rebates granted to customers are treated as a reduction of sales.

## 2.3 Other operating income

	2022	2021
Revenue from services	19.9	7.7
Lease income	0.8	0.5
Own-built machinery and capitalized own work	15.0	12.4
Gain on disposals of assets	2.0	5.6
<b>Total</b>	<b>37.7</b>	26.2

In 2020, the SFS Group has started a project for the upgrade of the ERP system to SAP S/4HANA. The project was continued in 2022. A part of the project was completed in 2022 and capitalized in intangible assets, the remaining part of the project is expected to be completed in 2024. The related own work is capitalized.

## 2.4 Personnel expenses

	2022	2021
Wages and salaries	577.7	438.9
Profit sharing	11.5	11.9
Social security	131.6	92.3
Other employment expenses	16.3	12.2
<b>Total</b>	<b>737.1</b>	<b>555.3</b>

In 2022, personnel expenses are reduced by contributions from government support programs and further internal measures summing up to CHF 6.4 million worldwide (PY CHF 9.4 million).

### Share-based payments

The members of the Board of Directors and Group Executive Board receive a variable compensation in the form of shares of the SFS Group AG. The shares rewarded must be held for at least three years. The expenses amounting to CHF 1.7 million (PY CHF 2.0 million) of these shares represent the share price on the day they are granted and are charged to the income statement under the line item "Personnel expenses".

In addition, SFS maintains a share purchase program for its employees. Usually, every other year shares of the SFS Group AG are sold to Board of Directors and key management members as well as specialists at a discount, which is charged to personnel expenses. The last share purchase program took place in 2022.

## 2.5 Other operating expenses

	2022	2021
Tools, energy, maintenance	167.7	150.8
Selling and distribution	153.1	91.7
Other operating expenses	104.2	53.1
<b>Total</b>	<b>425.0</b>	<b>295.6</b>

Other operating expenses include operating lease expenses amounting to CHF 31.8 million (PY CHF 15.4 million). The total costs for research and development recognized during the reporting period amount to CHF 53.1 million (PY CHF 45.6 million). The main items responsible for those costs include the fields development, tools, sampling and preparation for large-lot production. They are included in several expense line-items in the income statement.

Development cost are only capitalized in case the future income covers the capitalized amount and if the other criteria required by Swiss GAAP FER are met. The requirements for capitalization according to Swiss GAAP FER have not been met for items in other operating expenses in the current reporting period as well as in the prior year.

## 2.6 Financial result

	<b>2022</b>	2021
Interest expenses	-9.4	-1.5
<b>Financial expenses</b>	<b>-9.4</b>	-1.5
Interest income	1.2	0.7
Foreign exchange gains on financial investments	14.6	0.1
<b>Financial income</b>	<b>15.8</b>	0.8
<b>Financial result</b>	<b>6.4</b>	-0.7

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets. All other borrowing costs are recognized in financial expenses in the period in which they incurred.

## 2.7 Income taxes

	<b>2022</b>	2021
Current income tax	72.5	52.7
Deferred tax expense (+)/-income (-)	-5.3	1.0
<b>Income tax expense</b>	<b>67.2</b>	53.7
<b>Reconciliation</b>		
Earnings before tax	337.8	301.7
Expected tax rate	14.3%	14.5%
<b>Expected income tax</b>	<b>48.3</b>	43.7
Variance in tax rates	17.6	12.1
Impact of change in tax rate on deferred taxes	-1.4	-0.1
Items not subject to tax	6.4	3.7
Changes in tax loss carryforwards	-0.4	-3.9
Adjustment in respect of prior years and other items	-3.3	-1.8
<b>Income tax</b>	<b>67.2</b>	53.7
<b>Effective tax rate</b>	<b>19.9%</b>	17.8%

The income tax expense includes taxes which have been paid and accrued based on the profits of the taxable entities. These are calculated based on the relevant tax rates in the different countries. The reconciliation summarizes the individual reconciliation calculations which have been prepared based on the applicable tax rates of the respective tax jurisdictions. The expected income tax has been calculated based on the future expected tax rate of 14.3% (PY 14.5%) and corresponds to the maximum tax rate for legal entities in the canton of St.Gallen.

### 3 Capital employed

“Capital employed” consists of operating assets less operating liabilities. Operating assets include all assets directly attributable to the segments such as receivables, inventories, prepaid expenses, property, plant and equipment, intangible assets and deferred tax assets. Operating liabilities comprise all liabilities directly attributable to the segments such as accrued liabilities, pension benefit obligations, provisions and deferred tax liabilities.

#### 3.1 Trade receivables

	2022	2021
From third parties	418.2	314.5
From associates/joint ventures	0.4	0.7
From related parties	0.2	0.1
Valuation allowances	-6.1	-1.7
<b>Total</b>	<b>412.7</b>	313.6

<b>Ageing analysis</b>	<b>2022</b>	<b>2021</b>
Not yet due	330.6	256.6
Overdue 1 to 30 days	59.4	45.0
Overdue 31 to 90 days	22.1	12.1
Overdue more than 91 days	6.7	1.6
<b>Trade receivables – gross</b>	<b>418.8</b>	315.3
Valuation allowances	-6.1	-1.7
<b>Trade receivables – net</b>	<b>412.7</b>	313.6

Current receivables are carried at nominal value. The valuation allowances are determined based on the maturity structure and identifiable credit risks of trade receivables.

### 3.2 Other current receivables

	2022	2021
VAT and withholding tax	21.8	10.0
Receivables from supplier rebates	42.9	–
Other receivables	38.4	16.8
Derivative financial instruments	1.2	4.1
<b>Total</b>	<b>104.3</b>	<b>30.9</b>

### 3.3 Inventories

	2022	2021
Raw materials	65.6	54.9
Consumables	12.5	10.5
Work in progress	100.7	88.4
Finished goods	537.0	275.3
Valuation allowances	–85.2	–50.3
<b>Total</b>	<b>630.6</b>	<b>378.8</b>

Inventories are generally stated at the lower of cost or net realizable value. The cost of goods comprises raw materials, direct labor, other direct costs and related production overheads based on normal operating capacity utilization. Cash discounts from suppliers are deducted from costs of purchase.

Necessary valuation allowances are based on individual valuation of single items. The inventory quantity of each item is generally compared with annual consumption over the last twelve months. The first annual consumption of stock is assessed recoverable by 100%. If the quantity of inventory is higher than annual consumption, the excess inventory for the second annual consumption is written down to 50% of the value. All inventory above two years annual consumption is completely written off. Items added to the product range during the last 18 months prior to the balance sheet date are defined as new products and are not revalued.

In addition, the average sales price less distribution cost is compared with the cost of inventory. This valuation represents the net realizable value principle and any difference is included in the valuation allowance.

### 3.4 Property, plant and equipment

	Undeveloped property	Land and buildings	Machines and equipment	Assets under construction	Total
Cost as at 1.1.2021	6.5	674.4	1,118.3	37.5	1,836.7
Changes in scope of consolidation	–	–	0.1	–	0.1
Additions	–	17.6	34.4	52.6	104.6
Disposals	–	–14.7	–32.8	0.0	–47.5
Reclassification	–	4.6	17.5	–22.3	–0.2
Exchange differences	–	–1.4	2.8	0.4	1.8
Cost as at 12.31.2021	6.5	680.5	1,140.3	68.2	1,895.5
Changes in scope of consolidation	13.8	162.9	101.0	9.6	287.3
Additions	–	46.8	52.6	49.8	149.2
Disposals	–	–14.6	–36.2	–0.2	–51.0
Reclassification	–	9.9	30.3	–41.6	–1.4
Exchange differences	–0.5	–18.8	–26.6	–0.8	–46.7
<b>Cost as at 12.31.2022</b>	<b>19.8</b>	<b>866.7</b>	<b>1,261.4</b>	<b>85.0</b>	<b>2,232.9</b>
Accumulated depreciation as at 1.1.2021	–	–373.2	–761.9	–	–1,135.1
Changes in scope of consolidation	–	–	–	–	–
Depreciation	–	–24.8	–77.0	–	–101.8
Reversal of impairment	–	3.1	0.0	–	3.1
Disposals	–	6.4	32.1	–	38.5
Reclassification	–	0.0	0.0	–	0.0
Exchange differences	–	2.4	–0.6	–	1.8
Accumulated depreciation as at 12.31.2021	–	–386.1	–807.4	–	–1,193.5
Changes in scope of consolidation	–	–	–	–	–
Depreciation	–	–27.9	–82.6	–	–110.5
Reversal of impairment	–	–	–	–	–
Disposals	–	14.6	36.5	–	51.1
Reclassification	–	0.0	0.0	–	0.0
Exchange differences	–	6.1	15.4	–	21.5
<b>Accumulated depreciation as at 12.31.2022</b>	<b>–</b>	<b>–393.3</b>	<b>–838.1</b>	<b>–</b>	<b>–1,231.4</b>
Net book value as at 1.1.2021	6.5	301.2	356.4	37.5	701.6
Net book value as at 12.31.2021	6.5	294.4	332.9	68.2	702.0
<b>Net book value as at 12.31.2022</b>	<b>19.8</b>	<b>473.3</b>	<b>423.4</b>	<b>85.0</b>	<b>1,001.5</b>

Property, plant and equipment is stated at historical cost less depreciation. Value-added expenditures, which lead to an extension of useful life or increased production capacity, are capitalized. Interest expenses incurred when the asset was under construction, are included in the historical costs, if material. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

<b>Buildings</b>	Years
Buildings	20–33
Infrastructure	10–15

<b>Machines and equipment</b>	
Machinery	5–15
Furniture, fittings and equipment	5–10
Vehicles	3–8
IT hardware	3–5

Based on its infinite useful life, land is stated at cost and is not depreciated.

The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized through profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Government grants related to assets are offset against the historical costs of the asset concerned, as long as SFS Group has no obligation for repayment.

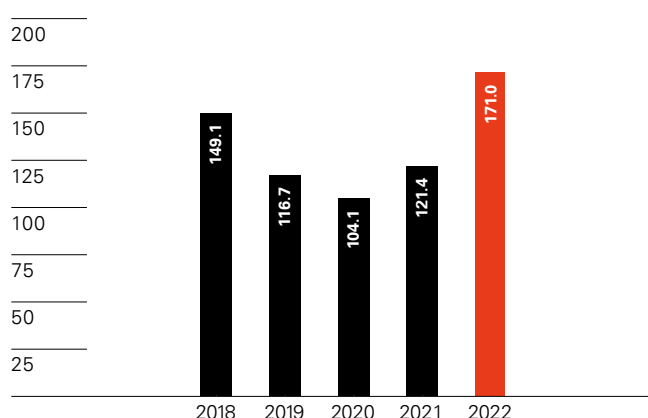
The book value of assets under construction includes down payments to suppliers of CHF 29.1 million (PY CHF 19.6 million).

In order to collateralize borrowings, assets amounting to CHF 71.9 million (PY CHF 21.2 million) have been pledged with CHF 53.3 million (PY CHF 7.4 million), of which CHF 50.5 million (PY CHF 0.7 million) have been drawn.

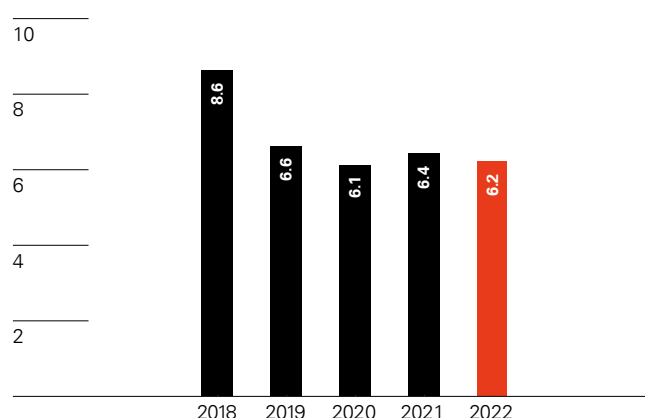
The financial commitments for contracted purchases of property, plant and equipment as well as for assets under construction amount to CHF 113.1 million (PY CHF 93.7 million).

The following charts show the additions to tangible and intangible assets from the notes 3.4 and 3.5.

**Additions property, plant, equipment and intangible assets**  
In CHF million



**Additions, property, plant, equipment and intangible assets**  
In % net sales



### 3.5 Intangible assets

	Software	Software in development	Building rights, patents	Total
Cost as at 1.1.2021	77.1	3.3	3.1	83.5
Additions	1.8	15.0	–	16.8
Disposals	–1.4	–	–2.0	–3.4
Reclassification	0.2	–	–	0.2
Exchange differences	–0.3	–	0.2	–0.1
Cost as at 12.31.2021	77.4	18.3	1.3	97.0
Changes in scope of consolidation	5.8	–	8.3	14.1
Additions	5.0	11.1	5.7	21.8
Disposals	–0.8	–	–0.2	–1.0
Reclassification	17.0	–13.2	–	3.8
Exchange differences	–0.7	–	–0.4	–1.1
<b>Cost as at 12.31.2022</b>	<b>103.7</b>	<b>16.2</b>	<b>14.7</b>	<b>134.6</b>
Accumulated amortization as at 1.1.2021	–66.2	–	–0.6	–66.8
Amortization	–3.5	–	–0.1	–3.6
Disposals	1.1	–	0.4	1.5
Reclassification	–	–	–	–
Exchange differences	0.3	–	–	0.3
Accumulated amortization as at 12.31.2021	–68.3	–	–0.3	–68.6
Changes in scope of consolidation	–	–	–	–
Amortization	–5.5	–	–1.8	–7.3
Disposals	0.7	–	–	0.7
Reclassification	–2.4	–	–	–2.4
Exchange differences	0.7	–	0.0	0.7
<b>Accumulated amortization as at 12.31.2022</b>	<b>–74.8</b>	<b>–</b>	<b>–2.1</b>	<b>–76.9</b>
Net book value as at 1.1.2021	10.9	3.3	2.5	16.7
Net book value as at 12.31.2021	9.1	18.3	1.0	28.4
<b>Net book value as at 12.31.2022</b>	<b>28.9</b>	<b>16.2</b>	<b>12.6</b>	<b>57.7</b>
Intangible assets generated internally	5.9	8.7	–	14.6
Purchased intangible assets	23.0	7.5	12.6	43.1

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the costs over the assets' estimated useful lives, as follows:

	Years
Customers, brands, technology	3–5
Software	3–10
Building rights (maximum)	50
Patents	3–5



Intangible assets generated internally can only be recognized as an asset if they meet all of the following conditions at the time of the initial recognition: They are identifiable, controlled by the organization, they will yield a measurable benefit for the organization over several years, expenses can be recognized and measured separately and it is likely that the resources needed to complete the intangible assets are available or will be made available.

The intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

In 2022, the SFS Group has CHF 3.9 million (PY CHF 7.9 million) future commitments to purchase software or software-related projects.

### 3.6 Theoretical goodwill

Goodwill and intangible assets related to acquisitions are offset against equity at acquisition date. The effects of theoretical capitalization and amortization over five years, including any impairments, are shown in a shadow statement below. If a contract is concluded, transaction costs are part of acquisition costs. Earnout payments are offset against equity as well. As goodwill is immediately offset against equity at acquisition date, an impairment of goodwill would not impact the income statement, but the theoretical impact would be shown in the shadow accounting.

	<b>2022</b>	2021
Balance as at 1.1.	132.8	310.1
Acquisitions	486.9	7.1
Derecognition	–	–214.1
Exchange differences	–35.0	29.7
Balance as at 12.31.	584.7	132.8
Accumulated amortization as at 1.1.	–78.6	–223.2
Amortization	–83.4	–51.0
Derecognition	–	214.1
Exchange differences	3.4	–18.5
Accumulated amortization as at 12.31.	–158.6	–78.6
<b>Theoretical value of goodwill as at 12.31.</b>	<b>426.1</b>	<b>54.2</b>
Equity attributable to SFS	1,303.6	1,450.4
Theoretical value of goodwill	426.1	54.2
<b>Theoretical shareholders' equity as at 12.31.</b>	<b>1,729.7</b>	<b>1,504.6</b>
Net income	270.6	248.0
Amortization of goodwill	–83.4	–51.0
<b>Theoretical net income</b>	<b>187.2</b>	<b>197.0</b>

Theoretical goodwill is derecognized as soon as it is fully amortized.

### 3.7 Trade payables

	2022	2021
Against third parties	202.6	126.0
<b>Total</b>	<b>202.6</b>	<b>126.0</b>

Liabilities are recognized in the balance sheet at nominal value.

### 3.8 Other current payables

	2022	2021
VAT and other liabilities	58.8	30.7
Tax liabilities	35.8	32.9
Liabilities from ABCP program	31.3	–
<b>Total</b>	<b>125.9</b>	<b>63.6</b>

In 2021 Hoffmann Group has signed a framework contract in order to sell and assign trade receivables to a third party service provider (Asset Backed Commercial Paper program; ABCP program). Therefore part of trade receivables of Hoffmann Group are sold on a biweekly basis. The payment receipts of trade receivables not yet transferred to the third party service provider during the period between the last date of sale of trade receivables and the next date of sale are part of other current payables.

### 3.9 Pension benefit obligations

SFS Group maintains pension plans in several countries. The Swiss plans are legal entities that are financially independent from the SFS Group. They are compliant with local requirements and the employees and SFS usually fund the plan in equal parts.

The economic impact of the pension plans on SFS Group is reassessed annually. The valuation of a surplus or deficit is based on the plan's financial statement in accordance with Swiss GAAP FER 26 (Swiss plans) or based on an established methodology in the respective jurisdiction (non Swiss plans). An economic benefit exists if it is permitted and intended to use the surplus to decrease the employer contributions. Surpluses which SFS Group can use as contributions at any time are recognized as assets in SFS Group's balance sheet. In the case of a deficit, an economic obligation exists if the conditions for establishing a provision are met. The change from the previous year in economic benefit and economic obligation is recognized (together with the expenses relating to the business period) as personnel expenses in the result of the period.

#### Swiss plans

Employees of the SFS Group in Switzerland are insured against the risks of old age, death and disability with the SFS Pension Fund based on the Federal Law on Occupational Retirement, Survivors, and Disability Pension Plans (OPA). The SFS Pension Fund is a foundation, which is legally separated from the SFS Group. As per 31 December 2022, the SFS Pension Fund has an expected coverage ratio according to the OPA of 108.3% (PY 121.4%). The pension liabilities and actuarial reserves are calculated based on a technical interest rate of 1.5% (PY 1.5%) using the life expectancy table BVG 2020 (PY BVG 2020). The present challenge is the sustainable financing of future retirement pensions, which is hard to meet due to an ongoing increase of life expectancy and a rather low interest rate environment. The trustees of the SFS Pension Fund therefore decided to reduce the conversion rate gradually to 5.2% until 2024. The determination of the economic impact on the SFS Group is based on the preliminary financial statements of the SFS Pension Fund and the Patronage Fund.

### Non-Swiss plans

For non-Swiss plans, an external actuarial report is used to determine the impact on the SFS Group. Depending on the mix of insured persons (employees, retirees), the present value of benefit obligations is calculated using an interest rate of 3.4% to 4.9% (PY 0.9% to 2.1%).

<b>Employer contribution reserve (ECR)</b>	Nominal value 12.31.2022	Waiver of use 2022	Balance sheet 12.31.2022	Accumulation 2022	Balance sheet 12.31.2021	Result from ECR in personnel expenses	
						2022	2021
Patronage Fund	20.7	0.0	20.7	0.3	20.4	-0.3	-1.1
SFS Pension Fund	1.4	0.0	1.4	0.0	1.4	-	-0.1
<b>Total</b>	<b>22.1</b>	<b>0.0</b>	<b>22.1</b>	<b>0.3</b>	<b>21.8</b>	<b>-0.3</b>	<b>-1.2</b>

An economic benefit is capitalized in SFS Group's balance sheet coming from uncommitted employer contribution reserves as well as from the Patronage fund's non-committed liabilities. It intends to use the surplus to decrease the employer contributions.

<b>Economic benefit/economic obligation and pension benefit expenses</b>	Surplus/deficit 12.31.2022	Economical part of SFS		Change to prior year	Contribution concerning 2022	Pension benefit expenses within personnel expenses	
		12.31.2022	12.31.2021			2022	2021
Patronage Fund	0.0	0.0	4.8	-4.8	0.0	4.8	-1.1
Pension Funds							
without surplus/deficit	-	-	-	-	29.1	29.1	25.9
with deficit	-2.9	-2.9	-3.0	0.1	-0.3	-0.4	0.2
without own assets	-10.5	-10.5	-6.7	-3.8	0.0	-1.8	-0.6
<b>Total</b>	<b>-13.4</b>	<b>-13.4</b>	<b>-4.9</b>	<b>-8.5</b>	<b>28.8</b>	<b>31.7</b>	<b>24.4</b>

Pension Funds "without surplus/deficit" includes the SFS Pension Fund. At balance sheet date, no non-committed reserves exist. Therefore, neither an economic benefit nor an economic obligation is capitalized in SFS Group's balance sheet. Furthermore, foreign contribution-based plans are included in this category.

Pension Funds "with deficit" includes plans of which benefit obligations exceed the plan's assets. As of December 31, 2022, this is the case for one plan in Germany (PY two), one plan in France (PY none) and no plan in the UK (PY one).

Pension Funds "without own assets" includes six plans in Germany (PY three), one plan in France (PY one), one plan in Italy (PY none) and one plan in Mexico (PY none). They are treated in the same way as the deficits of pension plans in the "with deficit" category.

### 3.10 Non-current provisions

	Anniversaries, severance payments	Other provisions	Total
Balance as at 1.1.2021	8.8	4.0	12.8
Additions	1.4	0.7	2.1
Used amounts	-1.2	-0.5	-1.7
Unused amounts reversed	0.0	0.0	0.0
Exchange differences	-0.5	-0.1	-0.6
Balance as at 12.31.2021	8.5	4.1	12.6
Changes in scope of consolidation	0.8	1.0	1.8
Additions	1.8	1.8	3.6
Used amounts	-0.9	0.0	-0.9
Unused amounts reversed	-0.6	-0.7	-1.3
Exchange differences	-0.5	0.1	-0.4
<b>Balance as at 12.31.2022</b>	<b>9.1</b>	<b>6.3</b>	<b>15.4</b>
Of which non-current	9.1	6.3	15.4

Various countries are obliged to recognize provisions as the employees are entitled to receive severance payments following the termination of employment. These are classified as contribution-based and disclosed in the "Anniversaries, severance payments" column. The "Other provisions" column contains provisions for warranty claims and business risks. Obligations arising from product liability are covered by the SFS Group's insurance policies. In addition to this, provisions are recognized for warranty claims based on historical experience and amount to CHF 2.6 million (PY CHF 2.0 million). For specific business risks, CHF 3.7 million (PY CHF 2.1 million) are deferred.

A provision is recognized when SFS Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow will be required and the amount of outflows can be estimated reliably. The valuation of provisions is based on SFS Group's best estimate at balance sheet date.

### 3.11 Deferred tax assets (-)/liabilities (+)

<b>Net deferred tax balances</b>	<b>12.31.2022</b>	12.31.2021
Deferred tax assets	-45.4	-34.9
Deferred tax liabilities	64.8	62.6
<b>Total</b>	<b>19.4</b>	27.7

<b>Movement in net deferred tax balances</b>	<b>2022</b>	2021
Balance as at 1.1.	27.7	25.8
Changes in scope of consolidation	-1.5	0.0
Charged (+)/credited (-) to income statement	-5.0	1.3
Charged (+)/credited (-) to equity	-1.1	0.4
Exchange differences	-0.7	0.2
<b>Balance as at 12.31.</b>	<b>19.4</b>	27.7

Current tax liabilities arising from the taxable profit of the reporting period are accrued for, irrespective of when they are due for payment. Deferred income tax is recognized on all temporary differences arising between the values determined according to tax law and their carrying amounts in the consolidated financial statements.

The deferred taxes are determined using local tax rates that have been enacted by the balance sheet date and are expected to apply when the deferred tax items are realized or settled. Deferred income tax liabilities arising from future distribution of retained earnings are not recognized when the Group is able to control the timing and a reversal of the temporary difference is unlikely.

The table below shows the tax loss carryforwards:

<b>Tax loss carryforwards</b>	<b>2022</b>	Recognized 2021	<b>2022</b>	Unrecognized 2021
Expiry within 3 years	-	-	-	-
Expiry in 4 to 7 years	1.5	5.7	-	-
Expiry after 7 years	5.8	10.5	37.5	0.9
<b>Total</b>	<b>7.3</b>	16.2	<b>37.5</b>	0.9

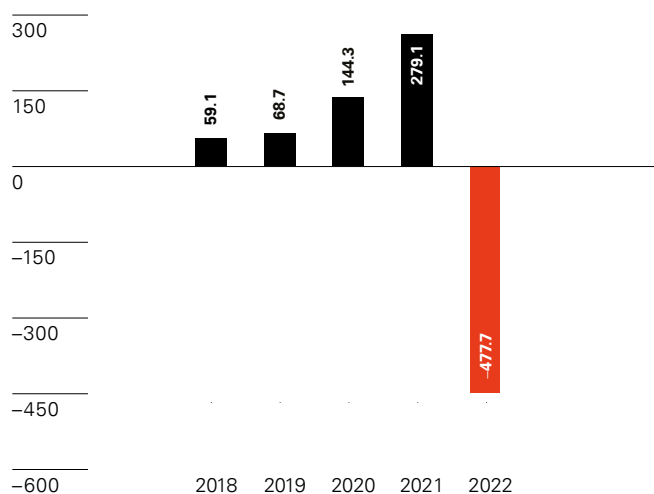
Deferred tax assets are recognized for tax loss carryforwards and on other temporary differences to the extent that is expected to be realizable within the next five years.

## 4 Financing and risk management

This chapter describes the management of the capital structure and its financial risks. The aim is to optimize profits in relation to equity plus net debt, to secure liquidity and to minimize currency risks.

### Net cash

In CHF million



### 4.1 Cash and cash equivalents

	2022	2021
Cash at bank and on hand	204.3	213.3
Current bank deposits	17.2	72.7
<b>Total cash and cash equivalents</b>	<b>221.5</b>	286.0

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments. Due to the short-term maturities of the cash equivalents, the carrying amount is equal to the fair value of these assets. In order to qualify as a cash equivalent, the original maturity of the instrument must be 90 days or less.

## 4.2 Financial assets

	2022	2021
Loans to third parties	3.7	2.4
Investments	14.7	14.5
Assets from employer contribution reserves	22.1	21.8
Economic benefit from pension plans	–	4.8
Derivative financial instruments	32.0	0.7
Other financial assets	2.6	0.8
<b>Total</b>	<b>75.1</b>	45.0

Marketable securities and financial assets are measured at market value through profit or loss. In absence of a market value, marketable securities and financial assets are measured at historical costs less any impairment. Investments include investments in associates, joint ventures and immaterial subsidiaries which are not included in the scope of consolidation.

In connection with the financing of the Hoffmann SE acquisition and the corresponding issuance of two bonds with a volume of CHF 400 million (refer to note 4.3), SFS Group has entered into two cross-currency-swaps (CHF/EUR) with the same volume and maturity (refer to note 4.7). The cross-currency-swaps (designated as hedging instruments) are used to hedge the foreign currency exposure which arises from the translation of net investments in foreign entities (designated as hedged items) into the Group's presentation currency. Changes in the fair values of the cross-currency-swaps (net investment hedges) are recognized in equity and reversed through profit and loss upon disposal of the entity. As of December 31, 2022, the fair values of the cross-currency-swaps amount to CHF 32.0 million.

## 4.3 Borrowings

	2022		2021	
	CHF million	Interest	CHF million	Interest
Bank borrowings	10.5	1.1%	1.7	2.1%
Other current borrowings	16.7	0.5%	–	–
<b>Current borrowings</b>	<b>27.2</b>	<b>0.7%</b>	1.7	2.1%
of which EUR	27.2	0.7%	1.7	2.1%
Bonds	400.0	See below	–	–
Bank borrowings	241.1	1.0%	4.6	2.2%
Non-current borrowings against third parties	430.9	1.1%	0.5	0.3%
<b>Non-current borrowings</b>	<b>672.0</b>	<b>1.1%</b>	5.1	2.0%
of which CHF	400.0	1.2%	–	–
of which EUR	272.0	1.0%	5.1	2.0%
<b>Total borrowings</b>	<b>699.2</b>	<b>1.1%</b>	6.8	2.0%

### Bonds

Nominal value in CHF million	Interest rate	Term	Expiration at nominal value
250.0	1.00%	2022–2025	06.06.2025
150.0	1.45%	2022–2027	06.08.2027

In connection with the financing of the Hoffmann SE acquisition SFS Group has issued two bonds in June 2022. Bonds are recognized in the balance sheet at nominal value. Deviations from the nominal value in the case of below or above-par issues are offset with the emission costs and recognized as accruals and deferrals and afterwards reversed on a straight-line basis over the term of the bonds.

The financial liabilities have the following maturities:

<b>Cash-outflows</b>	<b>Total 2022</b>	In 3 months	In 4–12 months	In 13–24 months	Later
Borrowings	699.2	3.4	23.8	25.6	646.4
Interest payments	27.4	1.9	5.5	7.2	12.8
<b>Total 12.31.2022</b>	<b>726.6</b>	<b>5.3</b>	<b>29.3</b>	<b>32.8</b>	<b>659.2</b>

	Total 2021	in 3 months	in 4–12 months	in 13–24 months	Later
Borrowings	6.8	0.4	1.4	1.4	3.7
Interest payments	0.4	0.0	0.1	0.1	0.2
Total 12.31.2021	7.2	0.4	1.5	1.5	3.8

### Syndicated loan

A loan contract was negotiated with five banks in August 2014. Due to the acquisition of Hoffmann SE the existing syndicated loan contract was prematurely renewed and two additional banks were included in the syndicat. The new contract term is for five years and ends on May 10, 2027. The committed and uncollateralized revolving credit line amounts to CHF 600 million and is used to 32.8% (PY 0.0%) at the end of 2022. It may be increased by a maximum amount of an additional CHF 100 million and it may be extended twice by one year, provided the lenders agree to the request of SFS Group. The option to increase the maximum amount can be used up to three months before the final maturity date.

The syndicated loan includes normal commercial terms and conditions. The variable interest yield is linked to the financial key ratio "leverage ratio". The smaller this key ratio, the lower the interest margin. The financial covenant has been met in all subsequent periods:

	Threshold
Leverage Ratio: Net senior debt/EBITDA	maximum 2.50x



#### 4.4 Leasing

Finance leases are capitalized at the start of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. They are amortized over the period of the lease. The related leasing obligations are recognized as liabilities. In the reporting period as well as in the previous year, no material finance leases existed.

Lease payments from operating leases are recognized through profit or loss during the period of the lease. If a contract is terminated early, a provision is made for the full amount owed less income realized from subleasing.

<b>Future aggregate minimum lease payments</b>	<b>2022</b>	2021
No later than 1 year	44.7	14.6
Later than 1 year and no later than 5 years	80.2	25.1
Later than 5 years	206.5	6.4
<b>Total</b>	<b>331.4</b>	46.1

#### 4.5 Off-balance sheet transactions

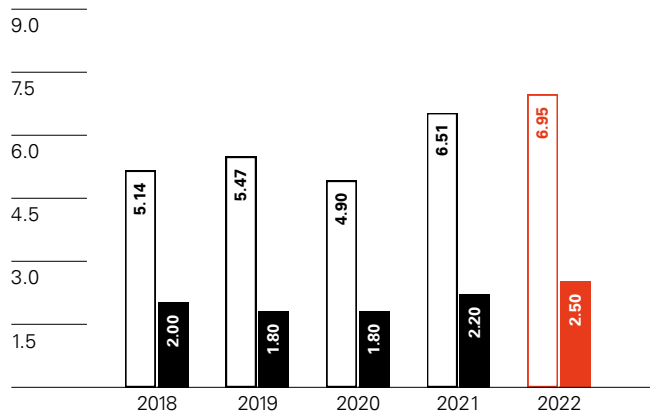
	<b>2022</b>	2021
Debt guarantees	0.7	2.7
Guarantee obligations	12.3	12.6
Other commitments	292.2	2.6

Contingent liabilities are mainly due to potential warranty claims, guarantee obligations, liens in favor of third parties and long-term rental agreements. Intercompany items are eliminated. Contingent liabilities are assessed on the basis of the likelihood and the amount of the potential future liabilities and are disclosed above.

## 4.6 Equity and earnings per SFS share

### Earnings and payout per share

In CHF

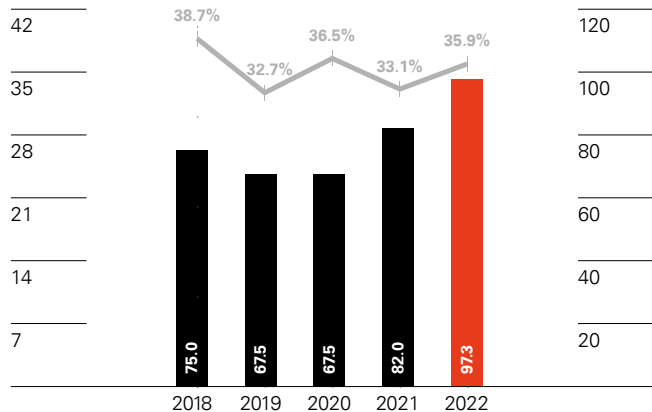


□ Earnings per share ■ Payout per share in CHF

### Payout

In %

In CHF million



— Payout in % ■ Payout in CHF million

A payout for the financial year 2022 of CHF 2.50 (PY CHF 2.20) per registered share, amounting to a total of CHF 97.3 million (PY CHF 82.0 million), will be proposed at the Annual General Meeting of SFS Group AG on April 26, 2023. The payout from retained earnings and the statutory capital reserve will be realized and accounted in the books after the approval of the Annual General Meeting.

	2022	2021
Weighted average number of outstanding shares	38,365,076	37,459,547
Net income attributable to owners of SFS Group AG	266.7	243.8
<b>Earnings per share (in CHF) basic and diluted</b>	<b>6.95</b>	6.51

As of December 31, 2022, 38,900,000 (PY 37,500,000) registered shares at CHF 0.10 are issued and outstanding. The earnings per share are the result of dividing net income entitled to the owners of SFS Group by the weighted average number of shares in issue and outstanding during the year. As of balance sheet date there exists authorized capital in the amount of no more than CHF 20,000 (which corresponds to a maximum of 200,000 shares) (PY none) and no conditional capital (PY none). There are no dilutive effects (PY none). Statutory and legal reserves that may not be distributed amount to CHF 60.4 million (PY CHF 45.3 million) as of December 31, 2022.

### Share capital and treasury shares

	Quantity	Transaction price (Ø) in CHF	Purchase cost (Ø) in CHF million
Balance as at 1.1.2021	–	–	–
Purchases	99,214	126.2	12.5
Sale	–41,150	123.7	–5.1
<b>Balance as at 12.31.2021</b>	<b>58,064</b>	<b>128.3</b>	<b>7.4</b>
Purchases	172,264	120.3	20.7
Disposals (acquisitions)	–200,000	121.0	–24.5
Sale	–17,500	86.0	–2.1
<b>Balance as at 12.31.2022</b>	<b>12,828</b>	<b>119.0</b>	<b>1.5</b>

In connection with the financing of the Hoffmann SE acquisition the share capital of SFS Group AG was increased by 1,400,000 shares with a nominal value of CHF 0.10 per share. The premium on the issuance of shares amounted to CHF 169.2 million.

The share capital of SFS Group AG constitutes the share capital of the SFS Group. The consideration paid for treasury shares is deducted from the equity and separately disclosed. The profit or loss realized by sales of treasury shares are recognized as a reduction of capital reserves, net of any related income taxes. Part of the purchase price of Hoffmann SE was paid by transferring 200,000 treasury shares with a fair value of CHF 24.5 million. As of December 31, 2022, SFS Group companies hold 12,828 shares (PY 58,064) and the SFS Patronage Fund holds 41,247 shares (PY 20,881) in SFS Group AG.

There exist no obligations to repurchase treasury shares disposed of.

#### 4.7 Derivative financial instruments

Forward foreign exchange contracts 2022	CHF	EUR	USD	CNY	Contract value JPY	Market value CHF
	EUR sale/CHF purchase	46.0	-45.9	-	-	-
CHF sale/EUR purchase (FX-Swap)	-6.4	6.5	-	-	-	0.0
CHF sale/USD purchase (FX-Swap)	-4.6	-	5.0	-	-	0.0
USD sale/CHF purchase	14.5	-	-15.0	-	-	0.9
USD sales/CNY purchase	-	-	-53.5	362.0	-	-0.8
USD sale/JPY purchase	-	-	-0.2	-	31.1	0.0

Other derivative financial instruments						
Cross-Currency-Swap EUR sale/CHF purchase	250.0	-238.4	-	-	-	19.4
Cross-Currency-Swap EUR sale/CHF purchase	150.0	-143.0	-	-	-	12.6

Forward foreign exchange contracts 2021	CHF	EUR	USD	Contract value CNY	Market value CHF
	EUR sale/CHF purchase	87.6	-81.5	-	-
USD sale/CNY purchase	-	-	-73.4	482.2	1.3

The SFS Group uses derivative financial instruments to reduce the risks from interest and foreign currency fluctuations on business and financial transactions. To hedge foreign currency exposures, usually cash flow hedges are used. To reduce volatility in the income statement, changes in the fair value of derivatives are recognized in equity. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects the income statement or the future cash flow is no longer expected to occur. Derivatives are held in 2022 and 2021 exclusively for the purpose of currency hedging.

The SFS Group also uses derivative financial instruments to hedge the foreign currency exposure which arises from the translation of net investments in foreign entities (designated as hedged items) into the Group's presentation currency. Changes in the fair values of the net investment hedges are recognized in equity and reversed through profit and loss upon disposal of the entity. In connection with the financing of the Hoffmann SE acquisition and the corresponding issuance of two bonds with a volume of CHF 400 million (refer to note 4.3), SFS Group has entered into two cross-currency-swaps (CHF/EUR) with the same volume and maturity. These cross-currency-swaps (designated as hedging instruments) are used to hedge the foreign currency exposure which arises from the translation of net investments in foreign entities (designated as hedged items) into the Group's presentation currency.

#### 4.8 Exchange rates

	Unit	Balance sheet		Income statement	
		2022	2021	2022	2021
China	CNY 100	13.382	14.359	14.200	14.186
EU	EUR 1	0.985	1.033	1.005	1.083
United Kingdom	GBP 1	1.110	1.229	1.180	1.259
USA	USD 1	0.923	0.912	0.955	0.914

## 5 Group structure

This chapter provides an overview of the Group structure. Changes and related detailed information are explained. Transactions with related parties are also disclosed.

### 5.1 Changes in scope of consolidation

	2022	2021
<b>Acquisition of subsidiaries</b>		
Cash and cash equivalents	25.2	0.1
Trade receivables	373.3	0.5
Inventories	203.7	1.0
Other current assets	73.6	0.0
Property, plant and equipment	287.3	0.1
Intangible assets	14.1	–
Other non-current assets	58.7	0.0
Current liabilities	–385.1	–1.1
Non-current liabilities	–73.3	–
<b>Acquired net assets</b>	<b>577.5</b>	<b>0.6</b>
Goodwill offset against equity	486.9	7.1
<b>Purchase price incl. acquisition cost</b>	<b>1,064.4</b>	<b>7.7</b>
Non-cash part of purchase price	–520.1	–
Cash and cash equivalents	–25.2	–0.1
<b>Consideration in cash flow statement</b>	<b>519.1</b>	<b>7.6</b>

#### 2022

As of May 1, 2022, SFS Group acquired 100% of Hoffmann SE. Hoffmann was incorporated into the SFS organization as an individual division with the name "D&L International" within the Distribution & Logistics segment. Headquartered in Munich (Germany), Hoffmann SE has around 3,000 employees and is on site in over 50 countries. In 2021, Hoffmann generated sales of approximately EUR 1.0 billion. Hoffmann is a leading international systems partner for quality tools that is well-known on European markets and serves more than 100,000 customers with a product range comprising around 500,000 items. Customers appreciate not only the company's comprehensive range of products but also its high level of product and logistics expertise. The transaction did not include Contorion, the eCommerce subsidiary of Hoffmann SE, which is geared toward a different customer segment. The Russian subsidiary of Hoffmann is also not included in the scope of consolidation. Contract clauses do not include any contingent consideration (earnout).

#### 2021

On December 21, 2021, SFS Group signed an agreement to acquire 100% of the shares of Hoffmann SE.

As of July 1, 2021, the SFS Group acquired 100% of Jevith A/S. The company is based in Roskilde (DK) and achieved a turnover of approx. EUR 5 million in 2020 with 10 employees. Jevith is part of the Segment Fastening Systems. Contract clauses do not include any contingent consideration (earnout).

As of August 1, 2021, the assets and liabilities of GLR Fasteners, Inc. were acquired in an asset deal. The daily operations of the company based in San Jose (US) are continued as an individual branch of Triangle Fastener Corporation, Inc. (TFC).

SFS intec (China) Advanced Precision Parts Manufacturing Co., Ltd has transferred its operating activities to Unisteel Technology (China) Co., Ltd in Nantong (CN) and was sold as of May 20, 2021. As a result, book gains of CHF 3.1 million were realized. The book gains are related to the valuation of the premises and are reported in the other operating income.

## 5.2 Group companies

### Subsidiaries

Country	Registered office	Name of the company	Participation in %		Share capital in local currency		Activities
			2022	2021	Currency	(1,000)	
China	Nantong	Unisteel Technology (China) Co., Ltd	100.0	100.0	CNY	499,119	V, P
	Shanghai	Unisteel Fastening Systems (Shanghai) Co., Ltd	100.0	100.0	CNY	100,688	L
		SFS Group (Shanghai) Co., Ltd.	100.0	100.0	CNY	14,263	DL
		Hoffmann Quality Tools Trading Co., Ltd.	100.0	–	CNY	77,069	V
Costa Rica	La Aurora Heredia	Tegra Medical Costa Rica S.A.	100.0	100.0	CRC	1,804,126	V, P
Germany	Achim	Hoffmann GmbH	100.0	–	EUR	512	V
	Essen	Hoffmann Essen Qualitätswerkzeuge GmbH	100.0	–	EUR	100	V
	Göppingen	Hoffmann Göppingen Qualitätswerkzeuge GmbH	100.0	–	EUR	30	V
	Menden	MBE Moderne Befestigungselemente GmbH	–	100.0	EUR	300	V, P
	Mörfelden-Walldorf	GESIPA Blindniettechnik GmbH	100.0	100.0	EUR	5,000	V, P
	Munich	Hoffmann Auslands-Beteiligungs GmbH	100.0	–	EUR	25	H
		Hoffmann Asset Management GmbH	100.0	–	EUR	25	DL
		Hoffmann Engineering Services GmbH	100.0	–	EUR	25	DL
		Hoffmann Group Immobilien GmbH	100.0	–	EUR	25	DL
		Hoffmann GmbH Qualitätswerkzeuge	100.0	–	EUR	512	V
		Hoffmann SE	100.0	–	EUR	2,550	H,DL
		Hoffmann IT & General Service GmbH	100.0	–	EUR	25	DL
		Hoffmann Group System GmbH	100.0	–	EUR	100	DL
		Proserve Vertriebs- und Beratungs GmbH	100.0	–	EUR	26	H
		Simple System GmbH	100.0	–	EUR	26	V
	Nuremberg	Hoffmann Nürnberg GmbH Qualitätswerkzeuge	100.0	–	EUR	625	V
		Hoffmann Supply Chain GmbH	100.0	–	EUR	75	DL
	Oberursel	SFS Group Germany GmbH (former SFS intec GmbH)	100.0	100.0	EUR	5,000	V, P
		SFS intec Beteiligungen GmbH & Co. KG	–	99.0	EUR	4,000	H
	Reutlingen	Garant Productions GmbH	100.0	–	EUR	25	P
	Schramberg	Ludwig Hettich Holding GmbH & Co. KG	51.0	51.0	EUR	2,500	H
		Ludwig Hettich Verwaltungs-GmbH	51.0	51.0	EUR	26	H
		HECO Schrauben GmbH & Co. KG	51.0	51.0	EUR	1,230	V, P
Denmark	Copenhagen	Hoffmann Danmark ApS	100.0	–	DKK	125	V
	Roskilde	Jevith A/S	100.0	100.0	DKK	500	V
Estonia	Tallinn	SFS intec Oy Eesti Filiaal	100.0	100.0	EUR	n/a	V
Finland	Nummela	SFS intec Oy	100.0	100.0	EUR	84	V
France	Drusenheim	Hoffmann France SAS	100.0	–	EUR	500	V
	Lyon	Simple System SAS	100.0	–	EUR	10	L
	Saint-Projet	HECO France Sarl	51.0	51.0	EUR	8	V
	Valence	SFS Group SAS	100.0	100.0	EUR	3,078	V, P
United Kingdom	Leeds	SFS Group Fastening Technology Ltd	100.0	100.0	GBP	2,000	V, P
	London	Hoffmann UK Quality Tools Ltd.	100.0	–	GBP	5,973	V
India	Pune	Hoffmann Quality Tools India Pvt. Ltd.	100.0	–	INR	528,750	V
		SFS Group India Pvt. Ltd. (former Indo Schöttle Auto Parts Pvt. Ltd.)	99.7	99.7	INR	46,654	V, P
Italy	Pordenone	SFS intec S.r.l. unipersonale	100.0	100.0	EUR	10,000	V, P
	Vigonza	Hoffmann Italia S.p.A.	100.0	–	EUR	500	V
Canada	Dundas	SFS Intec Inc.	100.0	100.0	CAD	4,000	V, P
Malaysia	Johor Bahru	Hoffmann Quality Tools Malaysia Sdn Bhd	100.0	–	MYR	16,024	V
		Unisteel Technology (M) Sdn Bhd	100.0	100.0	USD	1,372	V, P

Mauritius	Ebène	Unisteel International Pte Ltd	–	100.0	USD	1	L
Mexico	Puebla	Hoffmann Quality Tools Mexico S. de R.L. de C.V.	100.0	–	MXN	9,150	V
	Querétaro	SFS Group Fastening Technology Mexico S.A.	100.0	100.0	MXN	50	V
Netherlands	Helmond	Guardian B.V.	100.0	100.0	EUR	18	V, P
	Hengelo	Hoffmann Quality Tools B.V.	100.0	–	EUR	37	V
Norway	Frogner	SFS Group Norway AS (former SFS intec AS)	100.0	100.0	NOK	2,030	V
Austria	Korneuburg	SFS Group Austria GmbH	100.0	100.0	EUR	146	V, P
	Zell am Moos	Hoffmann Austria Qualitätswerkzeuge GmbH	100.0	–	EUR	35	V
Poland	Poznan	SFS Group Sp. z o.o.	100.0	100.0	PLN	11,937	V
Portugal	Lisbon	Hoffmann Iberia Quality Tools S.L.	100.0	–	EUR	n/a	V
	Malveira	SFS Group Fastening Technology (Iberica), S.A.U. Sucursal em Portugal	100.0	100.0	EUR	n/a	V
Romania	Bucharest	Hoffmann Industrial Tools S.R.L.	100.0	–	RON	10	V
	Campia Turzii	HECO Schrauben S.r.l.	51.0	51.0	RON	12,737	P
Sweden	Strängnäs	SFS Group Sweden AB (former SFS intec AB)	100.0	100.0	SEK	200	V, P
Switzerland	Emmenbrücke municipality of Emmen	Allchemet AG	100.0	100.0	CHF	340	V
		Stamm AG	100.0	100.0	CHF	500	V, P
	Heerbrugg municipality of Widnau	SFS Group International AG	100.0	100.0	CHF	5,400	H
		SFS Group Schweiz AG (former SFS unimarket AG)	100.0	100.0	CHF	12,550	V, P
		SFS Group Schweiz AG (former SFS intec AG)	–	100.0	CHF	6,550	V, P
SFS Group Schweiz AG (former SFS services AG)	–	100.0	CHF	100	DL		
Singapore	Singapore	Hoffmann Quality Tools Asia Pacific Pte. Ltd.	100.0	–	SGD	12,865	V
		Unisteel Technology Limited	100.0	100.0	USD	340,443	V
Slovakia	Bratislava	Hoffmann Qualitätswerkzeuge SK s.r.o.	100.0	–	EUR	7	V
Slovenia	Ljubljana	Hoffmann kvalitetna orodja d.o.o.	100.0	–	EUR	500	V
Spain	Madrid	Hoffmann Iberia Quality Tools S.L.	100.0	–	EUR	50	V
	Sondika-Bizkaia	SFS Group Fastening Technology (Iberica), S.A.U.	100.0	100.0	EUR	975	V
Taiwan	Kaohsiung	Unisteel Technology Limited Taiwan Branch	100.0	100.0	NTD	n/a	DL
Czech Republic	Ejovice	Hoffmann Qualitätswerkzeuge CZ s.r.o.	100.0	–	CZK	100	V
	Turnov	SFS Group CZ s.r.o.	100.0	100.0	CZK	205,000	V, P
Turkey	Torbalı-Izmir	SFS intec Baglantı Teknolojileri Sanayi ve Ticaret A.S.	95.1	95.1	TRY	23,109	V, P
		SFS Group Pazarlama A.S.	95.1	95.1	TRY	100	V
Hungary	Budapest	Hoffmann Hungary Quality Tools Kft.	100.0	–	HUF	3,000	V
	Janossomorja	SFS Group Hungary Kft.	100.0	100.0	HUF	412,500	V, P
USA	Franklin, MA	Tegra Medical, LLC	100.0	100.0	USD	137,839	V, P
		Tegra Medical CR, LLC	100.0	100.0	USD	0	H
	Knoxville, TN	Hoffmann Quality Tools USA, Inc.	100.0	–	USD	6,000	V
	Pittsburgh, PA	Triangle Fastener Corporation	100.0	100.0	USD	1	V
	Watertown, CT	Truelove & Maclean, Inc.	100.0	100.0	USD	1	V, P
	Wyomissing, PA	SFS Group USA, Inc.	100.0	100.0	USD	37,750	V, P

DL = Services, P = Production, V = Sales, H = Holding, L = in Liquidation

The closing date of all companies, except of Hoffmann Quality Tools India Pvt. Ltd., is December 31.

## 2022

SFS intec AS was renamed to SFS Group Norway AS. Indo Schöttle Auto Parts Pvt. Ltd. was renamed to SFS Group India Pvt. Ltd. SFS intec GmbH was renamed to SFS Group Germany GmbH. SFS intec AB was renamed to SFS Group Sweden AB.

MBE Moderne Befestigungselemente GmbH and SFS intec Beteiligungen GmbH & Co. KG were merged into SFS Group Germany GmbH.

SFS intec AG and SFS Group Schweiz AG were merged into SFS unimarket AG, which was renamed to SFS Group Schweiz AG. Furthermore, Unisteel International Pte Ltd was liquidated.

## 2021

In 2021, Unisteel Technology International Ltd was merged into SFS intec AG and SFS Acquisition Holding, Inc. was merged into SFS Group USA, Inc. Furthermore, Unisteel Precision (Suzhou) Co., Ltd was liquidated.

SFS intec Holding AG was renamed to SFS Group International AG and SFS services AG was renamed to SFS Group Schweiz AG.

### Joint ventures

Country	Registered office	Name of the company	Shareholding in %		Share capital in local currency		Activities
			2022	2021	(1,000)		
China	Tianjin	Sunil SFS intec Automotive Parts (Tianjin) Co., Ltd	50.0	50.0	CNY	212,483	V, P

### 5.3 Transactions with related parties

Transaction with related parties are generally conducted based on usual market conditions.

#### Business relationships with related parties

Business transactions with members of the Board of Directors and of the Group Executive Board as well as related companies are summarized in the table below:

	2022	2021
Sales of goods and services	3.5	3.1
Purchases of goods and services	0.9	0.6
Receivables	0.2	0.1

The sale of goods and services mainly includes IT & finance services to companies owned by the founding families.

#### Business relationship with pension funds

SFS Group charges CHF 0.6 million (PY CHF 0.6 million) in connection with the administration of the SFS pension fund and the patronage fund. Further business relationships with the pension fund include expenses of CHF 0.4 million (PY none).

#### Business relationship with associates and joint ventures

	2022	2021
Sales of goods and services	2.0	2.0
Receivables	0.4	0.7
Bank guarantees	12.3	12.6

## 6 Events after the balance sheet date

SFS is not aware of any events that occurred after the balance sheet date that could have a material impact on the consolidated financial statements for the financial year ended December 31, 2022.

The consolidated financial statements of the SFS Group were approved by the Audit Committee and the Board of Directors on March 2, 2023, and are subject to final approval at the Annual General Meeting of shareholders, which will take place on April 26, 2023.

# Report of the statutory auditor

to the General Meeting of SFS Group AG

Heerbrugg, municipality of Widnau

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of SFS Group AG and its subsidiaries (the Group), which comprise the consolidated income statement, and the consolidated balance sheet as at 31 December 2022, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 62 to 95) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the „Auditor’s responsibilities for the audit of the consolidated financial statements“ section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our audit approach

#### Overview



Overall Group materiality: CHF 16.9 million.

We concluded full scope audit work at seventeen Group companies in nine countries. We further, concluded a review at a Group company and specified procedures at seven further Group companies.

Our activities cover Group companies that account for 78% of the group’s net sales and 84% of its assets.

As key audit matters, the following areas of focus have been identified:

- Valuation of inventories
- Acquisition of the Hoffmann SE and its presentation in the consolidated financial statements



### Context of our audit 2022

The context of our audit is set by the Group's major activities in the reporting period in which the acquisition of the Hoffmann SE and its representation in the Group's financial statements has been a significant event. We therefore considered this topic as a new key audit matter.

### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

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<b>Overall Group materiality</b>	CHF 16.9 million
<b>Benchmark applied</b>	Profit before income taxes
<b>Rationale for the materiality benchmark applied</b>	We chose profit before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

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We agreed with the Audit Committee that we would report to them misstatements above CHF 0.845 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

### Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed the scope of our audit in order to cover the significant subsidiaries with a full scope audit or review. For the other companies, we relied on the results of the completed statutory audits and on analyses of significant changes. In particular, for these companies we checked the reconciliation of the statutory financial statements to Swiss GAAP FER. Where audits were performed by component auditors, we ensure that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. This involvement included communicating the risks identified at Group level, specifying the materiality levels to be used, detailed audit instructions, holding meetings and reviewing the reports for the interim and final audits of the relevant subsidiaries.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of inventories

### Key audit matter

Inventories as at 31 December 2022 amount to CHF 630.6 million. This represents 24.5% of total assets.

We consider the valuation of inventories a key audit matter. In particular, the following risks exist in connection with the valuation of inventories by management:

- Inventories are not stated at the lower of average acquisition or production cost or – if this is lower – at the net realizable value (lower of cost or market value principle: assessment of the lower value from acquisition and production costs on the one hand and the net realizable value on the other hand).
- Write-downs for obsolescent inventory or stock that exceeds the usual sales volume (e.g. slow moving or excess inventory) are inadequate.

Further details regarding inventories can be found in note 3.3.

### How our audit addressed the key audit matter

We performed the following audit procedures:

- Sample-based testing of whether inventories were stated at acquisition or production costs in accordance with Swiss GAAP FER. We compared the acquisition costs used for the valuation of raw materials, supplies and consumables, and purchased finished goods with the latest purchase prices or other evidence. We tested the additional costs included in the production costs of semi-finished and finished goods, in particular using overhead recovery variance analysis or alternative methods.
- Sample-based testing of whether the lower of acquisition or production cost and net realisable value has been applied.
- Sample-based testing of the mathematical correctness and appropriateness of Management's calculation of write-downs of obsolescent inventory.
- Testing whether the determined write-downs for obsolescent inventory or stock have been correctly recorded in the accounts.

On the basis of our audit procedures, we consider Management's valuation of the inventories to be appropriate.

## Acquisition of the Hoffmann SE and its presentation in the consolidated financial statements

### Key audit matter

Effective as of the beginning of May 2022, the Group acquired 100% of the shares of the German trading and sales group Hoffmann SE.

As this acquisition represents a significant expansion of the Group's business activities, we consider its presentation in the consolidated financial statements a key audit matter. With regard to the presentation of the acquisition in the consolidated financial statements, the following risks exist in particular:

- The date of acquisition of control, and thus of the first-time inclusion of Hoffmann SE in the consolidated financial statements of SFS Group AG, is not appropriately chosen.
- Assets and liabilities acquired in the course of the acquisition are not measured at fair values.
- The calculation of goodwill as the surplus of the acquisition costs over the revalued net assets of Hoffmann SE and its offsetting against Group equity is not carried out properly.

Further details on the Hoffmann SE acquisition can be found in note 5.1.

### How our audit addressed the key audit matter

The risks identified in connection with the acquisition of the Hoffmann SE were addressed by the following audit procedures, in particular:

- Gain an understanding of the process and approval steps of the acquisition.
- Analysis and evaluation of contractual provisions and other relevant information.
- Audit of the opening balance sheet in the consolidated financial statements on the basis of a defined audit scope.
- Assessment of the appropriateness of the fair values of the acquired assets and liabilities and their initial recognition in the consolidated financial statements.
- Review of the calculation and entry of goodwill from the acquisition as well as its proper presentation in the consolidated financial statements.

On the basis of our audit procedures, we consider management's approach to recording and presenting the acquisition to be appropriate.

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A more detailed description of our responsibilities for the audit of the consolidated financial statements can be found on the EXPERTsuisse website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

### Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Gianluca Galasso  
Licensed audit expert  
Auditor in charge



André P. Kueffer  
Licensed audit expert

St. Gallen, 2 March 2023





**Financial statements SFS Group AG**

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## Balance sheet

<b>Assets in CHF million</b>	Notes	<b>12.31.2022</b>	12.31.2021
Cash and cash equivalents		19.9	15.3
Other current receivables from Group companies		5.4	22.2
Prepayments and accrued income		0.4	0.0
<b>Current assets</b>		<b>25.7</b>	37.5
Derivative financial instruments		32.0	–
Financial assets from Group companies		1'645.1	819.6
Investments		119.1	90.8
<b>Non-current assets</b>		<b>1'796.2</b>	910.4
<b>Assets</b>		<b>1'821.9</b>	947.9
<b>Liabilities and equity in CHF million</b>			
	Notes	<b>12.31.2022</b>	12.31.2021
Interest-bearing borrowings from Group companies		24.4	26.5
Deferred income and accrued expenses		2.9	1.1
<b>Current liabilities</b>		<b>27.3</b>	27.6
Derivative financial instruments		32.0	–
Bonds	9	400.0	–
Interest-bearing borrowings from Group companies		284.4	25.6
<b>Non-current liabilities</b>		<b>716.4</b>	25.6
Share capital		3.9	3.8
Statutory capital reserve		180.7	11.5
Other capital reserves		–0.9	0.0
Statutory retained earnings		1.9	1.9
Voluntary retained earnings		275.1	275.1
Retained earnings		619.1	609.9
Treasury shares		–1.5	–7.4
<b>Total equity*</b>		<b>1'078.2</b>	894.7
<b>Liabilities and equity</b>		<b>1'821.9</b>	947.9

\*Includes rounding differences of CHF 0.1 million.



## Income statement

Income in CHF million	2022	2021
Investment income	95.0	81.3
Financial income	42.6	5.8
<b>Total income</b>	<b>137.6</b>	<b>87.1</b>
<b>Expenses in CHF million</b>		
Administration expense	-2.0	-0.4
Financial expenses	-44.4	-0.3
<b>Total expenses</b>	<b>-46.4</b>	<b>-0.7</b>
<b>Net income before taxes</b>	<b>91.2</b>	<b>86.4</b>
Direct taxes	-0.0	-0.8
<b>Net income</b>	<b>91.2</b>	<b>85.6</b>

## Notes

### 1 Accounting policies

The present financial statements have been prepared in accordance with the regulations on commercial accounting and reporting given in the Swiss Code of Obligations. Securities (marketable securities with a stock exchange price) as well as derivative financial instruments are recognized at fair value. All other assets are stated at historical cost less necessary depreciation.

### 2 Number of employees

The company does not have any employees (PY none).

### 3 Investments

The SFS Group AG is incorporated and domiciled in Heerbrugg, municipality of Widnau/SG, Switzerland and held the following investments:

	2022		2021	
	Share capital	Participation <sup>1</sup>	Share capital	Participation <sup>1</sup>
SFS Group International AG, Heerbrugg, municipality of Widnau, Switzerland	5.4	100%	5.4	100%
SFS Group Schweiz AG (former SFS unimarket AG), Heerbrugg, municipality of Widnau, Switzerland	12.6	100%	12.6	100%
SFS Group Schweiz AG (vormals SFS services AG), Heerbrugg, municipality of Widnau, Switzerland	-	-	0.1	100%

<sup>1</sup>Each share represents one voting right

The significant indirect shareholdings are disclosed in note 5.2 of the consolidated financial report.

#### 4 Share capital

The share capital is as in the previous year divided into 38,900,000 registered shares (PY 37,500,000 registered shares) each with a par value of CHF 0.10. No conversion and option rights have been issued.

As of December 31, 2021, SFS Group Schweiz AG holds 12,828 treasury shares (PY 58,064). In the reporting period 172,264 treasury shares (PY 99,214) were purchased and 17,500 treasury shares (PY 41,150) were disposed of due to share-based compensation or employee share purchase programs. In addition, 200,000 treasury shares were disposed of due to the acquisition of Hoffmann SE.

#### 5 Significant shareholders

The founding families of SFS Group AG, Huber and Stadler/Tschan, form an organized group according to art. 12 of the Ordinance of the Swiss Financial Supervisory Authority on financial market infrastructures and market behavior in securities and derivatives trading.

Share capital and voting rights	12.31.2022	12.31.2021
Founding families	53.0%	54.9%

Both families have defined their principles of cooperation and partnership in a pool agreement. It is their intention to retain a majority of more than 50% of the capital and the voting rights in the long run. They agree with each other on important decisions and always put the successful development of the SFS Group before the particular interests of the families.

The Board of Directors is not aware of any other shareholders or shareholder groups listed in the share register holding more than 5% of the share capital or voting rights.

#### 6 Board of Directors' and Group Executive Board's shareholdings

The following tables provide information with regard to the shareholdings of the Board members:

Board of Directors	Number of shares 12.31.2022	Number of shares 12.31.2021
Thomas Oetterli, Chairman since April 2022, external, independent member	10,820	8,760
Heinrich Spoerry, Chairman until April 2022, external, independent member	n/a	202,760
Peter Bauschatz, external, independent member since April 2022	1,060	n/a
Nick Huber, external member*	116,212	115,152
Urs Kaufmann, external, independent member	11,820	10,760
Bettina Stadler, external member*	393,960	392,900
Manuela Suter, external, independent member	1,280	500
Jörg Walther, external, independent member	6,700	5,640
<b>Total</b>	<b>541,852</b>	<b>736,472</b>

\* Member family shareholders

Shares, granted during the reporting period, are disclosed in the compensation report.

	Number of shares <b>12.31.2022</b>	Number of shares 12.31.2021
<b>Group Executive Board</b>		
Jens Breu, Chief Executive Officer	31,370	28,310
Arthur Blank, Head of Division Construction	15,485	14,455
Volker Dostmann, Chief Financial Officer	1,363	115
Walter Kobler, Head of Divisions Industrial, Head of Division Medical	23,555	22,525
Urs Langenauer, Head of Division Riveting	4,691	3,631
George Poh, Head of Division Electronics	49,197	47,574
Iso Raunjak, Head of Division Distribution & Logistics Switzerland	1,153	373
Martin Reichenecker, Head of Division Distribution & Logistics International since May 2022	560	n/a
Alfred Schneider, Head of Division Automotive	19,055	17,885
Claude Stadler, Head of Corporate Services*	393,266	392,143
<b>Total</b>	<b>539,695</b>	527,011

\* Member family shareholders

Shares, granted during the reporting period, are disclosed in the compensation report.

## 7 Statutory capital reserve

The disclosed statutory capital reserve amounts to CHF 180,741,326.35 (PY CHF 11,549,250). The increase is due to the premium on the issuance of shares in connection with the financing of the Hoffmann SE acquisition. The increase of the statutory capital reserve of CHF 169,192,076.35 has not yet been approved by the Federal Tax Administration (FTA), because the confirmation cannot be issued before approval of these financial statements. The Federal Tax Administration (FTA) has not approved CHF 11,179,652.50 (IPO and capital expenses 2014) of the statutory capital reserve of CHF 11,549,250 which already existed on January 1, 2022. In this context, the SFS Group AG is still of the opinion that the share premium before deduction of the IPO and capital expenses qualify to the full extent as a statutory capital reserve.

## 8 Contingent liabilities

Apart from the warranty obligations there are no contingent liabilities.

	<b>12.31.2022</b>	12.31.2021
<b>Contingent liabilities</b>		
Warranty obligations to Group companies	641.8	199.1
Warranty obligations to third parties	12.3	12.6
of which used	205.6	9.6

## 9 Bonds

Nominal value in CHF million	Interest rate	Term	Expiration at nominal value
250.0	1.00%	2022–2025	06.06.2025
150.0	1.45%	2022–2027	06.08.2027

In connection with the financing of the Hoffmann SE acquisition SFS Group has issued two bonds in June 2022. The total volume amounts to CHF 400 million. Bonds are recognized in the balance sheet at nominal value. Deviations from the nominal value in the case of below or above-par issues are offset with the emission costs and recognized as accruals and deferrals and afterwards reversed on a straight-line basis over the term of the bonds.

## 10 Events after the balance sheet date

SFS is not aware of any events that occurred after the balance sheet date that could have a material impact on the financial statements for the financial year ended December 31, 2022.

## Proposed appropriation of retained earnings and the statutory capital reserve

The Board of Directors proposes to the Annual General Meeting of shareholders to payout a total of CHF 2.50 (PY 2.20) per registered share with a nominal of CHF 0.10 per share.

### Proposed appropriation of retained earnings

Payment from retained earnings **CHF 1.25** (PY 2.20) per registered share with a nominal of CHF 0.10 per share.

Retained earnings in CHF million	<b>12.31.2022</b>	Decision AGM 12.31.2021
Profit carryforward	527.9	524.3
Net income	91.2	85.6
Earnings available for distribution	619.1	609.9
<b>Payout from retained earnings*</b>	<b>-48.6</b>	-82.0
Carryforward to retained earnings	570.5	527.9

### Proposed appropriation of the statutory capital reserve

Payment from the statutory capital reserve **CHF 1.25** (PY none) per registered share with a nominal of CHF 0.10 per share.

Statutory capital reserve in CHF million	<b>12.31.2022</b>	12.31.2021
Carryforward of statutory capital reserve	11.5	11.5
Changes of statutory capital reserve	169.2	
<b>Payout from statutory capital reserve*</b>	<b>-48.6</b>	-
Carryforward to statutory capital reserve	132.1	11.5

\*The dividend is based on the issued share capital as at December 31, 2022. No dividends will be distributed to treasury shares held by SFS Group AG.

Due to the presentation in millions, rounding differences may arise for the value "Carry forward to retained earnings".

# Report of the statutory auditor

to the General Meeting of SFS Group AG

Heerbrugg, municipality of Widnau

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of SFS Group AG (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 104 to 108) comply with Swiss law and the company's articles of incorporation.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the „Auditor's responsibilities for the audit of the financial statements“ section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our audit approach

#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

---

<b>Overall materiality</b>	CHF 5.3 Mio.
<b>Benchmark applied</b>	Total equity
<b>Rationale for the materiality benchmark applied</b>	We chose total equity as the benchmark because, in our view, it is an appropriate benchmark for materiality considerations relating to a holding company.

---

### **Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### **Key audit matters**

We have determined that there are no key audit matters to communicate in our report.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Board of Directors' responsibilities for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

## Report on other legal and regulatory requirements


In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and the proposed appropriation of statutory capital reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

A handwritten signature in blue ink, appearing to read 'G. Galasso', written in a cursive style.

Gianluca Galasso  
Licensed audit expert  
Auditor in charge

A handwritten signature in blue ink, appearing to read 'A. Kueffer', written in a cursive style.

André P. Kueffer  
Licensed audit expert

St. Gallen, 2 March 2023

## Information for shareholders

### Explanation regarding alternative performance measurements

In addition to financial key figures defined by general accounting principles, SFS Group uses alternative performance measurements. For SFS it is of strategic importance to generate value added for all stakeholders: Customers, vendors, employees, shareholders and the community. Return on investment is a highly condensed key figure to measure value added. A comprehensive corporate management requires additional operational key figures: organic sales growth, adjusted operating profit (EBIT) margin and Operating Free Cash Flow. These key figures help to steer the organization and to monitor strategic implementations.

### Return on Invested Capital (ROIC)

This key figure measures the return on invested capital as a percentage. ROIC illustrates how efficiently the company's resources are used. If ROIC exceeds weighted average cost of capital, SFS Group creates value added. The mid-term target is >10%. The key figure relates the adjusted operating profit after tax (EBIT adjusted after tax) to the invested capital. The invested capital is based on the equity at year end before goodwill offset, less net financial assets. A standard tax rate of 17.5% is applied.

In CHF million	2022	2021	2020	2019	2018
Equity at year end	1,303.6	1,450.4	1,278.2	1,237.2	1,204.6
+ Goodwill offset against equity	1,509.6	1,022.7	1,015.6	984.7	912.8
- Net cash/+ net debt	477.7	-279.1	-144.3	-68.7	-59.1
<b>Invested capital</b>	<b>3,290.9</b>	<b>2,194.0</b>	<b>2,149.5</b>	<b>2,153.2</b>	<b>2,058.3</b>
Operating profit (EBIT) adjusted	353.2	298.6	225.3	239.1	243.1
- Tax 17.5%	-61.8	-52.3	-39.4	-41.8	-42.5
<b>Operating profit (EBIT) adjusted less tax</b>	<b>291.4</b>	<b>246.3</b>	<b>185.9</b>	<b>197.3</b>	<b>200.6</b>
<b>ROIC</b>	<b>8.9%</b>	<b>11.2%</b>	<b>8.6%</b>	<b>9.2%</b>	<b>9.7%</b>

### Return on Capital Employed (ROCE)

Like ROIC, this key figure is an indicator for the profitability in relation to capital employed. In contrast to ROIC, goodwill offsets and taxes are not taken into account. ROCE relates the adjusted operating profit (EBIT) to the average capital employed. The capital employed is calculated based on the average of the last twelve months.

In CHF million	2022	2021	2020	2019	2018
Ø Net working capital	896.1	701.6	603.0	615.8	580.1
- Ø Cash and cash equivalents	-228.3	-235.1	-146.2	-147.8	-124.3
+ Ø Tangible and intangible assets	940.7	729.2	721.2	723.1	686.8
- Ø Net deferred tax liabilities and provisions	-50.9	-52.1	-44.1	-56.2	-71.8
<b>Ø Capital employed</b>	<b>1,557.6</b>	<b>1,143.6</b>	<b>1,134.0</b>	<b>1,134.9</b>	<b>1,070.8</b>
<b>Operating profit (EBIT) adjusted</b>	<b>353.2</b>	<b>298.6</b>	<b>225.3</b>	<b>239.1</b>	<b>243.1</b>
<b>ROCE</b>	<b>22.7%</b>	<b>26.1%</b>	<b>19.9%</b>	<b>21.1%</b>	<b>22.7%</b>



### Organic sales growth

All segments, divisions and management are measured by their contribution to growth. Organic sales growth is a key figure which measures the top-line growth compared to the previous year. To increase transparency and comparability, currency impacts and changes in scope are excluded from third party sales. The result is the organic sales growth as illustrated in the Financial overview on page 7.

### Adjusted operating profit (EBIT) and adjusted EBIT margin

SFS uses the operating profit (EBIT) to assess the earnings situation and operational success. EBIT margin relates the operating profit to net sales and illustrates if the operating business is led successfully. The adjusted operating profit and hence adjusted EBIT margin are calculated excluding one-off effects. This increases comparability and transparency for a performance measurement over time.

In CHF million	2022	2021	2020	2019	2018
Operating profit (EBIT)	330.3	301.7	227.4	236.3	243.1
+ Amortization of inventory step-up related to purchase price allocation of Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory (Segment D&L)	22.9	–	–	–	–
– Book gain on disposal of non-operating assets	–	–3.1	–2.1	–14.3	–
+ Relocation cost CN-Nantong	–	–	–	17.1	–
<b>Operating profit (EBIT) adjusted</b>	<b>353.2</b>	298.6	225.3	239.1	243.1
Net sales	2,738.7	1,897.3	1,707.1	1,782.1	1,736.9
<b>EBIT margin adjusted</b>	<b>12.9%</b>	15.7%	13.2%	13.4%	14.0%

### Operating Free Cash Flow

It is very important to SFS to finance capital expenditures needed for organic growth with own funds. Operating Free Cash Flow is used as a key figure to determine cash generation. The key figure measures the ability to convert operational success into cash inflows. This enables to finance day-to-day operations (working capital) and necessary investments in operating assets from SFS Group's own business. Sustainable operating profitability and effective net working capital management have a great impact on Operating Free Cash Flow generation. To increase comparability, acquisitions of subsidiaries are not taken into account.

In CHF million	2022	2021	2020	2019	2018
Cash flow from operating activities	287.9	324.5	296.4	277.6	263.5
– Purchases of					
property, plant and equipment	–149.2	–104.6	–98.4	–114.5	–146.1
intangible assets	–21.8	–16.8	–5.7	–2.2	–3.0
<b>Operating Free Cash Flow</b>	<b>116.9</b>	203.1	192.3	160.9	114.4

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

	12.31.2022	12.31.2021	12.31.2020	12.31.2019	12.31.2018
Number of registered shares (in 1,000)	38,900	37,500	37,500	37,500	37,500
Number of shares ranking for dividend (in 1,000)	38,900	37,500	37,500	37,500	37,500
Weighted average number of outstanding shares (in 1,000)	38,365	37,460	37,500	37,500	37,500
Number of shareholders	8,691	7,910	7,825	8,353	7,960
<b>Stock exchange quotation (in CHF)</b>					
Year high	140.90	143.00	106.90	97.00	121.80
Year low	80.90	103.90	58.85	68.60	73.80
Year-end price	87.50	126.20	105.00	93.10	76.30
<b>Share key data</b>					
Earnings per share in CHF	6.95	6.51	4.90	5.47	5.14
Distribution per share in CHF	2.50	2.20	1.80	1.80	2.00
Payout ratio in % of net income	35.9	33.1	36.5	32.7	38.7
Price/earnings ratio (year-end price)	12.6	19.4	21.4	17.0	14.8
<b>Market capitalization</b>					
In CHF million (year-end price × number of shares ranking for dividend)	3,403.8	4,732.5	3,937.5	3,491.3	2,861.3
As a % of net sales	124.3	249.4	230.7	195.9	164.7
As a % of equity	261.1	326.3	308.1	282.2	237.5

## Agenda

Wednesday, April 26, 2023      30<sup>th</sup> Annual General Meeting of SFS Group AG  
 Tuesday, July 18, 2023      Publication half-year results 2023

Security-n.                      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 2022**

The Annual Report is available in German and English. The German language version of the full Annual Report is the only legally binding version and is available online at [www.annualreport.sfs.com](http://www.annualreport.sfs.com) →.

**Exclusion of liability**

This Annual Report includes forward looking statements. These statements reflect the SFS Group's current assessment of market conditions and future events. The statements are therefore subject to risks, uncertainties and assumptions. Unforeseen events may lead to deviations of the actual results from the forecasts and estimates made in this presentation and in other published information. To this extent, all forward looking statements in this Annual Report are subject to such limitations.

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**Kontakt**

SFS Group AG  
Rosenbergsaustasse 8  
CH-9435 Heerbrugg

T +41 71 727 51 51  
[corporate.communications@sfs.com](mailto:corporate.communications@sfs.com)  
[www.sfs.com](http://www.sfs.com)

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