Creating value – shaping the future

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Half year report 30 June 2017

Financial overview

Income statement in CHF million (unaudited)	**2017** **1st half**	2016 1st half	2015 1st half	2014 1st half	2013 1st half
Gross sales	778.6	688.8	670.4	645.2	662.1
Net sales	779.5	688.2	663.7	645.2	662.0
EBITDA	151.5	135.7	109.4	125.2	117.3
As a % of net sales	19.4	19.7	16.5	19.4	17.7
EBITA	110.5	93.3	70.4	88.8	80.0
As a % of net sales	14.2	13.6	10.6	13.8	12.1
Operating profit (EBIT)	75.6	63.4	42.1	63.4	53.1
As a % of net sales	9.7	9.2	6.3	9.8	8.0
Net income	56.9	47.1	31.8	45.8	37.2
As a % of net sales	7.3	6.8	4.8	7.1	5.6
Cash net income*	83.8	70.0	54.4	65.4	58.3
As a % of net sales	10.7	10.2	8.2	10.1	8.8

Balance sheet in CHF million	**30.6.2017** **(unaudited)**	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Assets	2,334.4	2,436.8	2,169.7	2,246.1	2,133.0
Net operating assets (NOA)	1,960.4	2,003.8	1,763.1	1,822.2	1,664.2
Net cash / (debt)	-31.4	0.5	127.5	87.7	-248.5
Equity	1,816.5	1,860.3	1,792.6	1,805.0	1,336.4
As a % of assets	77.8	76.3	82.6	80.4	62.7

Cash flow statement in CHF million (unaudited)	**2017** **1st half**	2016 1st half	2015 1st half	2014 1st half	2013 1st half
Cash flow from operating activities	81.5	94.8	76.4	78.1	83.9
Purchase of property, plant, equipment and software	-48.3	-30.1	-38.0	-38.7	-33.9
Proceeds from sale of assets	0.6	6.1	1.6	1.4	2.6

Employees	**30.6.2017**	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Headcount	8,918	8,662	7,991	8,293	7,110
Full-time equivalents (FTE)	9,324	9,021	8,330	8,688	7,000

* net income before amortization of intangible assets net of deferred taxes

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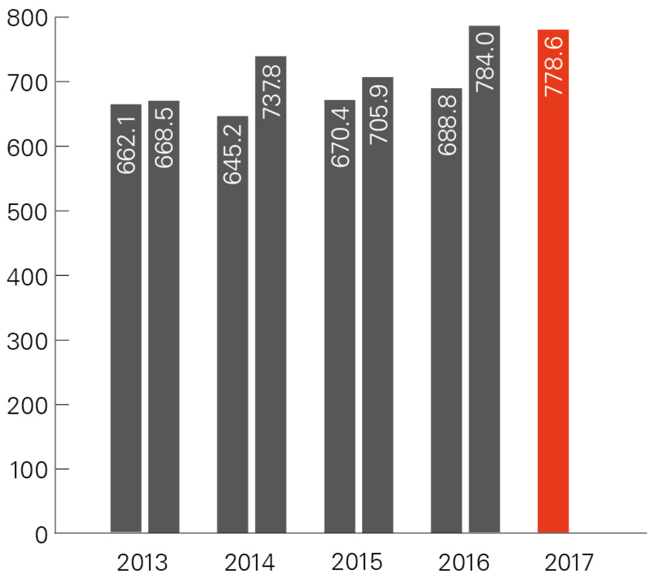
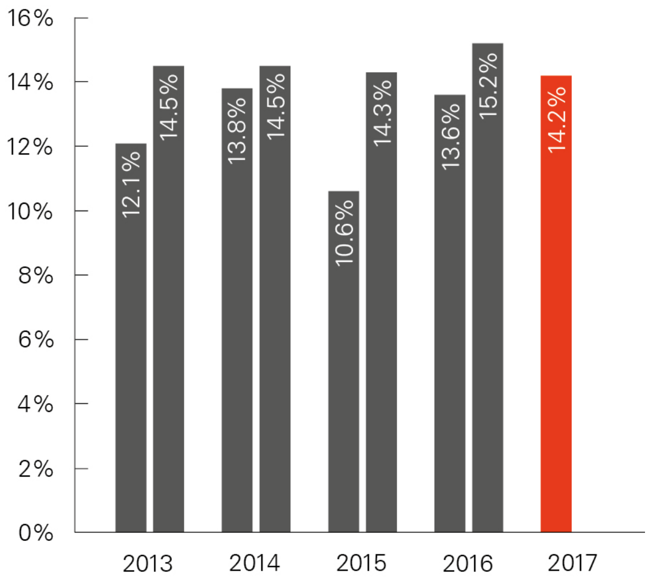
Third party sales per half year (in CHF million)



EBITA margin per half year



Dynamic sales growth achieved
SFS Group's sales rose by 13.0% to CHF 778.6 million in the first half of 2017. Dynamic organic sales growth amounted to 7.4%. It was mainly fueled by the successful ramp-up of new projects, gains in market share and the successful market performance of innovative products.

Further increase in profitability
In the first half of 2017, the EBITA margin rose by 14.2% compared with the prior-year period. Growing sales of innovative products, the exploitation of economies of scale, and the continuous optimization throughout the value chain contributed to the further increase in profitability.

To our shareholders

Dear shareholders,

We are pleased to report a positive set of results for the first half of the 2017 financial year. Besides achieving its dynamic sales growth momentum, SFS Group achieved another improvement in profitability.

Development of consolidated sales

Influencing factors	in CHF million	Growth in %
Gross sales 1st half 2016	**688.8**	
Currency impact	-8.7	-1.3
Change in scope	47.4	6.9
Organic growth	51.1	7.4
Gross sales 1st half 2017	**778.6**	**13.0**

Dynamic organic sales growth amounted to 7.4% and was mainly fueled by the successful ramp-up of new projects, gains in market share and the successful market performance of innovative products. Sound fundamentals in key end markets accentuated these growth drivers. Changes in the scope of consolidation, essentially the first-time consolidation of Tegra Medical and Ncase, contributed an additional 6.9% to top-line growth. Exchange rate fluctuations had a slightly negative impact on sales (-1.3%).

Diversification of targeted end markets and regions improved

The strengthening of the company's position in the medical device industry through the acquisitions of Stamm and Tegra Medical is clearly reflected in the breakdown of first-half sales by end market. The share of sales generated in the Medical sector jumped from 1.5% in the first half of 2016 to 6.5% in the period under review. The consolidation of Tegra Medical contributed much of the sales growth in the Americas and increased the region's share of total sales from 13.8% to 17.9%. These numbers show that SFS is making progress towards its goal of greater diversification by end market and by region.

Sales development by end market in %	**2017** **1st half**	2016 1st half
Automotive sector	26.4	27.7
Construction sector	26.1	27.5
Electro and electronics sectors	17.9	17.6
Medical sector	6.5	1.5
Other sectors	23.1	25.7

Share of sales by region in %	**2017** **1st half**	2016 1st half
Switzerland	21.5	23.6
Europe	41.5	43.9
Americas	17.9	13.8
Asia	18.8	18.3
Rest of World	0.3	0.4

Further increase in profitability

Growing sales of innovative products, the exploitation of economies of scale, and the continuous optimization throughout the value chain contributed to the further increase in profitability. The EBITA margin rose from 13.6% in the prior-year period to 14.2% in the first half of 2017. Net income improved by 20.8% compared with the previous year period and amounted to CHF 56.9 million.

Substantial investments in growth

Investments in property, plant, equipment and software increased significantly compared with the previous year period and amounted to CHF 48.3 million (prior-year period CHF 30.1 million). This corresponds to 6.2% of sales. These investments to expand the company's infrastructure and production footprint create a solid base for future growth. The Engineered Components segment accounted for the largest part (55%).

Important investment decisions were also made during the first half of 2017. The most significant single project is the realization of a new manufacturing and distribution plant in the Shanghai region (China). Upon completion, some of SFS Group's operations in China will be consolidated at the new site, which will lead to considerable cost advantages and allow future growth.

To ensure future growth, capital expenditure will remain at a high level in the second half of 2017. It is expected to surpass 8.5% of sales for 2017 as a whole.

Balance sheet remains solid

Thanks to the good profitability and a shorter balance sheet total, the equity ratio amounts to high 77.8%. The growth and seasonal-induced increase in net working capital led, along with the investments made and the dividend payout, to net debt of CHF 31.4 million.

Balance sheet metrics

in CHF million	30.06.2017	31.12.2016
Net cash / (debt)	-31.4	0.5
Equity	1,816.5	1,860.3
As a % of assets	77.8	76.3

Engineered Components segment

Good growth momentum achieved

The Engineered Components segment achieved broad-based sales growth. Its sales in the first half of 2017 amounted to CHF 428.2 million. Compared with the previous year period, this corresponds to a growth of 20.4%, whereof 11.8% accounts for changes in the scope of consolidation. Core sales growth amounted to 10.9%. With the EBITA margin standing at 19.7%, profitability was held at the high prior-year level. Besides the good rates of capacity utilization, widespread efforts to increase productivity contributed to this positive result.

Fastening Systems segment

Solid growth sustained

The relevant markets for the Fastening Systems segment maintained their good momentum throughout the first half of 2017. Sales rose 7.6% year-on-year to CHF 190.2 million. Excluding exchange rate fluctuations and changes in the scope of consolidation, sales were up by 7.8%. This attractive growth – and the ensuing increase in market share – can be traced to the market's broad recovery and the successful uptake of the segment's innovative products. Profitability in the Fastening Systems segment improved versus the previous year's period, bringing the EBITA margin to 9.4% (prior-year: 8.6%). Large projects in both divisions aimed at further improving productivity are currently being implemented. However, they will lead to increased costs during the course of the year 2017.

Distribution & Logistics segment

Acceleration in growth realized

Thanks to its vast expertise in logistics systems and its attractive products and services, the Distribution & Logistics segment (SFS unimarket) profited from the improving economy and acquired more new customers. Sales grew by 2.4% versus the first half of 2016 and amounted to CHF 160.2 million. Excluding a book gain attained last year due to the disposal of a property, the EBITA margin was sustained at 7.0% compared with the first half of 2016.

Accounting standards changed to Swiss GAAP FER

The Board of Directors has decided to apply Swiss GAAP FER accounting standards for the annual report 2017. These standards are more practical for SFS Group than IFRS, which is becoming increasingly complex, in particular IAS 19r post-employment benefits. This leads to unwarranted volatility in the equity, in the income statement and the statement of comprehensive income. These fluctuations are largely eliminated under Swiss GAAP FER.

The decision not to apply IAS19r and capitalize goodwill and other intangible assets will reduce equity by CHF 876 million and the total assets by CHF 978 million. Under Swiss GAAP FER, the 2016 equity ratio would be lower, but still reach about 67% compared to 76% under IFRS.

Additional pension costs under IAS19r will no longer be recognized in the income statement and the amortization of intangible assets will gradually decline from approx. CHF 67 million (2016) to virtually zero from 2018 onwards. One of the effects will be that in future EBIT will reach almost the same size as EBITA.

Positive trends expected

We assume that the positive trends in sales and profits will continue in the second half of 2017. Due to the higher comparison base, however, growth momentum will subside somewhat in comparison with the first half of the year.

Assuming constant exchange rates and similar economic conditions, SFS expects sales to grow by 8–10% and the EBITA margin to reach the upper half of the forecast range of 14.2–15.2% in the 2017 financial year. Our previous guidance is thus confirmed.

Heinrich Spoerry
Chairman of the
Board of Directors

Jens Breu
CEO

Engineered Components

Dynamic growth momentum achieved

Growth momentum in the Engineered Components segment was maintained during the first half of 2017, thanks to new projects and the underlying market growth. Profitability remained high.

Key figures Engineered Components

in CHF million (unaudited)	2017 1st half	± PY	2016 1st half	2015 1st half
Third party sales	428.2	20.4%	355.6	358.0
Sales growth comparable*		9.3%		
Net sales	434.7	19.7%	363.0	361.5
EBITDA	114.0	15.7%	98.6	81.2
As a % of net sales	26.2		27.1	22.5
EBITA	85.5	18.3%	72.2	55.6
As a % of net sales	19.7		19.9	15.4
Investments	26.6	54.7%	17.2	26.7
Assets	1,544.5	12.6%	1,371.3	1,349.8
Liabilities	101.0	8.5%	93.1	106.8
Net operating assets	1,443.5	12.9%	1,278.2	1,243.0
Of which net working capital	268.8		224.9	224.7
Employees (FTE)	6,409	20.5%	5,320	5,806

in CHF million (audited)	31.12.2016	31.12.2015
Assets	1,639.9	1,402.8
Liabilities	120.7	112.2
Net operating assets	1,519.2	1,290.6
Of which net working capital	264.8	229.3

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

Attractive sales growth

The Engineered Components segment achieved broad-based sales growth. Its sales in the first half of 2017 amounted to CHF 428.2 million. Compared with the previous year period, this corresponds to a growth of 20.4%, whereof 11.8% accounts for changes in the scope of consolidation. Core sales growth amounted to 10.9%. This growth was largely fueled by the ramp-up of new projects at the Automotive and Industrial divisions. The Electronics division also made a substantial contribution to growth again and won market share after completing a process of transformation involving the partial run-off of trading activities. The increase in the number of employees in the Engineered Components segment is mostly due to the acquisition of Tegra Medical at the end of 2016 (+758 FTE).

Profitability held at a high level

With the EBITA margin standing at 19.7%, profitability was held at the high prior-year level. Besides the good rates of capacity utilization, widespread efforts to increase productivity contributed to this positive result.

Capital expenditure of CHF 26.6 million for the period clearly surpassed the comparable figure of the prior-year. This reflects the many new projects currently in progress that will lay the groundwork for future growth. In the second half of 2017, we expect a further increase in investments.

Automotive division

Renewed solid sales growth

The driving forces of innovation and growth today – safety, efficiency, comfort and, in a more broader sense, autonomous driving – remain the primary sources of the division's solid sales growth. More new projects were acquired, in particular for electric braking systems. The global automobile market is still showing signs of strength, notwithstanding the slight downturn in demand in North America and the more volatile trend in China. The Automotive division's sustained solid sales growth was mostly fueled by the ramp-up of various new projects. Pleasing business trends at Indo Schöttle (India), which was honored with an award for superior performance from its customer Honeywell Turbo Technologies, also contributed to the good momentum.

We expect the positive growth to continue throughout the second half of 2017. Numerous projects to build and expand production capacity are on schedule and will ensure the successful execution of the new project wins and set the stage for future growth.

Electronics division

Back on the growth track

Despite the run-off of trading activities, the Electronics division (Unisteel) returned to the growth track as expected. All application fields contributed to its first-half growth, which was fueled in particular by the successful launch of new products and an increase in the share of wallet at its key accounts. Various innovation-driven projects, in particular in cold forming, attest to Unisteel's strong position as an engineering and technology partner for the electronics industry, and they will serve as new sources of growth in the future.

SFS is investing approximately CHF 35 million in a new sales and production site by 2019 to strengthen its competitive position, to exploit the resulting synergy potential and to realize the envisaged growth. This new site is being built in Nantong, at an hour's drive outside the city of Shanghai, and will consolidate some of SFS Group's operatios in China. With this new plant, SFS is creating a platform for the entire value chain that will be of considerable importance for its activities in China. Besides precision components, it will also provide coating and surface treatment solutions.

In our outlook for the second half of 2017, we expect business trends to remain positive; the level of growth achieved will depend to a large extent on the market success of key customer projects.

Industrial division

Solid trend continues

The Industrial division expanded or at least held its market position in all its application areas. Emphasis is to be laid on the market success in the fields of energy and communication technology and project wins for powertrain and automation technologies. Another key growth driver remains the Aircraft business. Moreover, comprehensive multiannual contracts were concluded with various key customers. Stamm AG was honored by German company Faulhaber as the best of its 600 suppliers. Faulhaber's supplier awards are based on product quality, delivery reliability, technical know-how, accessibility, collaboration and other performance criteria.

The Industrial division expects a steady course of business in the second half. An important driver will be the realization of new projects. M&A efforts in the Aircraft business will also be pursued as before.

Medical division

Integration proceeding as planned

The integration of Tegra Medical, the US company acquired at the end of 2016 that now forms the Medical division at SFS Group, is on track. Tegra Medical's continuing development as part of the SFS Group has been viewed positively by customers and employees. This acquisition has given customers access to a broader range of products and services and a more comprehensive technology portfolio.

Due to the characteristics of certain projects and inventory movements at the sites of our customers, sales in the first half of 2017 remained at the level of the previous year period. Thanks to the division’s attractive project pipeline, we expect business activity to pick up in the second half of 2017.

Distribution & Logistics

Acceleration in growth realized

An improved market environment and the acquisition of new customers fueled sales growth in the first half of 2017. Profitability remains at the same level.

Key figures Distribution & Logistics

in CHF million (unaudited)	**2017 1st half**	± PY	2016 1st half	2015 1st half
Third party sales	160.2	2.4%	156.5	154.5
Sales growth comparable*		2.5%		
Net sales	163.2	2.3%	159.5	157.2
EBITDA	14.2	-12.4%	16.2	11.7
As a % of net sales	8.7		10.2	7.4
EBITA	11.4	-10.3%	12.7	7.8
As a % of net sales	7.0		8.0	5.0
Investments	2.7	200.0%	0.9	1.0
Assets	178.8	-2.1%	182.7	185.9
Liabilities	24.0	3.0%	23.3	21.6
Net operating assets	154.8	-2.9%	159.4	164.3
Of which net working capital	107.0		102.9	99.6
Employees (FTE)	635	3.8%	612	642

in CHF million (audited)	31.12.2016	31.12.2015
Assets	163.1	172.5
Liabilities	22.8	20.6
Net operating assets	140.3	151.9
Of which net working capital	91.8	90.9

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

Acceleration in growth achieved

Thanks to its vast expertise in logistics systems and its attractive products and services, the Distribution & Logistics segment (SFS unimarket) profited from the improving economy in its domestic Swiss market and again acquired many new customers. Sales grew by 2.4% versus the first half of 2016 and amounted to CHF 160.2 million.

Excluding a book gain attained last year due to the disposal of a property, the EBITA margin was sustained at 7.0% compared with the first half of 2016.

We expect market sentiment to continue to improve during the second half. Project wins and the launch of a new e-commerce platform should have a positive impact on the business.

Fastening Systems

Solid growth sustained

Product innovation and the gain in market share strengthened the Fastening Systems segment’s competitive position and improved its profitability.

Key figures Fastening Systems

in CHF million (unaudited)	**2017 1st half**	± PY	2016 1st half	2015 1st half
Third party sales	190.2	7.6%	176.7	157.9
Sales growth comparable*		7.8%		
Net sales	198.9	7.7%	184.7	164.4
EBITDA	26.3	10.1%	23.9	16.6
As a % of net sales	13.2		12.9	10.1
EBITA	18.8	17.7%	15.9	9.0
As a % of net sales	9.4		8.6	5.4
Investments	13.0	38.3%	9.4	9.8
Assets	365.2	8.4%	337.1	328.3
Liabilities	26.7	-11.6%	30.2	31.9
Net operating assets	338.5	10.3%	306.8	296.4
Of which net working capital	137.4		130.4	115.3
Employees (FTE)	1,954	7.0%	1,826	1,756

in CHF million (audited)	31.12.2016	31.12.2015
Assets	343.9	320.2
Liabilities	34.2	31.1
Net operating assets	309.7	289.1
Of which net working capital	115.9	109.5

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

Attractive growth

The relevant markets for the Fastening Systems segment maintained their good momentum throughout the first half of 2017. Sales rose 7.6% year-on-year to CHF 190.2 million. Excluding exchange rate fluctuations and changes in the scope of consolidation, sales were up by 7.8%. This attractive growth – and the ensuing increase in market share – can be traced to the market’s broad recovery and the successful uptake of the segment's innovative products. Effects of fluctuations in exchange rates (-3.3%) neutralized the effect of changes in the scope of consolidation (3.1%).

Higher profitability

Profitability in the Fastening Systems segment improved versus the previous year’s period, bringing the EBITA margin to 9.4%. Large projects in both divisions aimed at further improving productivity are currently being implemented. In the second half of 2017, we expect profitability to be flat due to costs associated with these projects.

Construction division

Positive momentum achieved

Demand in the relevant construction markets showed signs of strength. Robust trends ranging from energy efficiency and safety to prefabrication fueled the sales success of our innovative products. This further strengthened the Construction division’s competitive position as a provider of fastening solutions for building envelopes. The division also increased its market share. Business was particularly pleasing in timber structures and exterior building applications.

The integration of Ncase Ltd, acquired in July 2016, has proceeded as planned. Thanks to this acquisition, customers are now offered a full range of fastening systems for cladding subframes. Preparations are being made to introduce Ncase products to other markets in addition to its core UK and US markets.

We expect the market environment and the Construction division's development to remain positive during the second half of 2017. The effects resulting from the sharpening of the production profiles should become increasingly visible in 2018.

Riveting division

Project success in the automotive industry realized

The Riveting division (GESIPA®) showed solid growth in its various markets and application areas during the first half of 2017. GESIPA® fastening systems for the automotive industry performed particularly well during the period under review. Electrification of assembly lines is a major trend today. Pneumatic or hydraulic riveting devices are being replaced with battery-powered products, an area where GESIPA® has established itself as a global leader. Automatic riveting machines and devices that also monitor the riveting process are additional growth drivers in this division. Such systems create substantial value for the customer in the form of productivity gains and improved quality.

Projects to sharpen the division's production profile are proceeding as scheduled. However, the merger of two sites in the US led to some delays in deliveries to customers. We expect this situation to remain challenging during the second half of the year. Overall, we expect business at the Riveting division to go forward steadily.

Consolidated balance sheet

Assets in CHF million	Notes	**30.6.2017** **(unaudited)**		31.12.2016 (audited)	
Cash and cash equivalents		120.3		163.8	
Trade receivables		287.2		283.6	
Other receivables		37.2		34.4	
Inventories		294.9		275.1	
Current assets		**739.6**	**31.7%**	**756.9**	**31.1%**
Property, plant and equipment		590.5		592.1	
Intangible assets		945.0		1,028.4	
Financial assets		11.3		9.4	
Investments in related entities		25.2		26.4	
Deferred income tax assets		22.8		23.6	
Non-current assets		**1,594.8**	**68.3%**	**1,679.9**	**68.9%**
Assets		**2,334.4**	**100.0%**	**2,436.8**	**100.0%**

Liabilities and equity in CHF million	Notes	**30.6.2017** **(unaudited)**		31.12.2016 (audited)	
Trade payables		75.3		94.1	
Current income tax liabilities		20.4		25.4	
Other payables		112.9		107.6	
Current borrowings		61.2		27.8	
Current liabilities		**269.8**	**11.6%**	**254.9**	**10.5%**
Non-current borrowings		90.5		135.5	
Deferred income tax liabilities		104.7		104.9	
Provisions	12	52.9		81.2	
Non-current liabilities		**248.1**	**10.6%**	**321.6**	**13.2%**
Liabilities		**517.9**	**22.2%**	**576.5**	**23.7%**
Share capital		3.8		3.8	
Reserves		1,803.7		1,846.2	
Equity attributable to SFS		**1,807.5**	**77.4%**	**1,850.0**	**75.9%**
Non-controlling interests		9.0		10.3	
Total equity		**1,816.5**	**77.8%**	**1,860.3**	**76.3%**
Liabilities and equity		**2,334.4**	**100.0%**	**2,436.8**	**100.0%**

The notes on pages 13 to 15 are an integral part of this financial report as of 30 June 2017.

Consolidated income statement

in CHF million (unaudited)	Notes	**2017 1st half**		2016 1st half	
Net sales	7	**779.5**	**100.0%**	**688.2**	**100.0%**
Material expenses		-274.9		-248.9	
Other operating income		7.5		9.8	
Contribution margin		**512.1**	**65.7%**	**449.1**	**65.3%**
Personnel expenses		-237.8		-205.0	
Other operating expenses		-122.8		-108.4	
Depreciation		-41.0		-42.4	
Amortization of intangible assets		-34.9		-29.9	
Total operating expenses		**-436.5**	**-56.0%**	**-385.7**	**-56.1%**
Operating profit (EBIT)		**75.6**	**9.7%**	**63.4**	**9.2%**
Finance expense		-2.0		-2.2	
Finance income		0.7		0.3	
Share of profit /(loss) from related entities		-0.4		-0.2	
Earnings before tax		**73.9**		**61.3**	
Income taxes	8	-17.0		-14.2	
Net income		**56.9**	**7.3%**	**47.1**	**6.8%**
Attributable to owners of SFS Group AG		56.9		47.1	
Attributable to non-controlling interests		0.0		0.0	
Earnings per share of the owners of SFS Group (in CHF) basic and diluted	10	**1.52**		**1.26**	

The notes on pages 13 to 15 are an integral part of this half year financial report as of 30 June 2017.

Consolidated statement of comprehensive income

in CHF million (unaudited)	Notes	**2017 1st half**	2016 1st half
Net income		56.9	47.1
Items that will not be reclassified to profit and loss			
Actuarial gains on defined benefit plans	12	30.0	-41.0
Tax effect defined benefit plans		-5.2	7.1
Items that may be subsequently reclassified to profit and loss			
Currency translation adjustments (CTA)		-58.1	-16.8
Cash flow hedges		-0.5	1.7
Tax effect on cash flow hedges		0.0	-0.3
Comprehensive income		**23.1**	**-2.2**
Attributable to owners of SFS Group AG		23.1	-2.0
Attributable to non-controlling interests		0.0	-0.2

Consolidated statement of changes in equity

in CHF million	Notes	Share capital	Reserves	Attributable to owners of SFS Group	Non-controlling interests	Total
Balance at 1.1.2016 (audited)		3.8	1,780.5	1,784.3	8.3	1,792.6
Comprehensive income 1st half 2016		-	-2.0	-2.0	-0.2	-2.2
Payout for 2015		-	-56.3	-56.3	-0.6	-56.9
Balance at 30.6.2016 (unaudited)		3.8	1,722.2	1,726.0	7.5	1,733.5
Comprehensive income 2nd half 2016		-	124.0	124.0	0.4	124.4
Other changes		-	-	-	2.4	2.4
Balance at 31.12.2016 (audited)		3.8	1,846.2	1,850.0	10.3	1,860.3
Comprehensive income 1st half 2017		-	23.1	23.1	-	23.1
Payout for 2016	9	-	-65.6	-65.6	-0.2	-65.8
Other changes		-	-	-	-1.1	-1.1
Balance at 30.6.2017 (unaudited)		**3.8**	**1,803.7**	**1,807.5**	**9.0**	**1,816.5**

The notes on pages 13 to 15 are an integral part of this half year financial report as of 30 June 2017.

Condensed consolidated cash flow statement

in CHF million (unaudited)	Notes	**2017 1st half**	2016 1st half
Cash flow before changes in net working capital		125.5	106.2
Changes in net working capital		-44.0	-11.4
Cash flow from operating activities		**81.5**	**94.8**
Purchases of property, plant, equipment and software		-48.3	-30.1
Proceeds from sale of assets		0.6	6.1
Acquisition of subsidiary, net of cash acquired	11	-3.1	-32.6
Payouts / Acquisition of related entities		0.5	-4.3
Proceeds of marketable securities net		0.6	0.5
Cash flow from investing activities		**-49.7**	**-60.4**
Repayment of borrowings net		-7.1	-5.8
Payout to the shareholders	9	-65.8	-56.9
Cash flow from financing activities		**-72.9**	**-62.7**
Translation adjustment on cash and cash equivalents		-2.4	-1.5
Changes in cash and cash equivalents		**-43.5**	**-29.8**
Cash and cash equivalents at beginning of period		163.8	157.0
Cash and cash equivalents at end of period		**120.3**	**127.2**

The notes on pages 13 to 15 are an integral part of this half year financial report as of 30 June 2017.

Notes

1 General information

SFS Group is a global development, manufacturing and supply partner for customized precision cold formed parts, special fasteners and assemblies as well as tailor-made logistic solutions which are sold under the brand names SFS intec, Unisteel, GESIPA, Tegra Medical and SFS unimarket.

The parent company SFS Group AG is a limited company according to Swiss law, incorporated and domiciled in Heerbrugg, municipality of Au/SG, Switzerland. It is listed on the SIX Swiss Stock Exchange AG in Zurich with the security code number 23.922.930/ISIN: CH 023 922 930 2 and the security code symbol SFSN.

2 Summary of significant accounting policies

This consolidated and condensed half year financial report has been prepared according to the International Accounting Standard IAS 34 (Interim Financial Reporting). It is to be considered in conjunction with the consolidated financial statements 2016 and has been prepared by using the same accounting and valuation methods.

3 New IFRSs/IASs adopted

No new standards have been implemented. In the estimation of not yet implemented standards IFRS 9, 15 and 16 are no changes to previous year end Financial Report 2016. Both since January 1, 2017 mandatory amendments to IAS 7 Cash Flow Statement and IAS 12 Income Taxes does not have effects on the presented interim financial report of the SFS Group.

4 Critical accounting estimates and judgments

Recognized critical accounting estimates and judgments as well as the financial risk management used in the consolidated financial statements 2016 have been continued unchanged in the first half of the year 2017. Similarly, there are no material changes in the financial risk and the levels of the fair value estimation.

5 Seasonality and other effects

Due to seasonal variations in the segments usually higher net sales and a slightly higher operating profit can be achieved in the second half of the year.

Usually we expect the strongest characteristics in the end user markets electronic industry and construction sector. In the electronic industry, new products of important end customers will be launched as well as higher sales due to the holiday season can be realized. The construction sector benefits generally from seasonally strong fall months. In the other end markets sales are more balanced throughout the year.

6 Segment information

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

The monitoring and assessment of the financial results and the valuation of the assets are in line with the same principles as in the financial report 2016.

Detailed information about segments are presented on pages 6 to 8.

In addition to the elimination of inter-company transactions, the segment "Others" contains figures relating to the cross-functions Technology and Services. Furthermore cross-group revenues and expenses are reported within "Others".

Reconciliation of segment results to income statement and balance sheet

Income statement in CHF million	**2017 1st half**	2016 1st half
Operating profit (EBIT)		
Engineered Components	55.8	46.9
Fastening Systems	14.7	12.7
Distribution & Logistics	10.9	12.2
Others	-5.8	-8.4
Operating profit (EBIT)	**75.6**	**63.4**
Financial result	-1.3	-1.9
Share of profit related entities	-0.4	-0.2
Earnings before tax	**73.9**	**61.3**

Assets in CHF million	**30.6.2017**	31.12.2016
Operating assets		
Engineered Components	1,544.5	1,639.9
Fastening Systems	365.2	343.9
Distribution & Logistics	178.8	163.1
Others	51.9	55.9
Operating assets	**2,140.4**	**2,202.8**
+ Cash and cash equivalents	120.3	163.8
+ Other receivables	37.2	34.4
+ Investments in related entities	25.2	26.4
+ Financial assets	11.3	9.4
Assets	**2,334.4**	**2,436.8**

Liabilities and equity in CHF million	**30.6.2017**	31.12.2016
Operating liabilities		
Engineered Components	101.0	120.7
Fastening Systems	26.7	34.2
Distribution & Logistics	24.0	22.8
Others	28.3	21.3
Operating liabilities	**180.0**	**199.0**
+ Current income tax liabilities	20.4	25.4
+ Other payables	112.9	107.6
+ Current borrowings	61.2	27.8
+ Non-current borrowings	90.5	135.5
+ Provisions	52.9	81.2
Liabilities	**517.9**	**576.5**
Equity (Net assets)	**1,816.5**	**1,860.3**

7 Net sales

in CHF million	**2017 1st half**	2016 1st half
Gross sales	778.6	688.8
Transportation charged	4.0	3.9
Hedged exchange differences	0.0	-1.3
Discounts	-3.1	-3.2
Total	**779.5**	**688.2**

8 Income taxes

In the financial report the income taxes have been recorded on the basis of local tax rates. There have been no significant changes in the tax rates within the first half of 2017.

9 Dividend

The dividend distribution for fiscal year 2016 of CHF 1.75 per share was approved at the annual general meeting and paid out in the total amount of CHF 65.6 million in April 2017.

10 Earnings per SFS share

	2017 1st half	2016 1st half
Weighted average number of shares	37,500,000	37,500,000
Net income attributable to owners of SFS Group AG	56.9	47.1
Earnings per share (in CHF) basic and diluted	**1.52**	**1.26**

11 Changes in scope of consolidation

During first half year the earnouts and purchase price allocations of Stamm AG and Tegra Medical became definite. This resulted in a cash outflow of CHF 2.2 million. Those of the Ncase will be determined in second half of 2017 after result 2016/17 is available.

In June 2017 SFS increased their share in Tegra Medical from 98.1% to 98.8%.

Acquisition subsidiaries in CHF million	**2017 1st half**	2016 1st half
Cash and cash equivalents		5.9
Other current assets		5.1
Other fixed assets		7.7
Intangible assets		32.8
Other liabilities		-3.6
Deferred taxes net		-4.1
Other provisions		-0.9
Purchase price	**-**	**42.9**
Cash and cash equivalents	-	-5.9
Purchase non controlling shares	0.9	-
Contingent consideration	2.2	-4.4
Consideration cash flow statement	**3.1**	**32.6**

2016

As of 11 February 2016 the SFS Group acquired 100% of the Stamm AG domiciled in Hallau (Switzerland). The company Stamm AG achieved in 2015 with 60 employees a turnover of CHF 15 million and will become part of segment Engineered Components. The deferred consideration from previous year has been settled in 2017.

On 7 July 2016 SFS Group acquired Ncase Ltd based in Welwyn Garden City, North of London. Ncase Ltd provides the fastening systems and the engineering for ventilated facades. The company employed 22 employees in 2015 and generated a turnover of around CHF 8 million.

On 8 July 2016 SFS Group sold the subsidiary Unibolt A/S, Denmark, to a person close to the Unibolt management team. Unibolt generated sales of nearly EUR 4 million in 2015.

On 11 November 2016 SFS signed the securities purchase agreement for Tegra Medical in Franklin, USA. Tegra Medical develops and manufactures primarily disposable products made of metal and plastic for global, leading medical device OEMs. It employs around 700 people and generated sales of USD 80 million in its 2015 fiscal year. The closing of the transaction took place on 30 November 2016. Since then Tegra Medical is managed and known as the Division Medical.

12 Swiss pension plan

An increase of the reference rate from 0.40% to 0.55% for determining the discount rate and the higher than expected return on assets, resulted in a deduction of the pension obligation with CHF 30 million in the first half of 2017 (PY increase of 41 million). The remaining parameters and demographic assumptions have not been adjusted.

13 Exchange rates

Income statement average rate	**2017 1st half**	2016 1st half
1 EUR	1.076	1.096
1 USD	0.994	0.983

Balance sheet closing rate	**30.6.2017**	31.12.2016
1 EUR	1.093	1.074
1 USD	0.958	1.019

14 Events after the reporting period

SFS Group signed a contract for the disposal of their subsidiary Sonic Clean in Singapore. The closing is expected for the third quarter 2017. Those non-core business reported revenue of CHF 1.7 million in 2016.

On July 20, 2017 the Board of Directors has decided to apply Swiss GAAP FER accounting standards for the annual report 2017. These standards are more practical for SFS Group than IFRS, which is becoming increasingly complex, in particular IAS 19r post-employment benefits. This leads to unwarranted volatility in the equity, in the income statement and the statement of comprehensive income. These fluctuations are largely eliminated under Swiss GAAP FER. The decision not to apply IAS 19r and capitalize intangible assets will reduce equity by CHF 876 million and total assets by CHF 978 million. Pension costs under IAS 19r and amortization of intangible assets will no longer be recognized in the income statement.

The Board of Directors has approved this half year financial report on 20 July 2017. SFS is not aware of other events that occured after the balance sheet date that could have a material impact on the consolidated statements for this financial report.

Information for shareholders

The registered shares of the SFS Group AG of CHF 0.10 each are listed on the SIX Swiss Exchange AG (International Reporting Standard) since 7 May 2014.

	30.6.2017	31.12.2016	31.12.2015	31.12.2014
Number of registered shares (in million)	37.5	37.5	37.5	37.5
Number of shares ranking for dividend (in million)	37.5	37.5	37.5	37.5
Weighted average number of shares (in million)	37.5	37.5	37.5	35.8
Number of shareholders	7,020	6,641	6,941	6,778
Stock exchange closing quotation (in CHF)				
Year high	118.00	83.15	79.00	79.30
Year low	83.30	60.45	56.90	62.50
End price	108.80	83.10	70.00	79.10
Share key data				
Earnings per share in CHF	1.52	3.25	2.78	3.07
Cash earnings per share in CHF	2.23	4.59	4.03	4.32
Distribution per share in CHF	n/a	1.75	1.50	1.50
Payout ratio in % of consolidated net income	n/a	53.7	53.6	51.0
Price/earnings ratio (P/E end price)	n/a	25.6	25.2	25.8
Cash price/earnings ratio (P/E end price)	n/a	18.1	17.4	18.3
Market capitalization				
In CHF million (end price x number of shares ranking for dividend)	4,080.0	3,116.3	2,625.0	2,966.3
As a % of net sales	n/a	216.9	191.4	214.7
As a % of equity	224.6	167.5	146.4	164.3

Cash earnings per share is derived from the net income before amortization of intangible assets net of deferred taxes divided by the weighted average number of shares. Cash net income amounts to CHF 83.8 million (PY 70.0).

Agenda

Friday, 26 January 2018
First information on business year 2017

Friday, 9 March 2018
Publication results business year 2017

Wednesday, 25 April 2018
24th Annual General Meeting of SFS Group AG

Half year report 30 June 2017
The half year report is available in German and English. The German language version will be the only legally binding version.

Exclusion of liability
This half year 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 half year report are subject to such limitations.

SFS Group AG
Rosenbergsaustrasse 8 | 9435 Heerbrugg | Schweiz
T +41 71 727 51 51 | F +41 71 727 51 03
corporate.communications@sfs.biz | www.sfs.biz