



Creating value

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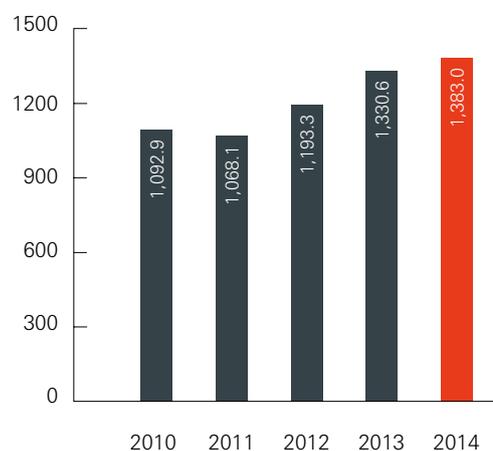
Summary report 2014



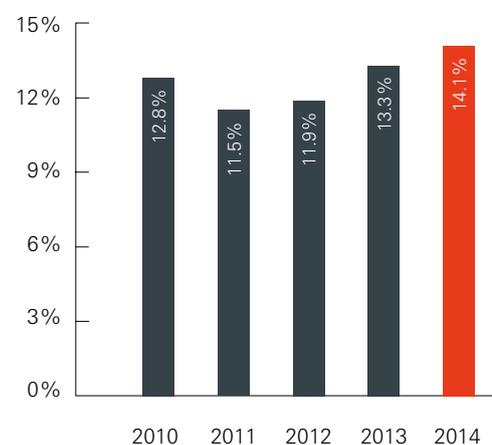
SFS Group highlights 2014

Encouraging sales growth in core business	CHF	1,383.0 million	+5.1%
Proportionately faster EBITA growth	CHF	195.4 million	+10.3%
Important capital expenditure for future growth	CHF	97.6 million	+27.4%
Strong R&D activities	CHF	34.3 million	+59.5%
Solid equity financing and balance sheet	CHF	1,805.0 million	+35.1%
Back to a net cash position	CHF	87.7 million	n/a

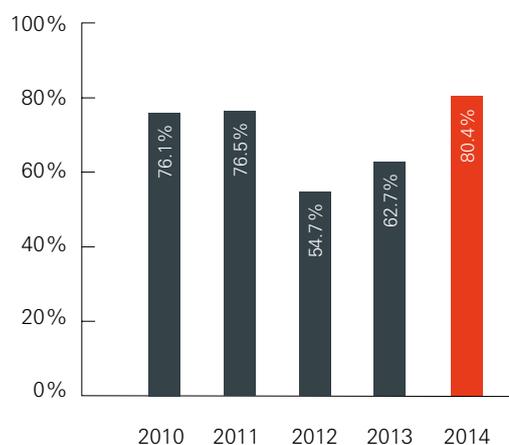
Third party sales (in CHF million)



EBITA margin



Equity ratio



Net cash (in CHF million)

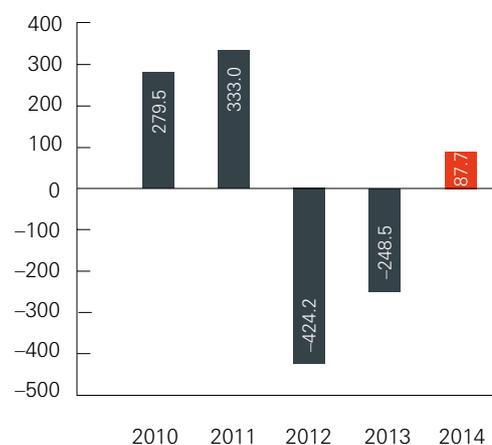


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Heinrich Spoerry

Chairman of the Board of Directors and CEO

Letter to shareholders

On a like for like basis sales up by 5.1% and improvement in the EBITA margin to 14.1%. Accelerated pace of innovation. Acquisition of new customers and projects a catalyst for future growth. High outlays to expand the company's capacities and international footprint.

Dear shareholders,

We are pleased to report on the good results we achieved during the 2014 financial year.

Solid sales and profit growth

– All the efforts made during previous years to solidify our leadership in our core technologies and competencies and to expand our international presence had a positive impact on our business performance last year. Reported gross sales grew by 3.9% to CHF 1,383 million. On a comparable basis, i.e., excluding exchange rate movements, change in the scope of consolidation and the trading activity at Engineered Components, sales increased by 5.1%. Comparable operating profit excluding acquisition-related amortization (EBITA) increased by 10.3% to CHF 195.4 million, which corresponds to 14.1% of operating revenue (py, adj.: 13.3%).

Stronger equity position

– The initial public offering and issue of approximately 5 million new shares increased equity by CHF 311.3 million after consideration of all transaction-related costs. SFS Group is thus well positioned to take advantage of market opportunities for organic and acquisition-driven growth. Going public also established a broader platform

for SFS Group's ongoing corporate development as an independent, autonomous company. We would like to take this opportunity to welcome the more than 6,000 private and institutional investors who placed their confidence in SFS Group during and after our public offering by purchasing our shares.

Continuous innovation and improvement

– As a trusted partner delivering innovation and a market leader in its field, SFS Group was able to win major new contracts and new accounts for the coming years. Future-oriented spending on development, prototyping and on preparations for large-scale production runs clearly exceeded the amounts invested during previous periods. In order to meet the high market expectations of price-performance gains from the products we offer, all operating units pressed ahead diligently with ongoing improvement programs.

Expansion of international presence

– The doubling of production floor space at the Medina (USA) factory, the construction of a new production plant in Nansha, in the Guangzhou metropolitan area (China), and the purchase of a majority interest in the Indian company Indo Schöttle in Pune strengthened SFS Group's international presence and broadened its basis for future growth.

Engineered Components segment

– The Engineered Components segment reported a 7.8% increase in comparable sales for 2014 and its EBITA margin was lifted slightly higher to the good level of 19.1%.

The Automotive division secured a large new contract for a component used in a fuel injection application from a major US systems manufacturer. SFS teamed up with leading systems manufacturers to develop precision engineered components and assemblies for applications in electric and electronic brake systems and was then awarded corresponding contracts in Europe, North America and Asia. The Electronics division maintained its position as a foremost supplier of miniature fastening systems and other

components for smartphones, hard disk drives and other electronic devices, supplying virtually every leading branded manufacturer in the Western Hemisphere. Initial orders were also received from the fast growing Chinese newcomers entering this market.

The Industrial division operates in various niche markets with differing growth profiles. Sales with the aerospace industry were particularly strong during the period under review.

Fastening Systems segment

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The Fastening Systems segment generated sales of CHF 336.7 million, which represented an increase of 3.4% in local currency. While construction sector sales stagnated in the wake of the persisting unfavorable market environment in Europe, sales with customers in industrial sectors were sharply higher. Intensive efforts to rejuvenate and upgrade the product range and the systems solutions offered under the SFS intec and GESIPA brands were made. Rapid progress was made in the implementation of numerous programs designed to improve operating efficiency and the intended benefits began to emerge. The EBITA margin rose slightly to 7.6% (py: 7.5%). Our medium-term target is to raise this margin above the 10% mark.

Distribution & Logistics segment

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Distribution & Logistics achieved sales of CHF 319.1 million, which corresponds to a growth rate of 1.6% on an unchanged scope of consolidation. Excluding the one-time effect from the previous year, its EBITA margin was steady at 8.0%. This margin equates with a high return on capital given the relatively low capital employed in this business activity.

Thanks to the ongoing development of optimized logistics solutions and a strong reputation as a reliable supplier and service partner for C class parts, we were able to acquire major new customers while also expanding our supply and service contracts with existing customers. These developments created future growth potential.

Corporate governance

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Prior to the initial public offering in May 2014, the Articles of Incorporation were amended in accordance with the provisions of the Swiss federal Ordinance Against Excessive Compensation in Listed Companies (OAEC). The changes made pertained to the company's compensation models and structures, among other areas. The Annual General Meeting will cast a prospective vote on the fixed compensation to be paid to the members of the Executive Board and the Board of Directors. Conversely, the Annual General Meeting will cast a vote on the variable compensation paid to the members of both boards for the preceding financial year, a retrospective vote in this case.

Changes in the Board of Directors of SFS Group AG

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After many years of service, Hans Brunhart and Christian Fiechter stepped down as directors at the 2014 Annual General Meeting. We thank both gentlemen for their skillful guidance and dedication and their great loyalty to SFS Group over many years. Jörg Walther was elected to the Board of Directors of SFS Group for the first time at the 2014 Annual General Meeting. All current members of the Board of Directors of SFS Group will be standing for re-election at the 2015 Annual General Meeting. The Chairman of the Board of Directors of SFS Group and the members of the Nomination and Compensation Committee of SFS Group will also be elected directly by the Annual General Meeting. Further details on this subject can be found in the compensation report of the annual report.

Changes in the Group Executive Board of SFS Group AG

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Jens Breu was appointed COO of SFS Group effective January 1, 2014, making him the designated successor of the current CEO. As part of our ongoing executive succession planning, Helmut Binder stepped down from the Group Executive Board of SFS Group effective 31 March, 2014, and has since served the company in an advisory capacity on selected strategic projects and special tasks. We thank Helmut Binder for his outstanding service at the head of SFS intec. On October 1, 2014, management re-

sponsibility for the Electronics division (Unisteel) passed from Bernhard Toh to George Poh, who was already given a seat on the Group Executive Board of SFS Group as of the beginning of the year. Bernhard Toh has relinquished his seat on the Group Executive Board of SFS Group. We deeply appreciate his many achievements at Unisteel and his entrepreneurial drive both before and after Unisteel's integration into SFS Group.

A word of thanks

Our employees performed outstandingly during the past financial year. The creativity, a can-do attitude and the know-how of our employees throughout the Group were pivotal factors behind the progress and the operating results we are able to present today. We are grateful for the people who make SFS what it is and thank them all for their commitment and professional work.

We also appreciate the strong and loyal support of our shareholders, which reinforces the stability and sustainability of our company. We thank our customers for their trust and for allowing us to participate in their development projects as partners.

Dividend payment for shareholders of SFS Group AG

In light of the company's operating results, good cash position and solid balance sheet, the Board of Directors of SFS Group will propose a dividend of CHF 1.50 per share from statutory capital reserves at the Annual General Meeting. This payment is not subject to withholding or income tax for natural persons whose tax domicile is in Switzerland.

Outlook for the 2015 financial year

The Swiss National Bank's decision to abandon the minimum exchange-rate floor of CHF 1.20 to the euro on 15 January, 2015, changed the playing field for us going into the 2015 financial year.

Due to the massive depreciation of the euro and other currencies against the Swiss franc, we are expecting reported sales in Swiss francs, the company's reporting currency, to decline by 2–4%. Despite measures that have already been initiated in Switzerland, such as an increase in weekly work hours and strict cost management, we expect that the EBITA margin will contract by 60 to 120 basis points from the level reported for the 2014 financial year.

In view of the progress made during the 2014 financial year and the new projects we have been entrusted with, we are confident that we will continue to build our technology leadership and expand our position in our targeted niche markets during the coming year. For the coming year we expect sales in our core business to grow by 5–7% at constant exchange rates.



Heinrich Spoerry

Chairman of the Board of Directors
and CEO

Strategy and markets

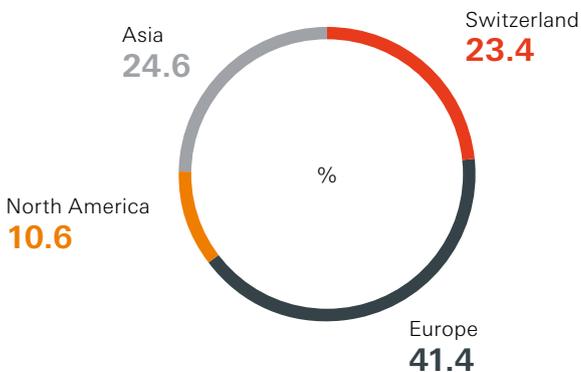
Focussed in technology – diversified by end markets and regions

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With specific applications knowledge, creativity and expertise, we create solutions that add value – for our customers and ourselves. We are in direct contact with our customers so we can be sure we know exactly what they need and want. We are supported by a well-developed production and sales network spanning the European, Asian and North American continents.

SFS is a global market leader for mechanical fastening systems and precision formed components. Based on a focused set of core technologies we serve diversified end markets.

SHARE OF SALES BY REGION 2014 IN %



Mission critical products in everyday life

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Our products accompany many people throughout their daily lives, albeit invisibly, as components of car brakes and seatbelts, smartphones, computer hard disk drives, aircraft cabins, building envelopes, doors and windows – and even refrigerators.

Concentration on technology leadership and high process competence

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A focus on selected core technologies and skills allows us to push the limits of what’s possible and claim market leadership. We also offer end-to-end logistics solutions that help our customers to significantly enhance their efficiency and optimize costs.

Striving for leadership in selected markets

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In selected markets and applications where we see opportunities for innovation, growth and differentiation, we strive for market leadership with our products and services. We seek partnerships with industry leaders and aim to become their preferred supplier. Our broad offering across a diversified range of end markets reduces our vulnerability to cyclical downturns in any one industry. Success in our lines of business comes through innovation – the basis of our business model.

Turning ideas into commercially viable solutions

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When customer requirements are paired with a high level of technology and process expertise, the result is a seed-bed for exceptional ideas. In the constant search for new solutions, SFS people are often pushing the limits of technology.

Perfecting the details while keeping sight of the big picture

While the direct costs of our products are low, the associated costs on the customer side are many times higher. These indirect costs are influenced by administrative operations in procurement, assembly, or by the performance specifications of the customer's product. Our aim is always to optimize both direct and indirect costs, an approach that creates much greater potential for improvement and that helps us to create value added for the customer.

International production platform provides local supply channels for customers everywhere

Seamless control over the value chain ensures a rapid and dependable product realization process. A high degree of value integration is a proven means of protecting our intellectual property. Standardized processes and production operations in combination with an international production platform enable us to supply our customers all over the world from local sources.

Well balanced geographic footprint strengthened

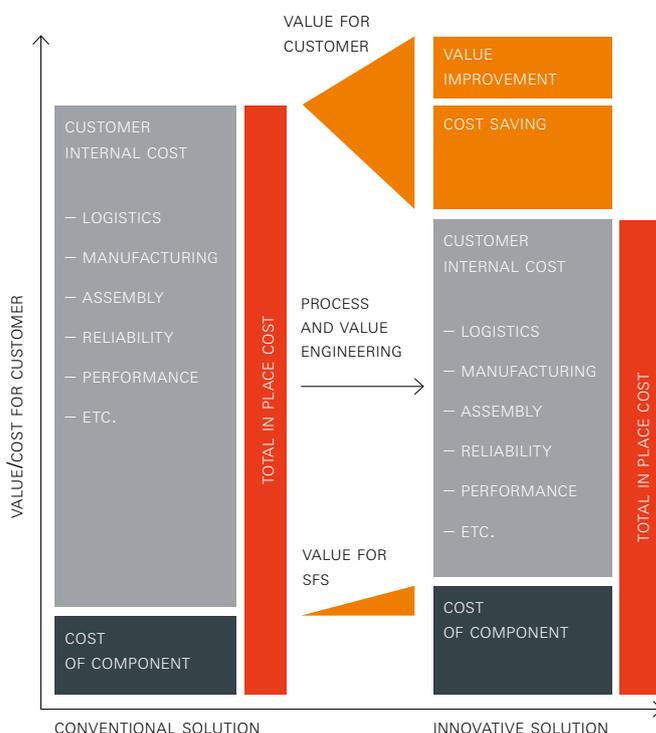
Our extensive local presence in our main markets of Europe, Asia and North America puts us in a good position to react to regional developments in a flexible and targeted manner. International production platforms and selective acquisitions allow us to target new markets, new customer groups and new application areas and thereby create further opportunities for organic growth.

Establishing and expanding partnerships with market leaders

Successful products create trust. Trust is the basis for close and stable partnerships and conducive to our early integration in development processes, which is such an important factor when it comes to harnessing the full potential of collaboration. We pride ourselves on having built solid, long-lasting partnerships with the leading players across a wide range of industries and appreciate the growth we have shared with them through the years.

Entrepreneurial responsibility is shouldered by the segments

The SFS Group is organized into three business segments and six divisions. The segments represent the three distinct business models we operate under the roof of the SFS Group. The Engineered Components, Fastening Systems, and Distribution & Logistics segments are delegated full responsibility and authority over their entire value chain, from production to end customer. They are supported by the cross-departmental Technology and Services units.



Engineered Components

Growth through innovation

The Engineered Components segment delivered strong growth. Margins were slightly improved from the previous year's high level.

Key figures Engineered Components

In CHF million

	2014	±	2013	2012
Third party sales	727.2	8.1%	672.9	524.2
Sales growth comparable		7.8%		
Operating revenue	749.9	9.0%	687.8	537.5
EBITDA	190.7	9.0%	175.0	131.1
As a % of operating revenue	25.4		25.4	24.4
EBITA	143.0	10.0%	129.9	92.9
As a % of operating revenue	19.1		18.9	17.3
Net operating assets	1,326.1	12.2%	1,182.0	1,259.4
Employees (FTE)	6,038	34.5%	4,488	4,498

Core activities show high growth rates

Strong sales growth of 8.1% was achieved in the Engineered Components segment. Organic sales growth in the core business, which excludes the effects of exchange rate movements and changes in the scope of consolidation as well as the results of the non-core trading activity, amounted to 7.8%. This dynamic growth was fueled by the launch of numerous new projects. Additional significant innovation-driven projects are still at an early stage of execution and will provide further growth catalysts in the years ahead. Our earnings performance was steady with an EBITA margin of 19.1%, which represents a slight improvement from the high level reported in the previous year (18.9%). This was a pleasing achievement given the additional costs that were incurred to pave the way for the realization of highly innovative projects.

In the Engineered Components segment SFS partners with customers to develop and manufacture customized precision components, fastening solutions and assemblies. Tailor-made solutions create value added for customers by enhancing overall system performance, for example, or by reducing the complexity of the parts and components required. Besides the applications knowledge, technical expertise on the manufacturing side is also imperative. The Engineered Components segment consists of three divisions, each focused on its particular markets.

Automotive division

SFS has established long-standing partnerships with leading customers of the automotive industry and their suppliers. The services and products offered under the SFS intec brand are focused on applications that improve safety and comfort or that reduce the fuel consumption and exhaust emissions of internal combustion engines.

Electronics division

A leading supplier of precision components and miniature screws, this division boasts a large presence in Asia. Its products, sold under the Unisteel brand, can be found in smartphones, tablets, game consoles and hard disk drives.

Industrial division

In the Industrial division SFS sells market leaders with diverse needs operating in attractive niches a wide range of products under the SFS intec brand. The companies that profit from the division's vast know-how operate in industries ranging from aerospace, electrical engineering, architectural hardware and metal cutting to medical technology.



SFS employees show a strong sense of personal responsibility when working on customer-specific precision parts and assemblies. They have a vast array of modern production tools and equipment at their disposal to get the job done. Some of these have been designed and built by our own in-house team of R&D engineers.

Automotive division

Innovative projects create new growth drivers

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The Automotive division had a positive year. In addition to a generally good order inflow from the automotive industry, a number of new projects provided a strong boost. A large new order from a major US systems manufacturer for a valve control component was won. SFS also teamed up with leading systems manufacturers to develop precision engineered components and assemblies for applications in electric and electronic brake systems and was then awarded corresponding contracts from automotive companies in Europe, North America and Asia. Besides its high level of technical expertise, having an international manufacturing base proved to be a decisive argument that favored SFS over competing bidders.

Electronics division

Market leadership defended

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The Electronics division retained its position as market leader. In addition to the usual seasonality, the realization of major customer projects in the second half of the year created considerable business momentum. During this process the division again demonstrated its reliability and rapid response capabilities, qualities that are particularly critical when launching new projects.

Industrial division

Project successes in attractive niche markets

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Sales in the Industrial division's various niche markets trended pleasingly higher. The aircraft industry is highlighted here as an illustrative example. Production of the Airbus A350 was ramped up and SFS provided fastening solutions for the passenger jet's cabin area. These components produced for the Airbus A350 made a substantial contribution to sales for the first time. The anticipated success of these products should serve as an important growth driver during the coming years. Another SFS success story can be found in the field of medical components. In collaboration with a market leader, a series of significant successes was booked, confirming that SFS is likewise adept at titanium cold forming processes.



Presence in fast growing Asian markets strengthened

SFS increased its stake in Indo Schöttle Auto Parts from 45% to 89% on July 31, 2014. The formerly family-owned Indo Schöttle is based in Pune, some 200 kilometers east of Mumbai, India. Most of its business is conducted with Indian and foreign auto manufacturers. The operating results of Indo Schöttle Auto Parts have been fully consolidated since 1 July, 2014. In China the start-up of operations at the SFS plant in Nansha, in the Guangzhou metropolitan area (China), creates additional capacity in preparation for the anticipated growth in the years ahead.

SFS convinces major new customers

In addition to our constant efforts to improve our standing as a supplier with existing accounts, progress was also made in acquiring important new customers. In the smartphone business, for example, initial orders were received from fast growing Chinese OEMs. Our customer base in the consumer electronics sector was strengthened with the acquisition of major new orders in the sports & leisure camera segment. A manufacturer of high performance brake systems for premium sports cars was also added to our customer portfolio.

High profile innovation projects for future growth

All divisions created added value for our customers as well as future drivers for our own growth by kicking off major innovation projects. Products used in valve control systems that make motors more energy efficient are an example here, as are innovations for “brake by wire” systems that enhance car safety and comfort. Miniature screws that add greater efficiency to assembly processes in the electronics industry also deserve special mention, as do the ultra lightweight and noise-reducing fastening systems designed for the Airbus A350’s cabin interior panels.

Fastening Systems

Improved performance thanks to new products

In a mixed market environment profitability has slightly increased thanks to new products and operating improvements.

Key figures Fastening Systems

In CHF million

	2014	±	2013	2012
Third party sales	336.7	2.0%	330.0	328.5
Sales growth comparable		3.4%		
Operating revenue	353.7	3.6%	341.4	340.7
EBITDA	43.4	3.2%	42.1	32.6
As a % of operating revenue	12.3		12.3	9.6
EBITA	26.9	4.7%	25.7	18.2
As a % of operating revenue	7.6		7.5	5.4
Net operating assets	317.6	2.1%	311.0	316.3
Employees (FTE)	1,733	7.8%	1,608	1,552

Good momentum from industrial applications

The Fastening Systems segment generated sales of CHF 336.7 million, which was 2.0% more than in the previous year. Excluding exchange rate movements, the segment achieved organic sales growth of 3.4% for the financial year 2014. Most of that growth originated from customers in the industrial sector. Rapid progress was made in the implementation of numerous programs designed to improve operating efficiency and the intended benefits began to emerge. This was also reflected in the EBITA margin, which has slightly improved to 7.6% (7.5% in the previous year) despite the unfavorable general market conditions.

SFS offers customers proprietary mechanical fastening solutions under the SFS intec and GESIPA brands in its Fastening Systems segment. The segment creates added value for customers with its application-specific fasteners and specially designed installation tools, by making the fastening process faster, safer or more ergonomic. Fastening Systems consists of the Construction and Riveting divisions.

Construction division

Under the SFS intec brand SFS develops, manufactures and markets application-specific fastening systems, hinge technology and assembly systems for the construction and building materials industries. The products made by this division are used in the construction of building envelopes (roof and walls) and timber construction as well as in doors, windows and other areas.

Riveting division

The Riveting division is specialized in fastening solutions based on blind riveting technology. As a dependable partner for trade and industry, the Riveting division offers customers premium quality GESIPA brand fastening systems (blind rivets, blind rivet nuts and the corresponding installation tools).



Fastening solutions tried and tested millions of times over and selected new development activities for mechanical fastening and blind riveting applications are at the heart of this segment's offering. The combination of profound application expertise and a thorough knowledge of the available manufacturing techniques has created a sturdy platform for turning ideas into reality.

Construction division

Growth subdued by mixed market environment

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The markets addressed by the Construction division showed mixed trends. After a period of rather severe winter weather in North America, demand in the US market rebounded during the second half of the year.

The general market recovery forecast for Europe did not materialize. While demand in several markets such as the UK, Switzerland and the Scandinavian countries was robust, business showed no sign of picking up in Southern Europe. Demand in the second half was generally slightly weaker.

Improving operational performance

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The expansion of the company's footprint in Turkey will allow it to capture more market opportunities in the region and gives it a cost-efficient production platform for high volume products. Holistic action plans for improving operational performance have been defined and in some cases already implemented. Optimization of the supply chain is a key issue. Several national and regional market organizations and storage locations were merged, a move that will create significant synergy potential going forward.

Riveting division

Growth in Germany and in the automotive end market

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The Riveting division profited from a positive market environment. Business momentum was particularly strong in the German market and with customers from the automotive industry. Overall growth was supported by a large order to supply several factories belonging to a US auto manufacturer with various products.

Positive resonance from new markets

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Entering new markets is one of the Riveting division's top priorities and is expected to boost its growth in the coming years. Of prime importance in this regard is the Chinese market, where the division was hardly active before. Early in 2014 a new production plant was inaugurated in Nansha, in the Guangzhou metropolitan area (China). It will serve as a local supplier for existing, internationally active customers as well as for new Chinese customers.



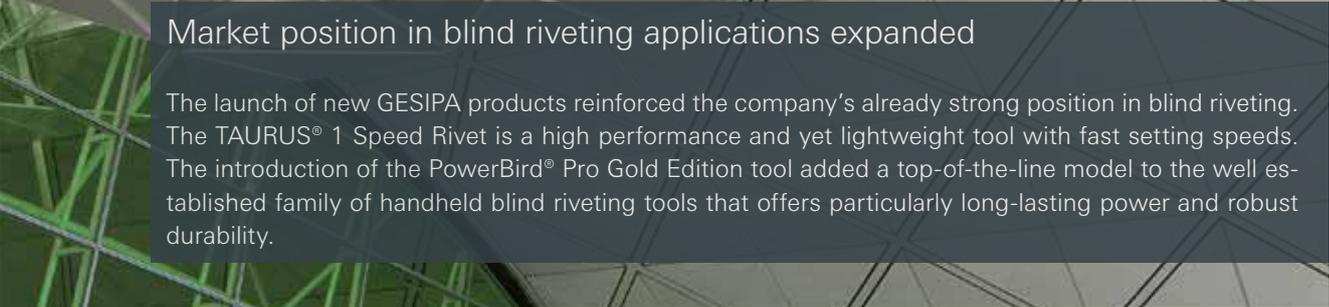
New products for the construction industry enhance attractiveness

Numerous product innovations were well received by the market. SFS introduced *isoweld*[®], a new solution for installing insulation panels and membranes on flat roofs. This system simplifies field installation work and is both reliable and cost-effective. Another innovation was the JB-D[®]/L system, which makes it easier to install windows. The market response to this innovation in the pilot market of Germany has been very encouraging and the new system will soon be rolled out in other countries.



Market position in blind riveting applications expanded

The launch of new GESIPA products reinforced the company's already strong position in blind riveting. The TAURUS[®] 1 Speed Rivet is a high performance and yet lightweight tool with fast setting speeds. The introduction of the PowerBird[®] Pro Gold Edition tool added a top-of-the-line model to the well established family of handheld blind riveting tools that offers particularly long-lasting power and robust durability.



Customer service strengthened

A thorough understanding of the applications and the technology is a prerequisite for creating convincing products that offer customers high value. Technology centers have been set up for each market region in the vicinity of customers in order to further strengthen its technical competencies. Customers benefit from an even wider range of services at these technology centers and important application tests can be conducted there.



Distribution & Logistics

Differentiation through logistics systems

The segment achieved a solid result, fueled by the success of its customized logistics solutions.

Key figures Distribution & Logistics

In CHF million

	2014	±	2013	2012
Third party sales	319.1	-2.6%	327.7	340.6
Sales growth comparable		1.6%		
Operating revenue	326.0	-2.3%	333.6	346.9
EBITDA	33.7	-10.4%	37.6	33.4
As a % of operating revenue	10.3		11.3	9.6
EBITA	26.0	-11.0%	29.2	24.2
As a % of operating revenue	8.0		8.8	7.0
Net operating assets	146.6	0.6%	145.7	169.1
Employees (FTE)	626	3.0%	608	635

Attractive product range expanded

Distribution & Logistics increased its sales in its core business by 1.6% to CHF 319.1 million. Its EBITA margin excluding non-recurring items was held at 8.0%. Given the relatively low capital requirements in this business activity, this EBITA margin corresponds to a sustained high return of 17.7% on capital employed at year-end. SFS unimarket acquired major new customers thanks to its optimized logistics solutions and its reputation as a reliable supplier of and service partner for C class items. Supply contracts and the scope of services rendered with existing customers were broadened, creating more potential for further growth.

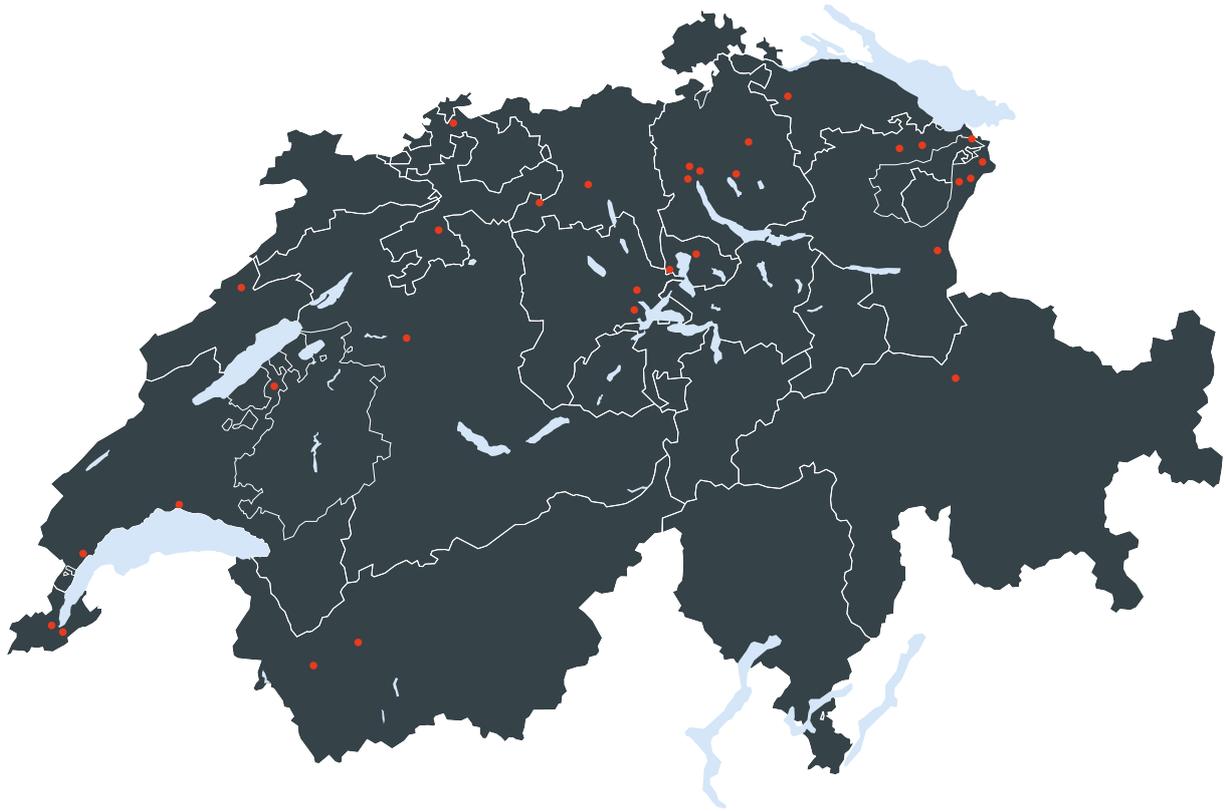
Distribution & Logistics offers market-oriented products (fastening technology, tools and architectural hardware) and innovative logistics solutions with significant customer benefit under the motto "fast, simple, reliable". Under the SFS unimarket brand, Distribution & Logistics is a leading supplier and services partner for manufacturers, the skilled trades, construction companies, specialty retailers, wholesalers, and hardware & home improvement stores in Switzerland.

With its international procurement expertise and competent sales and service teams, SFS unimarket helps make every day a success for its customers. Customized logistics solutions can lower process costs significantly and thus play a key role in making customers more competitive.

SFS unimarket's modern, economic logistics infrastructure allows it to deliver products quickly, reliably and efficiently.



Besides offering in-demand products for the industrial sector and the skilled trades, the focus at the Distribution & Logistics segment is on the optimization of supply chain flows. Customer-specific logistics concepts are drawn up based on precise knowledge of customer needs and desires, well conceived inventory systems, and intelligent IT infrastructure.



Attractive product range expanded

Marketing the right products to the target customer groups is a cornerstone of any successful partnership. Our partnerships with customers have been strengthened with the introduction of new market services within the cutting machine tool segment, for example, or re-designed pre-finished fittings and hinge products. The product portfolio was enhanced with the addition of attractive construction tools. Professional point-of-sale (POS) activities underpin sales of products to specific target customer groups in specialty stores and hardware & home improvement stores. All these activities and efforts have made SFS unimarket one of Switzerland's leading providers of fastening systems, construction tools and architectural hardware.

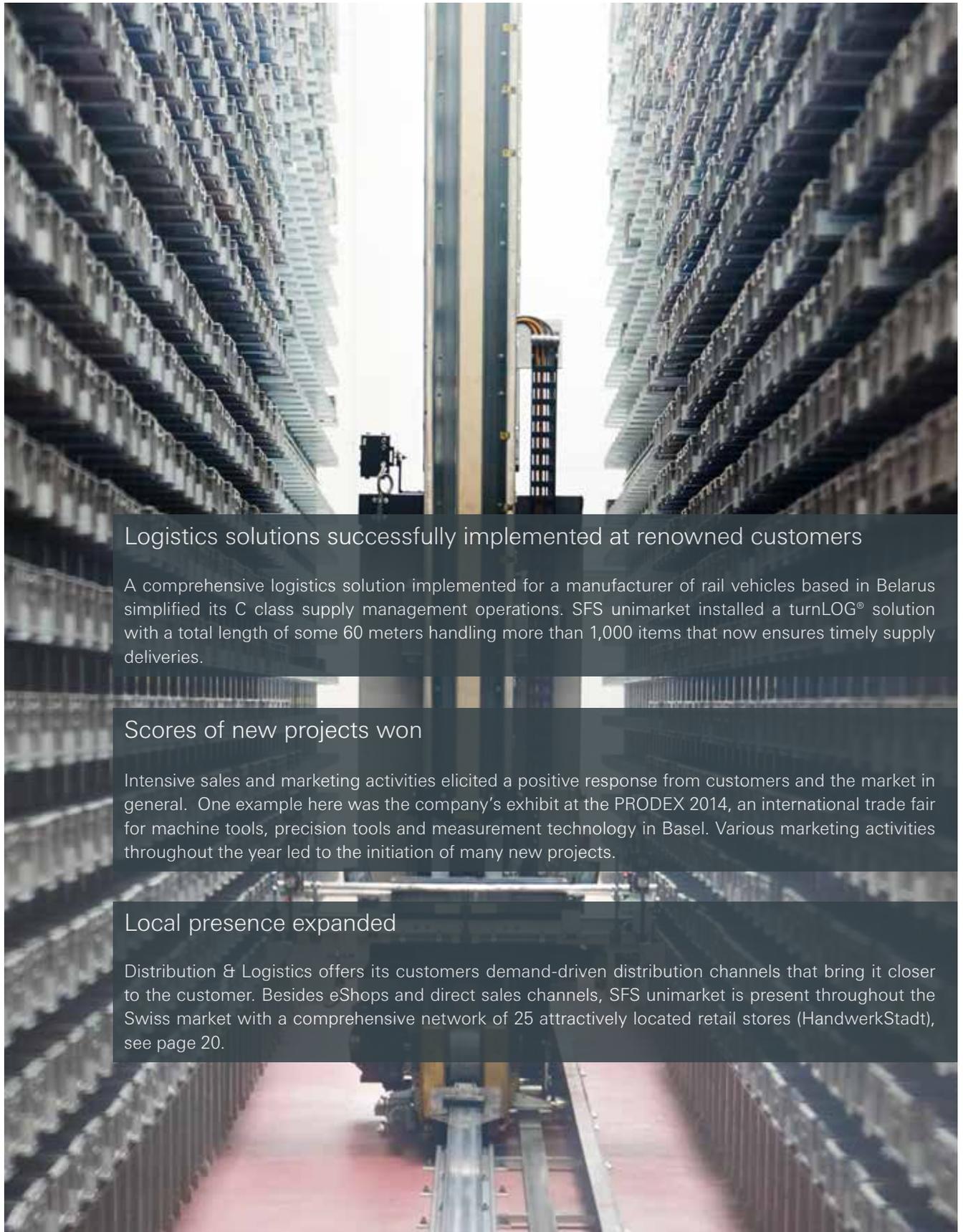
Growth driven by superior logistics skills

Distribution & Logistics is active in the marketplace through the SFS unimarket brand and delivers customer value with innovative services, many of which entail logistics and ordering solutions that significantly simplify the management of C class supplies. The execution of projects with renowned customers led to renewed high rates of growth.

The added value offered to customers arises from a sustained reduction in process costs and the reduced capital requirements. Its logistics offering was successfully rolled out in other business areas during the year under review. This system was also opened to third-party suppliers and that led to new customer contacts and extended partnerships.

Needs-driven distribution channel expanded

A dense network of 25 HandwerkStadt locations in Switzerland serves customer needs in the building and construction trades. A large network of sales representatives and an attractive online store offer a convenient range of ordering possibilities for SFS unimarket customers. A regional marketing organization was set up and expanded in French-speaking Switzerland, new customers were acquired and business relationships were strengthened. Targeted efficiency programs have enhanced productivity and improved competitiveness.



Logistics solutions successfully implemented at renowned customers

A comprehensive logistics solution implemented for a manufacturer of rail vehicles based in Belarus simplified its C class supply management operations. SFS unimarket installed a turnLOG® solution with a total length of some 60 meters handling more than 1,000 items that now ensures timely supply deliveries.

Scores of new projects won

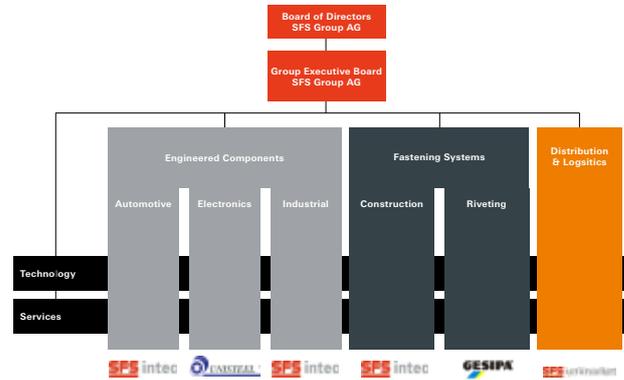
Intensive sales and marketing activities elicited a positive response from customers and the market in general. One example here was the company's exhibit at the PRODEX 2014, an international trade fair for machine tools, precision tools and measurement technology in Basel. Various marketing activities throughout the year led to the initiation of many new projects.

Local presence expanded

Distribution & Logistics offers its customers demand-driven distribution channels that bring it closer to the customer. Besides eShops and direct sales channels, SFS unimarket is present throughout the Swiss market with a comprehensive network of 25 attractively located retail stores (HandwerkStadt), see page 20.

2014

The year in pictures



QUARTER 1 – A new organizational structure was introduced on 1 January 2014, to ensure the company’s lasting flexibility, speed and customer focus. The Group is divided into three focused segments and six divisions, all of which receive support from the cross-departmental Technology and Services units.



QUARTER 2 – May 7, 2014, marked SFS’ debut on the Swiss stock market SIX Swiss Exchange AG. With this historic milestone, SFS Group has strengthened the foundation for its sustainable and autonomous corporate development.



QUARTER 2 – An impressive project was realized in the heart of Paris with the help of the *isoweld*[®] system: the new offices of the Fondation Jérôme Seydoux-Pathé. *isoweld*[®] is a novel system for installing insulation panels and membranes on flat roofs.



QUARTER 3 – SFS started to supply precision components to smartwatch manufacturers. Key components of a smartwatch such as fasteners, springs, precision machined parts, miniature cold forged parts and sub-assemblies of mechanical components were delivered, as were top-quality, esthetic solutions for surface treatment applications.



QUARTER 3 – SFS Group AG increased its interest in Indo Schöttle Auto Parts from 45% to about 89% on July 31, 2014. Indo Schöttle is a well positioned Indian supplier of precision parts for automobile manufacturers. SFS can also utilize Indo Schöttle as a base for developing new business activities in the promising Indian market.



QUARTER 1 – A new factory was built in Nansha, in the Guangzhou metropolitan area (China). It serves as a hub for the Automotive, Riveting and Industrial divisions as well as an operating base for the SFS unimarket team in China.



QUARTER 1 – Major projects entered the production start-up and ramp-up stages in Switzerland, China and the US. These projects are for ball screw drives used in electronic parking brakes.



QUARTER 2 – Zoo Zurich's new elephant park "Kaeng Krachan" opened its doors to zoo visitors. A spectacular feature of the new compound is the wooden concave roof with its net-like organic structure and skylights that filter sunlight like a canopy of leaves. The highly complex wooden frame was constructed with fastening solutions from SFS.



QUARTER 3 – New, spacious demonstration and training centers were opened at various GESIPA locations worldwide. Customers can test and learn more about a wide range of the latest GESIPA tools at these new centers.



QUARTER 4 – A comprehensive logistics solution was implemented for a manufacturer of rail vehicles in Belarus that vastly simplified management of its C class supplies. SFS unimarket installed a turnLOG® solution with a total length of some 60 meters that manages more than 1,000 items and ensures continual, just-in-time restocking of supplies.



QUARTER 4 – SFS developed systems for fastening cabin interior panels used in the **Airbus A350 XWB** and other aircraft families. The convincing features of these systems are easy assembly and disassembly plus a light-weight design. They are also instrumental in reducing interior cabin noise.

FINANCIAL OVERVIEW

INCOME STATEMENT In CHF million	2014	2013 adjusted ¹	2013	2012	2011	2010
Gross sales	1,383.0	–	1,330.6	1,193.3	1,068.1	1,092.9
Change to previous year (%)						
At actual exchange rates	3.9		11.5	11.7	–2.3	6.4
At constant exchange rates	4.8		11.1	12.5	5.5	11.6
EBITDA	271.4	251.5	269.8	207.8	186.5	208.3
As a % of operating revenue	19.5	19.0	20.3	17.5	17.3	19.1
EBITA	195.4	177.1	195.4	140.7	123.7	139.8
As a % of operating revenue	14.1	13.3	14.7	11.9	11.5	12.8
Operating profit (EBIT)	141.5	124.0	142.3	110.7	111.9	125.8
As a % of operating revenue	10.2	9.3	10.7	9.3	10.4	11.5
Net income	110.2		86.5	73.5	82.9	97.8
As a % of operating revenue	7.9		6.5	6.2	7.7	8.9
Cash net income ²	154.6		128.2	96.6	92.1	109.3
As a % of operating revenue	11.1		9.7	8.1	8.5	9.1

BALANCE SHEET

In CHF million

Assets	2,246.1		2,133.0	2,298.3	1,525.5	1,516.7
Net operating assets (NOA)	1,822.2		1,664.2	1,766.1	905.4	950.8
Net cash / (debt)	87.7		–248.5	–424.2	333.0	279.5
Equity	1,805.0		1,336.4	1,256.2	1,167.3	1,154.6
As a % of assets	80.4		62.7	54.7	76.5	76.1

CASH FLOW STATEMENT

In CHF million

Cash flow from operating activities	199.8		216.0	132.1	146.9	162.1
Purchase of property, plant, equipment and software	–97.6		–76.6	–67.7	–56.7	–36.8
Proceeds from sale of assets	2.7		18.0	13.2	1.7	7.0
Acquisitions of subsidiaries, net of cash	–37.9		–10.6	–706.8	–2.8	–2.1
Proceeds from associates (net)	0.2		32.9	–26.2	4.3	0.3

EMPLOYEES

Headcount	8,293		7,110	7,125	4,224	4,147
Full-time equivalents (FTE)	8,688		7,000	7,000	4,117	4,009

FINANCIAL KEY RATIOS

Return on equity (%) ³	8.2		6.9	6.3	7.2	8.7
RONOA (%) ⁴	10.7	10.6	11.7	10.2	13.7	14.7

SHARE KEY RATIOS

Earnings per share ⁵ in CHF	3.07		2.67	2.29	2.58	3.04
Dividend per share in CHF	1.50 ⁶		1.00	0.63	0.70	0.90
Dividend payment in CHF million	56.3		32.4	20.4	22.4	29.0
Payout ratio (%)	51.0		37.5	27.8	27.0	29.7

¹ adjusted for book gains on the disposal of non-core assets in the amount of CHF 18.3 million | ² net income before amortization of intangible assets net of deferred taxes | ³ net income as a % of equity as of beginning of the year | ⁴ return on net operating assets: EBITA in % of net operating assets | ⁵ share key ratios adjusted to the new nominal value of CHF 0.10 | ⁶ proposed dividend to the Annual General Meeting of shareholders of SFS Group AG on 7 May 2015

CONSOLIDATED BALANCE SHEET (SHORT VERSION)

In CHF million

	31.12.2014		31.12.2013	
ASSETS				
Cash and cash equivalents	138.3		217.4	
Marketable securities	0.0		0.3	
Trade receivables	268.3		218.7	
Other receivables	33.2		29.5	
Inventories	273.2		239.5	
Current assets	713.0	31.7%	705.4	33.1%
Non-current assets	1,533.1	68.3%	1,427.6	66.9%
Assets	2,246.1	100.0%	2,133.0	100.0%

LIABILITIES AND EQUITY

Current liabilities	268.3	11.9%	316.7	14.8%
Non-current liabilities	172.8	7.7%	479.9	22.5%
Liabilities	441.1	19.6%	796.6	37.3%
Share capital	3.8		3.2	
Reserves	1,789.9		1,328.8	
Equity attributable to SFS	1,793.7		1,332.0	
Non-controlling interests	11.3		4.4	
Total equity	1,805.0	80.4%	1,336.4	62.7%
Liabilities and equity	2,246.1	100.0%	2,133.0	100.0%

CONSOLIDATED INCOME STATEMENT (SHORT VERSION)

In CHF million

	31.12.2014		31.12.2013	
Operating revenue	1,388.7	100.0%	1,328.0	100.0%
Contribution margin	877.7	63.2%	843.6	63.5%
Personnel expenses	-387.9		-374.1	
Other operating expenses	-218.4		-199.7	
Depreciation	-76.0		-74.4	
Amortization of intangible assets	-53.9		-53.1	
Total operating expenses	-736.2	53.0%	-701.3	52.8%
Operating profit (EBIT)	141.5	10.2%	142.3	10.7%
Finance expense	-12.2		-20.2	
Finance income	4.4		7.3	
Share of profit/ (loss) from related entities	0.4		-19.4	
Earnings before tax	134.1		110.0	
Income taxes	-23.9		-23.5	
Net income	110.2	7.9%	86.5	6.5%
Earnings per share of the owners of SFS Group AG (in CHF) basic and diluted	3.07		2.67	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In CHF million

	SHARE CAPITAL	RESERVES	ATTRIBUTABLE TO OWNERS OF SFS GROUP	NON-CONTROL- LING INTERESTS	TOTAL
Balance at 1.1.2013	3.2	1,248.3	1,251.5	4.7	1,256.2
Comprehensive income 2013	–	100.9	100.9	–0.2	100.7
Dividends for 2012	–	–20.4	–20.4	–0.1	–20.5
Balance at 31.12.2013	3.2	1,328.8	1,332.0	4.4	1,336.4
Comprehensive income 2014	–	182.8	182.8	0.7	183.5
Dividends for 2013	–	–32.4	–32.4	–	–32.4
Changes minorities	–	–	–	6.2	6.2
Capital increase	0.6	310.7	311.3	–	311.3
Balance at 31.12.2014	3.8	1,789.9	1,793.7	11.3	1,805.0

CONSOLIDATED CASH FLOW STATEMENT (SHORT VERSION)

In CHF million

	2014	2013
Cash flow before changes in net working capital	220.4	200.3
Changes in net working capital	–20.6	15.7
Cash flow from operating activities	199.8	216.0
Purchases of property, plant and equipment and software	–97.6	–76.6
Proceeds from sale of assets	2.7	18.0
Acquisition of subsidiary, net of cash	–37.9	–10.6
Proceeds from sale of associates (net)	0.2	32.9
Cash flow from operational investing activities	–132.6	–36.3
Proceeds from interest and securities	1.6	1.4
Proceeds from sale of marketable securities	0.3	0.9
Cash flow from investing activities	–130.7	–34.0
Capital increase net	311.3	–
Repayment of borrowings (net)	–432.7	–118.3
Change in financial assets	0.5	3.3
Dividends paid to the shareholders	–32.4	–20.5
Cash flow from financing activities	–153.3	–135.5
Translation adjustment on cash and cash equivalents	5.1	–1.1
Changes in cash and cash equivalents	–79.1	45.4
Cash and cash equivalents at beginning of period	217.4	172.0
Cash and cash equivalents at end of period	138.3	217.4

Summery report 2014

The full and summary versions of the Annual report are available in German and English. The German language version of the full Annual Report shall be the only legally binding version. The Annual report is also available online at www.annualreport.sfs.biz.

Exclusion of liability

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

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