

Financial report 2015

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Consolidated balance sheet

Assets in CHF million	Notes	31.12.2015		31.12.2014	
Cash and cash equivalents	7	157.0		138.3	
Trade receivables	8	243.9		268.3	
Other receivables	9	29.2		33.2	
Inventories	10	258.1		273.2	
Current assets		688.2	31.7%	713.0	31.7%
Property, plant and equipment	11	576.0		590.5	
Intangible assets	12	850.2		908.7	
Financial assets	13	10.1		0.7	
Investments in related entities	14	27.1		13.8	
Deferred income tax assets	17	18.1		19.4	
Non-current assets		1,481.5	68.3%	1,533.1	68.3%
Assets		2,169.7	100.0%	2,246.1	100.0%

Liabilities and Equity in CHF million	Notes	31.12.2015		31.12.2014	
Trade payables		77.0		118.4	
Current income tax liabilities		18.4		24.3	
Other payables	15	93.6		87.4	
Current borrowings	16	17.2		38.2	
Current liabilities		206.2	9.5%	268.3	11.9%
Non-current borrowings	16	12.3		12.4	
Deferred income tax liabilities	17	106.2		119.5	
Provisions	18	52.4		40.9	
Non-current liabilities		170.9	7.9%	172.8	7.7%
Liabilities		377.1	17.4%	441.1	19.6%
Share capital		3.8		3.8	
Reserves	19	1,780.5		1,789.9	
Equity attributable to SFS		1,784.3	82.2%	1,793.7	79.9%
Non-controlling interests		8.3		11.3	
Total equity		1,792.6	82.6%	1,805.0	80.4%
Liabilities and equity		2,169.7	100.0%	2,246.1	100.0%

The notes on pages 76 to 109 are an integral part of these consolidated financial statements.

Consolidated income statement

in CHF million	Notes	2015		2014	
Net sales	20	1,371.8	100.0%	1,381.8	100.0%
Change in work in progress and finished goods		-1.2		6.9	
Operating revenue		1,370.6		1,388.7	
Material expenses		-532.2		-523.5	
Other operating income	21	16.1		12.5	
Contribution margin		854.5	62.3%	877.7	63.5%
Personnel expenses	22	-377.5		-387.9	
Other operating expenses	23	-209.6		-218.4	
Depreciation	11	-80.8		-76.0	
Amortization of intangible assets	12	-57.5		-53.9	
Total operating expenses		-725.4	-52.9%	-736.2	-53.3%
Operating profit (EBIT)		129.1	9.4%	141.5	10.2%
Finance expense	24	-3.2		-12.2	
Finance income	24	3.4		4.4	
Share of profit /(loss) from related entities	14	1.6		0.4	
Earnings before tax		130.9		134.1	
Income taxes	25	-25.9		-23.9	
Net income		105.0	7.7%	110.2	8.0%
Attributable to owners of SFS Group AG		104.1		109.9	
Attributable to non-controlling interests		0.9		0.3	
Earnings per share of the owners of SFS Group (in CHF) basic and diluted	26	2.78		3.07	

The notes on pages 76 to 109 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

in CHF million	Notes	2015	2014
Net income		105.0	110.2
Items that will not be reclassified to profit and loss			
Actuarial gains on defined benefit plans	19	-24.7	-20.7
Tax effect defined benefit plans	19	4.7	3.4
Items that may be subsequently reclassified to profit and loss			
Currency translation adjustments (CTA)	19	-36.3	86.7
Reversal of CTA from deconsolidation		-	5.0
Cash flow hedges	19	-2.4	-1.5
Tax effect on cash flow hedges		0.5	0.4
Comprehensive income		46.8	183.5
Attributable to owners of SFS Group AG		46.9	182.8
Attributable to non-controlling interests		-0.1	0.7

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 1.1.2014	19	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
Other changes		-	-	-	6.2	6.2
Capital increase		0.6	310.7	311.3	-	311.3
Balance at 31.12.2014	19	3.8	1,789.9	1,793.7	11.3	1,805.0
Comprehensive income 2015		-	46.9	46.9	-0.1	46.8
Dividends for 2014		-	-56.3	-56.3	-2.3	-58.6
Other changes	30	-	-	-	-0.6	-0.6
Balance at 31.12.2015	19	3.8	1,780.5	1,784.3	8.3	1,792.6

The notes on pages 76 to 109 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

in CHF million	Notes	2015	2014
Operating profit (EBIT)		129.1	141.5
Depreciation/amortization	11, 12	138.3	129.9
Interest paid	24	-3.1	-8.0
Income tax paid		-38.4	-35.3
Changes in provisions and valuation allowances		-8.5	-7.7
Cash flow before changes in net working capital		217.4	220.4
Changes in trade receivables		16.9	-31.6
Changes in other receivables		3.8	-
Changes in inventories		7.8	-21.1
Changes in current liabilities		-34.6	32.1
Changes in net working capital		-6.1	-20.6
Cash flow from operating activities		211.3	199.8
Purchases of property, plant and equipment	11	-88.7	-95.8
Purchases of software	12	-1.7	-1.8
Proceeds from sale of assets		2.1	2.7
Acquisition of subsidiary, net of cash acquired	30	-7.5	-38.6
Proceeds from sale of investments	30	0.3	0.7
Proceeds from sale of related entities		1.6	-
Acquisition of related entities		-10.1	-
Dividends from related entities	14	-	0.2
Proceeds from interest and securities	24	0.9	1.6
Proceeds from sale of marketable securities		-	0.3
Cash flow from investing activities		-103.1	-130.7
Capital increase net		-	311.3
Proceeds from current borrowings	16	12.9	21.6
Repayment of current borrowings	16	-29.0	-125.8
Repayment of non-current borrowings	16	-	-328.5
Change in financial assets		-9.9	0.5
Dividends paid to the shareholders		-58.6	-32.4
Cash flow from financing activities		-84.6	-153.3
Translation adjustment on cash and cash equivalents		-4.9	5.1
Changes in cash and cash equivalents		18.7	-79.1
Cash and cash equivalents at beginning of period	7	138.3	217.4
Cash and cash equivalents at end of period	7	157.0	138.3

The notes on pages 76 to 109 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 Au/SG, Switzerland. It is the parent company of all SFS Group companies and consequently the ultimate holding company of the SFS Group.

The consolidated financial statements of the SFS Group have been approved by the Audit Committee and the Board of Directors on 3 March 2016 and are subject to final approval at the Annual General Meeting of shareholders, which will take place on 20 April 2016.

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

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They give a true and fair view of the financial position of the SFS Group and of their financial performance and cash flows.

2.2 Changes in accounting policy and disclosures

2.2.1 Amended standards adopted

With effect of 1 January 2015, no new International Financial Reporting Standards (IFRS) have been adopted.

The annual specifications and minor adjustments in various standards and interpretations of cycles 2010 to 2012 as well as 2011 to 2013 do not have a significant impact on the consolidated financial statements.

2.2.2 Early adoption of IFRSs/IASs

In addition SFS Group adopted the following amendments which become compulsory for periods after 1 January 2016:

The published amendments to IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangement, IAS 28 Investments in associates and joint ventures as well as IAS 27 Separate financial statements. They have no impact on the Financial report 2015.

Amendments to IAS 16 Property plant and equipment and IAS 38 Intangible assets have no effect for SFS.

The annual specifications and minor adjustments in various standards and interpretations of the cycle 2012 to 2014 do not have a significant impact on the consolidated financial statements.

2.2.3 New standards not adopted

The new standard IFRS 9 Financial instruments addresses the classification and measurement of financial assets and financial liabilities. The Group does not expect a significant impact based on this standard.

IFRS 15 Revenue from Contracts with customers introduces a new principle specifying that revenue is recognized when a customer obtains control of a good or service. SFS does not expect a significant impact based on this standard except additional disclosures. The standards IFRS 9 and 15 become effective on 1 January 2018.

IAS 1 Presentation of financial statements will be implemented as of 1 January 2016.

2.3 Consolidation principles

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 are included in the consolidated financial statements. Equity and profit or loss attributable to third parties are presented as separate line items in the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income. 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 31 December.

Inter-company transactions, balances, income and expenses between Group companies are eliminated on consolidation. Inter-company profits arising from inventories supplied within the Group and disposal of assets 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 recognized as goodwill and is tested for impairment annually. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in the income statement subsequently.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Related entities are all entities over which the Group has significant influence but not control. These are divided in joint ventures and associates.

Joint control within the joint ventures is contractually agreed. Important decisions with regards to the financial and business policies as well as to management require mutual agreement. SFS is entitled to its proportionate share of the net assets.

Associates are all entities where the SFS Group has the possibility to participate in financial and business decisions without having control.

With respect to both types of investments the SFS Group has a shareholding of between 20% and 50% of the voting rights.

Associates and joint ventures are initially recognized at cost of acquisition, which includes the proportion of net assets acquired as well as a proportionate amount of goodwill (if any). Subsequent measurement is performed based on the equity method.

2.4 Foreign currency translation

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 other comprehensive income as qualifying cash flow hedges.

The consolidated financial statements are presented in Swiss francs (CHF), which is the SFS Group's presentation currency. For consolidation purposes the results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement are translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income.

Foreign exchange differences resulting from long-term inter-company loans in a foreign currency that form part of SFS Group's net investment in the subsidiary are charged to comprehensive income and reversed through profit and loss at disposal of the entity or upon repayment of the loan.

2.5 Fair value estimation

IFRS 13 improved consistency with regards to fair value measurement providing a precise valuation hierarchy. Level 1 means there are quoted prices available in active markets for identical assets or liabilities. With-in level 2 inputs are used for valuation based on observable market data, either directly or indirectly, for the asset or liability. Level 3 uses valuation inputs for the asset or liability, which are not based on observable market data.

2.6 Cash and cash equivalents

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.

2.7 Financial assets

SFS Group classifies its financial assets in the categories described below. The classification depends on the purpose for which the financial assets were acquired.

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. This group includes cash and cash equivalents, securities and forward foreign exchange contracts. These are translated at the closing rate at the balance sheet date and re-measured through profit or loss, unless they are designated as cash flow hedges.

Loans and receivables

This group includes trade receivables and loans within the financial assets. Loans and receivables are recognized initially at nominal value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Financial assets are derecognized when the rights to receive cash flows have expired or transferred and the Group has transferred substantially all risks and rewards of ownership.

2.8 Hedge accounting

The SFS Group uses derivative financial instruments to reduce the risks from interest and foreign currency fluctuations on business and financial transactions. Hedge accounting is applied for selected hedging transactions within the meaning of IAS 39 in order to reduce the earnings volatility in the income statement. Changes in the fair value of derivative are recognized in other comprehensive income provided they are effective. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects the income statement or is no longer expected to occur.

2.9 Other receivables

These include accrued assets, refundable VAT and withholding tax as well as other current assets. They are stated at the amortized cost.

2.10 Inventories

Inventories are stated at the lower of cost and 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.

Necessary provisions are based on specific valuation of single items. The inventory quantity of each item is compared to annual consumption over the last twelve months. The first annual consumption on stock is assessed recoverable by 100%. If the stock is higher than an annual consumption the excess stock for the second annual consumption is written down to 50% of the value. All stock 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 to the cost of inventory. This valuation represent the net realizable value principle and any negative difference is included in the valuation allowance.

2.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Value-added expenditures, which lead to an extension of useful life or increase production capacity, are capitalized. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

	Years
Buildings	20 - 33
Infrastructure	10 - 15
Machinery	5 - 10
Furniture, fittings and equipment	5 - 10
Office machinery, computer equipment	3 - 5
Vehicles	3 - 8

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.

2.12 Intangible assets

Goodwill and intangible assets with an infinite useful life are tested annually for impairment. Any impairment is recognized immediately in the income statement. Intangible assets with a finite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

	Years
Licences and patents	3 - 5
Software	3 - 10
Building lease	50
Other intangible assets	3 - 10

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.

2.13 Provisions

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.

Provisions contain pension plans, severance payments, anniversaries, warranty claims, pending tax procedures and lawsuits.

2.14 Employee benefits

Pension plans

The SFS Group has a pension plan in Switzerland and various defined benefit plans abroad, which are not substantial.

The Swiss pension plan is measured annually by an independent actuarial expert based on the projected unit credit method. Pension plan assets are measured at fair value. Experience adjustments and changes in actuarial assumptions, collectively actuarial gains and losses, are recognized in other comprehensive income and remain within the reserves. A net obligation or a net asset in the balance sheet equals the pension plan deficit or surplus at the balance sheet date. Current and past service cost as well as gains or losses from plan curtailments and compensation are recognized as personnel expense. The net interest cost, which is recognized as such, is calculated as the product of the net benefit obligation and the discount rate.

Defined benefit plans, which are not substantial, are measured periodically based on statutory provisions and reported within provisions.

The employer's contributions related to defined contributions plans are recognized as expense in the income statement in the relevant reporting period.

Other employment benefits

These include primarily anniversaries and severance payments, which are recognized on an accrual basis as a provision in the balance sheet.

Share-based payments

The members of the Board of Directors and of the 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 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".

Usually every second year, the Employer's Foundation sells shares of the SFS Group AG to key management members and specialists at a minor discount, which is charged to the income statement. The discount is granted under the condition that the shares be held for a defined period.

2.15 Tax liabilities

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 temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. 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 made where the Group is able to control the timing and a reversal of the temporary difference is unlikely.

2.16 Leases

Finance leases are capitalized at the lease's commencement 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 net of finance expenses are recognized as liabilities.

Lease payments from operating leases, which are characterized as rent, 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 realizable sublease.

2.17 Share capital

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.

2.18 Earnings per share

The number of shares for the calculation of the earnings per share is determined based on the weighted average number of shares issued and outstanding during the year and the earnings attributable to owners of SFS Group AG.

2.19 Dividend

Dividend distribution or a withdrawal from a statutory capital reserve to the company's shareholders is recognized in the Group's financial statements in the period in which they are approved and paid out.

2.20 Contingent liabilities

These include warranty agreements, guarantees and pledges. Inter-company warranty agreements and guarantees are eliminated.

2.21 Revenue recognition

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.

2.22 Research and development costs

Research costs are recognized as an expense as incurred. Development costs are capitalized only if the future economic benefits will be sufficient to recover the development cost and if the other criteria required according to IFRS are met (see note 23).

2.23 Borrowing costs

General and specific 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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in finance expense in the period in which they incurred.

3 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and judgements 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.

All estimates and judgments are reviewed continually. They are based on historical experience and other factors that are believed to be reasonable under the circumstances. The most significant uncertainties concern the following items:

3.1 Recoverability of goodwill

Annually SFS is testing whether there is an impairment need for goodwill. Please refer to note 2.12 and 12.

3.2 Amount of tax liabilities

Dissenting assessments between SFS Group and tax authorities may result in additional tax liabilities. Please refer to note 2.15 and 17.

3.3 Assumptions for accounting of pension plans

The annual valuation of pension plans are based on several assumptions. Please refer to note 2.14 and 27.

4 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 operating profit before amortization (EBITA) and before depreciation (EBITDA). The segments apply the Group's accounting policies. Internal transactions are conducted based on usual market conditions.

Segment assets are all assets which are directly attributable to a segment, such as trade receivables, inventories, property, plant and equipment as well as intangible assets. Related entities are not allocated to a segment. The segment liabilities include directly attributable trade payables as well as deferred tax liabilities.

Segment assets less segment liabilities are the net operating assets (NOA). The net working capital includes trade receivables and inventories less trade payables. Intercompany transactions, balances, income and expenses between segments are eliminated and reported in the column "Other".

Engineered Components

The segment Engineered Components is a global developer, manufacturer and supplier of precision formed components, engineered fasteners and assemblies. As a specialist in the field of cold forming, deep drawing, injection molding, precision machining and mechanical fastening, they aim to be the preferred development partner for customer specific components and assemblies. By focusing on selected customer groups they ensure high application expertise and therefore operate in business units or key account structures. Within the applied technologies and industries, Engineered Components is seeking a leading position.

Fastening Systems

The segment Fastening Systems combines the principles of threaded fastening and riveting technologies. Cold forming, injection molding as well as the necessary secondary operations are applied in the proprietary production of application optimized products. By combining the basic fasteners with innovative and efficient installation tools and logistic solutions, they support a safe, economical and timely processing at the construction site. Having a worldwide network of sales locations, customer demands can be met through local consulting and delivery services.

Distribution & Logistics

The segment Distribution & Logistics is a leading national supply partner for fasteners, tools, architectural hardware and related products to industrial customers, professional trade, wholesalers and DIY centers. Through international alliances and sourcing Distribution & Logistics serves its customers with fast and reliable processes as well as at competitive cost levels. Furthermore, additional value is added by providing tailor made supply chain management solutions, which employ state of the art e-business, warehouse and IT technologies.

Other

In addition to the elimination of inter-company transactions, the column "Other" contains figures relating to the cross-functions Technology and Services.

Technology ensures the transfer of know-how among the segments and production sites. Methods, processes and

best practices are exchanged and enhanced. Standardized investment policies and engineering processes improve the efficiency of the SFS Group further.

Services provides added value across the Group in the fields of information technology, finance, controlling, human resources, communication as well as other business functions.

In 2015 the column "Other" includes a positive special impact of CHF 14.9 million within earnings from revaluation of post-employee benefits according to IAS 19r. Two main reasons cause this aperiodic change:

- a) the reduction of discount rate from 1.25% to 0.75% increased the service costs by CHF 3.3 million.
- b) the announced step-by-step decline of the conversion rate within the Swiss pension fund to 5.8% until 2020 reduced the service costs by CHF 18.2 million.

	Notes	Engineered Compo- nents	Fastening Systems	Distribution & Logistics	Total segments	Other	Total SFS Group
2015							
Third party sales	20	740.1	326.9	309.3	1,376.3	-	1,376.3
Inter-segment		20.5	15.5	4.1	40.1	-40.1	-
Gross sales		760.6	342.4	313.4	1,416.4	-40.1	1,376.3
Net sales	20	756.1	341.4	314.8	1,412.3	-40.5	1,371.8
EBITDA		185.3	38.9	26.5	250.7	16.7	267.4
- Depreciation		-51.2	-15.7	-7.7	-74.6	-6.2	-80.8
EBITA		134.1	23.2	18.8	176.1	10.5	186.6
- Amortization		-48.2	-6.0	-1.0	-55.2	-2.3	-57.5
Operating profit (EBIT)		85.9	17.2	17.8	120.9	8.2	129.1
Investments		70.3	16.3	1.6	88.2	2.2	90.4
Assets		1,402.8	320.2	172.5	1,895.5	50.8	1,946.3
Liabilities		112.2	31.1	20.6	163.9	19.3	183.2
Net operating assets		1,290.6	289.1	151.9	1,731.6	31.5	1,763.1
Of which net working capital		229.3	109.5	90.9	429.7	-4.8	424.9

2014

Third party sales	20	727.2	336.7	319.1	1,383.0	-	1,383.0
Inter-segment		18.7	16.7	5.7	41.1	-41.1	-
Gross sales		745.9	353.4	324.8	1,424.1	-41.1	1,383.0
Net sales	20	743.5	353.1	326.0	1,422.6	-40.8	1,381.8
EBITDA		190.7	43.4	33.7	267.8	3.6	271.4
- Depreciation		-47.7	-16.5	-7.7	-71.9	-4.1	-76.0
EBITA		143.0	26.9	26.0	195.9	-0.5	195.4
- Amortization		-44.0	-7.2	-	-51.2	-2.7	-53.9
Operating profit (EBIT)		99.0	19.7	26.0	144.7	-3.2	141.5
Investments		62.6	20.8	4.0	87.4	10.2	97.6
Assets		1,480.4	351.0	169.6	2,001.0	59.1	2,060.1
Liabilities		154.3	33.4	23.0	210.7	27.2	237.9
Net operating assets		1,326.1	317.6	146.6	1,790.3	31.9	1,822.2
Of which net working capital		234.7	114.0	84.9	433.6	-10.5	423.1

Customers with sales amounting to more than 10% of total gross sales to third parties

During the reporting period one customer (PY none) of the segment Engineered Components exceeded the reportable threshold of 10% with sales of CHF 150.9 million or 11.0% respectively.

Third party sales and assets by region

Gross sales to third parties	Notes	2015		2014	
Switzerland		315.3	22.9%	323.2	23.4%
Germany		219.6	16.0%	233.8	16.9%
Other Europe		318.9	23.2%	338.5	24.5%
America		164.8	12.0%	146.8	10.6%
China		232.9	16.9%	221.0	16.0%
Other Asia		120.5	8.7%	115.4	8.3%
Africa, Australia		4.3	0.3%	4.3	0.3%
Total	20	1,376.3	100.0%	1,383.0	100.0%

Gross sales to third parties are allocated to the countries of the receiving party.

Assets: Property, plant, equipment and intangible assets	Notes	2015		2014	
Switzerland		294.9	20.7%	318.0	21.2%
Europe		193.0	13.5%	220.3	14.7%
America		70.4	4.9%	56.4	3.8%
Asia		867.9	60.9%	904.5	60.3%
Total	11, 12	1,426.2	100.0%	1,499.2	100.0%

In Asia the reported assets are primarily intangible assets, that are not attributable to specific countries. There were no investments (PY none) in assets in the region "Africa, Australia".

Reconciliation of segment results to income statement and balance sheet

Income statement	Notes	2015	2014
Operating profit (EBIT)		129.1	141.5
Financial result	24	0.2	-7.8
Share of profit from related entities	14	1.6	0.4
Earnings before tax		130.9	134.1
Assets			
Operating assets		1,946.3	2,060.1
+ Cash and cash equivalents	7	157.0	138.3
+ Other receivables	9	29.2	33.2
+ Investments in related entities	14	27.1	13.8
+ Financial assets	13	10.1	0.7
Assets		2,169.7	2,246.1
Liabilities and equity			
Operating liabilities		183.2	237.9
+ Current income tax liabilities		18.4	24.3
+ Other payables	15	93.6	87.4
+ Current borrowings	16	17.2	38.2
+ Non-current borrowings	16	12.3	12.4
+ Provisions	18	52.4	40.9
Liabilities		377.1	441.1
Equity (Net assets)		1,792.6	1,805.0

5 Financial risk management

5.1 Risk policy

The SFS Group operates internationally and is exposed to financial risks, such as changes in foreign exchange rates and interest rates, credit, liquidity and funding risk. The Group's Treasury and Risk Committee monitors these risks continuously in order to minimize potential losses. The Group does not enter into any financial instruments for speculative purposes (e.g. short sales). Hedging transactions are entered into only to hedge corresponding financial assets and liabilities or underlying future operating transactions which are highly probable. Significant financial transactions are only concluded with selected banks that have a credit rating greater than or equal to "A".

5.2 Foreign exchange risk

The Group's financial statements are presented in Swiss francs (CHF) and are exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the EUR and the USD.

A large part of the costs in Europe are incurred in CHF, while a high portion of sales is billed in EUR. Consequently, the future EUR inflows are exposed to a foreign exchange risk, which may be hedged through EUR forward sales. The FX exposure between CNY and USD in Asia is managed actively and considered in our USD sensitivity.

Net investments in foreign Group entities are hedged selectively. Translations from monetary and non-monetary positions in foreign currencies are not hedged.

Based on risk evaluations, foreign exchange risks on cash receipts and disbursements (transaction risks) can be hedged by forward foreign exchange contracts, foreign exchange swaps or options.

Assuming the EUR had weakened by 10% for the purpose of the valuation of all balance sheet items presented in another currency than the functional currency with all other variables held constant, net income would have been CHF 4.1 million (PY 5.7) lower, and vice versa. Similarly, equity would have been CHF 1.5 million (PY 9.2) lower.

Had the USD weakened by 5%, net income would have been CHF 0.2 million lower (PY higher 0.8) due to hedges and equity would have increased by CHF 0.6 million (PY 0.2).

In the event of a strengthening of these currencies by the stated changes, the impact on the income statement and equity would be symmetrical.

5.3 Interest rate risk

The Group manages interest rate risk on borrowings by adjusting the balance between fixed and variable interest liabilities as well as by staggered terms of maturity. Derivative financial instruments, such as interest hedging transactions, are only concluded if considered necessary and approved by the Treasury and Risk Committee.

An interest rate increase of 0.5% as of 31 December 2015 would increase interest expenses by CHF 0.1 million (PY 1.1) and conversely a similar decrease in interest rates would reduce expenses by the same amount.

5.4 Credit risk

The essential short-term bank deposits are held with core banks with a credit rating greater than or equal to "A".

Trade receivables are due from a diversified customer base, which operates in different industries and geographical areas worldwide. The Group reviews customer's credit rating and payment history continuously and systematically. Past experience and other criteria are considered as well.

Bad debts on trade receivables incurred during the last five years have been very low relative to the Group's sales. The Group management does not expect fundamental changes in this long-term trend.

5.5 Funding risk

In the event the financial position and results of operations decline significantly a financial covenant might not be met. Consequently, the finance costs might rise substantially or the banks might require early repayment.

5.6 Liquidity risk

In order to cover future obligations and cash outflows sufficient liquidity reserves need to be available. The SFS Group monitors this liquidity risk by performing rolling liquidity planning, allocating a liquidity reserve and unused credit lines. As per the balance sheet date the available resources exceed the liquidity reserves considerably. The target liquidity reserve equals an average month's sales.

Liquidity overview	2015	2014
Cash and cash equivalents	157.0	138.3
Credit lines committed	230.2	244.8
Borrowings	-29.5	-50.6
Guarantees, other	-10.9	-3.0
Total liquidity available	346.8	329.5
Target liquidity reserve	115.0	115.0

The financial liabilities have the following maturities:

Financial year 2015	Total 31.12.2015	Cash-out-flows				later
		in 3 months	in 4 - 12 months	in 13 - 24 months		
Trade payables	77.0	77.0	-	-	-	
Other payables	93.6	84.0	8.9	0.7	-	
Borrowings	29.5	3.6	13.6	4.2	8.1	
Interest payments	1.6	0.3	0.9	0.2	0.2	
Total	201.7	164.9	23.4	5.1	8.3	

Financial year 2014	Total 31.12.2014	Cash-out-flows				later
		in 3 months	in 4 - 12 months	in 13 - 24 months		
Trade payables	118.4	118.4	-	-	-	
Other payables	87.4	79.0	7.9	0.3	0.2	
Borrowings	50.6	0.5	37.7	11.3	1.1	
Interest payments	2.0	0.5	1.4	0.1	-	
Total	258.4	198.4	47.0	11.7	1.3	

5.7 Capital management

With the management of the capital structure the SFS Group pursues the targets listed below:

- securing attractive returns on the average capital employed (ROCE)
- maintaining a significant degree of self-financing while ensuring a sustainable and attractive distribution policy
- preserving sufficient liquidity to cover all liabilities retaining an adequate debt capacity and creditworthiness at any time
- optimization of the finance expenses

In order to change the capital structure the following measures can be taken:

- raising and repaying financial liabilities
- adapting the distribution policy
- performing share buyback programs or capital increases

Additional measures for utilizing the capital employed as efficiently as possible to achieve an attractive return are:

- active management of net working capital
- strict requirements regarding the profitability of capital expenditures
- clearly structured process for mergers and acquisitions as well as for innovations

The key ratios are calculated and reported to the Group Executive Board on a regular basis in order to ensure the introduction of measures for the optimization of the capital structure in a timely manner:

Key ratios	2015	2014
Net financial assets in CHF million	127.5	87.7
Equity ratio (Equity/Total assets) in %	82.6	80.4
Ø Net working capital as a % of net sales	22.1	22.0
Investments in PPE and software as a % of net sales	6.6	7.1
Return (EBITA) on average capital employed in %	22.2	23.1

The capital employed and the net working capital are calculated as an average of the past four quarters. It includes the total of net working capital (trade receivables, other receivables and inventories less trade payables, current tax liabilities and other payables), the property, plant and equipment (PPE) less deferred tax liabilities (net) and provisions. The average for 2015 amounted to CHF 838.6 million (PY 844.4).

6 Financial instruments

The following table presents the Group's financial assets and liabilities. Note 2.5 defines the fair value levels.

Financial assets

At fair value through profit or loss	Fair value level	2015	2014
Cash and cash equivalents		157.0	138.3
Derivative financial instruments	2	0.3	-
Total		157.3	138.3

Financial assets

Receivables and loans	2015	2014
Trade receivables	243.9	268.3
Loans to third parties and related entities	10.0	0.7
Total	253.9	269.0

Financial liabilities	Fair value level	2015	2014
Trade payables		77.0	118.4
Current borrowings		17.2	38.2
Non-current borrowings		12.3	12.4
Derivative financial instruments	2	4.3	1.3
Total		110.8	170.3

7 Cash and cash equivalents

	2015	2014
Cash at bank and on hand	153.3	122.6
Current bank deposits	3.7	15.7
Total cash and cash equivalents	157.0	138.3

The return on cash and cash equivalents during the reporting period amounts to 0.6% (PY 0.7).

8 Trade receivables

	2015	2014
Receivables from third parties	245.7	270.0
Receivables from related entities	0.6	1.2
Valuation allowances	-2.4	-2.9
Total	243.9	268.3

Ageing analysis

Not yet due	192.3	219.7
Overdue 1 to 30 days	42.1	40.5
Overdue 31 to 90 days	11.6	9.9
Overdue more than 91 days	0.3	1.1
Trade receivables - gross	246.3	271.2
Valuation allowances	-2.4	-2.9
Trade receivables - net	243.9	268.3

Valuation allowances are established for unrecoverable receivables. Changes in the valuation allowances are recognized in "other operating expenses". The actual losses on receivables during each of the last five years have been below the level of 0.2% of net sales. This reflects the quality of the customer base and indicates that the credit management system is working effectively.

9 Other receivables

	2015	2014
Fair value level		
VAT and withholding tax	6.5	10.9
Miscellaneous receivables	14.5	14.3
Accrued assets	7.9	8.0
Derivative financial instruments	0.3	-
Total	29.2	33.2

10 Inventories

	2015	2014
Raw materials and consumables	33.8	39.6
Work in progress	61.2	65.3
Finished goods	201.8	205.8
Valuation allowances	-38.7	-37.5
Total	258.1	273.2

In 2015 provisions made for obsolete or slow-moving inventories amounting to CHF 1.2 million are expensed to material costs (PY 2.5 reversed).

11 Property, plant and equipment

	Land	Buildings	Plant and machinery	Assets under construction	Total
Cost at 1.1.2014	74.4	520.4	782.3	27.0	1,404.1
Disposal of subsidiaries	-	-0.8	-2.5	-	-3.3
Acquisitions of subsidiaries	9.2	4.8	31.1	0.1	45.2
Additions	-	5.8	64.0	26.0	95.8
Disposals	-	-1.2	-32.6	-0.1	-33.9
Transfers	-	9.5	13.6	-23.6	-0.5
Exchange differences	0.6	3.1	14.5	0.9	19.1
Cost at 31.12.2014	84.2	541.6	870.4	30.3	1,526.5
Disposal of subsidiaries	-	-	-4.4	-	-4.4
Acquisitions of subsidiaries	-	0.3	1.0	-	1.3
Additions	-	5.6	54.2	28.9	88.7
Disposals	-0.6	-4.5	-42.8	-	-47.9
Transfers	-	4.7	20.3	-27.0	-2.0
Exchange differences	-2.7	-14.8	-20.2	-1.3	-39.0
Cost at 31.12.2015	80.9	532.9	878.5	30.9	1,523.2
Accumulated depreciation at 1.1.2014	-	-282.3	-587.6	-	-869.9
Disposal of subsidiaries	-	0.5	1.7	-	2.2
Acquisitions of subsidiaries	-	-0.8	-15.6	-	-16.4
Depreciation	-	-21.7	-54.3	-	-76.0
Disposals	-	1.1	31.8	-	32.9
Exchange differences	-	-1.1	-7.7	-	-8.8
Accumulated depreciation at 31.12.2014	-	-304.3	-631.7	-	-936.0
Disposal of subsidiaries	-	-	4.2	-	4.2
Acquisitions of subsidiaries	-	-0.1	-0.5	-	-0.6
Depreciation	-	-23.6	-57.2	-	-80.8
Disposals	-	2.7	41.4	-	44.1
Exchange differences	-	7.6	14.3	-	21.9
Accumulated depreciation at 31.12.2015	-	-317.7	-629.5	-	-947.2
Net book value as at 31.12.2014	84.2	237.3	238.7	30.3	590.5
Net book value as at 31.12.2015	80.9	215.2	249.0	30.9	576.0

In order to collateralize other current and non-current borrowings, assets amounting to CHF 21.6 million (PY 13.2) have been pledged with CHF 18.8 million (PY 16.4), of which CHF 15.1 million (PY 6.8) have been drawn.

The financial commitments for contracted purchases of property, plant and equipment as well as for assets under construction amount to CHF 14.8 million (PY 29.3).

12 Intangible assets

	Goodwill	Customers, brands, technology	Building leases, patents, other	Software	Total
Cost at 1.1.2014	454.3	470.1	2.4	54.0	980.8
Acquisition of subsidiaries	11.6	28.0	-	0.5	40.1
Additions	-	-	-	1.8	1.8
Disposals	-	-	-	-0.3	-0.3
Transfers	-	-	-	0.5	0.5
Exchange differences	42.3	43.1	0.2	0.2	85.8
Cost at 31.12.2014	508.2	541.2	2.6	56.7	1,108.7
Acquisition of subsidiaries	-	6.2	-	0.5	6.7
Additions	-	-	-	1.7	1.7
Disposals	-	-3.2	-	-1.6	-4.8
Transfers	-	-	-	1.9	1.9
Exchange differences	-6.1	-7.7	-0.1	-0.5	-14.4
Cost at 31.12.2015	502.1	536.5	2.5	58.7	1,099.8
Accumulated amortization at 1.1.2014	-	-90.4	-0.3	-47.2	-137.9
Acquisition of subsidiaries	-	-	-	-0.2	-0.2
Additions	-	-50.4	-0.1	-3.4	-53.9
Disposals	-	-	-	0.2	0.2
Exchange differences	-	-8.1	-	-0.1	-8.2
Accumulated amortization at 31.12.2014	-	-148.9	-0.4	-50.7	-200.0
Acquisition of subsidiaries	-	-	-	-0.4	-0.4
Additions	-	-54.3	-0.2	-3.0	-57.5
Disposals	-	3.2	-	1.6	4.8
Exchange differences	-	3.2	-	0.3	3.5
Accumulated amortization at 31.12.2015	-	-196.8	-0.6	-52.2	-249.6
Net book value as at 31.12.2014	508.2	392.3	2.2	6.0	908.7
Net book value as at 31.12.2015	502.1	339.7	1.9	6.5	850.2

The purchased intangible assets in the column "customers, brands, technology" include exclusively assets with finite useful lives. The intangible assets from the acquisition of Unisteel Technology have a remaining useful life of 6.6 years (PY 7.6).

In 2015 the SFS Group has CHF 0.1 million (PY none) future commitments to purchase software or software related projects.

Goodwill impairment tests

Goodwill is tested for impairment annually considering the cash generating units to which goodwill has been allocated. For this purpose the expected future cash flows have been projected and discounted to arrive at a measure of value in use.

The assessment is based on projections for the next five years and also includes the terminal value. The projected sales, margins and expenses are determined by management on the basis of historical experience as well as the expected market development. Internal as well as external industry trends are taken into consideration. The weighted average cost of capital (discount rate) is based on pre-tax rates and reflects specific risks of the business. Growth rates after end of the five year planning periods are based on own assumptions regarding price and market development as well as on projections of the International Money Fund (IMF).

The carrying amounts of goodwill have been tested for impairment with the key factors listed below:

	Germany Engineered Components	Germany Fastening Systems	Malaysia / China Engineered Components	India Engineered Components
2015				
Carrying amount of goodwill	7.1	46.6	436.9	11.5
Growth rate after end of planning periode	1.0%	1.0%	2.0%	4.0%
Discount rate pre tax	9.0%	9.0%	8.8%	18.5%
Discount rate pre tax at excess value zero	47.1%	15.0%	14.1%	20.4%

	Germany Engineered Components	Germany Fastening Systems	Malaysia / China Engineered Components	India Engineered Components
2014				
Carrying amount of goodwill	7.9	51.9	436.5	11.9
Growth rate after end of planning periode	2.0%	2.0%	2.0%	4.0%
Discount rate pre tax	8.0%	7.9%	8.4%	14.1%
Discount rate pre tax at excess value zero	42.5%	15.9%	12.1%	15.8%

For sensitivity analysis a lower growth by 5%, but in minimum zero growth, have been used. After applying this assumption, no impairment was necessary.

13 Financial assets

	2015	2014
Loans to third parties	1.3	0.7
Loans to associated companies	8.7	-
Other financial assets	0.1	-
Total	10.1	0.7

14 Related entities

	2015		2014	
	CHF	Share	CHF	Share
Joint Ventures				
Sunil SFS intec Automotive Parts (Tianjin) Co., Ltd, Tianjin	13.0	50%	13.8	50%
Associates				
Hyflex Technology Co. Ltd, Changsha	-	-	0.0	35%
Ludwig Hettich Holding GmbH & Co. KG, Schramberg	14.1	30%	-	-
Total	27.1		13.8	

Income from the related entities in the reporting period amount to a total of CHF 3.1 million (PY Sunil 0.8).

Movements	2015	2014
Balance as at 1.1.	13.8	32.6
Acquisitions of related entities	14.3	-
Share of profit	0.0	0.4
Disposals	-	-20.8
Dividends	-	-0.2
Exchange differences Balance as at 31.12.	-1.0	1.8
Balance as at 31.12.	27.1	13.8

Transactions with related entities	2015	2014
Sales of goods and services	0.6	2.0
Sales of machines and tools	2.1	-
Receivables	0.6	1.2
Loans to related entities	8.7	-
Bank guaranties for related entities	10.9	3.0

2015

On 1 October 2015 SFS Group acquired 30% of HECO Group (Ludwig Hettich Holding GmbH & Co. KG). HECO achieved in 2015 with about 240 employees annual sales of 35 million. In 2018 SFS Group may exercise a call option to increase its holding. The purchase price allocation is provisional as the final purchase price depends on the annual profit 2015.

In 2015 the SFS Group disposed their investment of 35% in Hyflex Technology Co. Ltd. From the disposal a book profit of CHF 1.6 million resulted, which is included in "Share of profit/(loss) from related entities".

15 Other liabilities

	Fair value level	2015	2014
VAT and other liabilities		25.4	18.6
Accrued liabilities		63.9	67.5
Derivative financial instruments	2	4.3	1.3
Total		93.6	87.4

16 Borrowings

The carrying amounts of the Group's borrowings correspond to their fair value. The borrowings are structured as follows:

	2015		2014	
	CHF	Interest	CHF	Interest
Bank borrowings	17.2	6.2%	38.1	4.2%
Other borrowings	-	-	0.1	2.0%
Current borrowings	17.2	6.2%	38.2	4.2%
Of which CHF	3.2	2.1%	-	-
Of which EUR	0.9	4.4%	21.2	3.3%
Of which USD	5.1	2.6%	10.3	2.1%
Of which TRY	6.5	12.3%	6.6	10.3%
Of which other currencies	1.5	1.5%	0.1	1.5%
Bank borrowings	12.1	2.1%	11.8	2.0%
Other borrowings	0.2	0.5%	0.6	0.3%
Non-current borrowings	12.3	2.0%	12.4	1.9%
Of which CHF	0.1	0.0%	0.1	0.0%
Of which EUR	9.5	1.6%	8.5	1.7%
Of which USD	2.7	3.9%	3.9	2.5%
Total borrowings	29.5	4.4%	50.6	3.6%

Syndicated loan in CHF

In order to secure the liquidity reserve a new loan contract was taken out with five banks in August 2014. The term of the syndicated loan in CHF is five years. Within the first 12 months of the term, the SFS Group can apply for an extension of the final maturity by 12 months. In 2015 SFS has applied for this option and all lenders have agreed to it. The new maturity of the syndicated loan is now 25 August 2020. The committed and uncollateralized revolving credit line amounts to CHF 150 million and can be increased by a maximum of additional CHF 150 million, provided the lenders agree to the application of the SFS Group. This option may be exercised until three months prior to the maturity.

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

EUR credit facility

End of April 2015 the existing EUR loan has been repaid completely.

Other borrowings

In order to collateralize other current and non-current borrowings assets amounting to CHF 21.6 million (PY 13.2) have been pledged with CHF 18.8 million (PY 16.4) of which CHF 15.1 million (PY 6.8) has been drawn.

17 Deferred income tax

Deferred tax assets and liabilities result from temporary differences between the Group's carrying amount and the tax value of the following positions:

Deferred tax assets on:	2015	2014
Property, plant and equipment	4.9	6.6
Intangible assets	11.0	10.5
Inventories	2.9	3.1
Valuation allowances and provisions	11.3	7.5
Tax loss carry-forwards	1.2	4.0
Offsets	-13.2	-12.3
Total	18.1	19.4

Deferred tax liabilities on:		
Property, plant and equipment	38.4	41.6
Intangible assets	62.1	71.6
Inventories	10.3	9.9
Valuation allowances and provisions	8.6	8.7
Offsets	-13.2	-12.3
Total	106.2	119.5
Net	88.1	100.1

In accordance with the exemption of IAS 12 the Group abstains from recognizing a liability for deferred taxes on investments in Group companies. As per 31 December 2015 the temporary differences on investments in subsidiaries including equity loans amount to CHF 618.4 million (PY 646.0).

Movement in deferred tax balances	2015	2014
Balance at 1.1.	100.1	93.8
Acquisition of subsidiaries	1.2	12.7
Disposal of subsidiaries	0.2	-
Charged/(credited) to income statement	-7.1	-6.7
Charged/(credited) to other comprehensive income	-5.2	-3.8
Exchange differences	-1.1	4.1
Balance at 31.12.	88.1	100.1

Deferred taxes related to cash flow hedges as well as on actuarial gains and losses from the Swiss pension plan are recognized directly in other comprehensive income.

The status of existing tax loss carry-forwards is reviewed at the balance sheet date. If it is probable that future taxable income will be sufficient to utilize these losses, a deferred tax asset is recognized in the balance sheet. The table below shows the recognized as well as the unrecognized tax assets:

Tax loss carry-forwards	recognized		unrecognized	
	2015	2014	2015	2014
Expiry within 3 years	0.3	2.0	1.1	1.6
Expiry in 4 to 7 years	0.1	2.6	2.8	3.2
Expiry after 7 years	4.1	10.8	6.6	2.5
Total	4.5	15.4	10.5	7.3

The tax rates for the unrecognized tax loss carry-forwards are between 15 and 41%.

18 Provisions

	Swiss pen- sion plan	Other pen- sion plans	Anniver- saries, severance payments	Other	Total
Balance at 1.1.2014	-	8.4	8.8	4.5	21.7
Acquisition of subsidiaries	-	-	0.2	-	0.2
Additions	19.3	2.3	1.1	0.3	23.0
Used amounts	-	-0.3	-0.3	-0.4	-1.0
Unused amounts reversed	-	-	-	-0.7	-0.7
Transfers	-2.9	-	0.3	-	-2.6
Exchange differences	-	0.3	-0.1	0.1	0.3
Balance at 31.12.2014	16.4	10.7	10.0	3.8	40.9
Acquisition of subsidiaries	-	-	-	0.8	0.8
Additions	13.6	-1.6	0.9	0.3	13.2
Used amounts	-	-0.3	-0.4	-0.2	-0.9
Unused amounts reversed	-	-	-	-0.2	-0.2
Exchange differences	-	-0.6	-0.7	-0.1	-1.4
Balance at 31.12.2015	30.0	8.2	9.8	4.4	52.4

The SFS Group has various defined benefit plans. The major plan exists in Switzerland and is described in note 27.

As of the end of 2015 defined benefit plans, which are not substantial for the SFS Group, exist in the USA, Germany, United Kingdom and Austria. These are measured with actuarial calculations. Necessary provisions are included in the column "Other pension plans".

Various countries have state pension plans or have to recognize provisions for the date of leaving of an employee (severance payments). These are classified as contribution-based and disclosed in the column "Anniversaries, severance payments".

The column "Other" contains provisions according to IAS 37 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 2.9 million (PY 2.9). For other business risks CHF 1.5 million (PY 0.9) are deferred.

19 Reserves

The reserves in equity have this breakdown:

	Retained earnings	Exchange differences	Hedging	Pension plans	Total
Balance at 1.1.2014	1,447.6	-116.0	0.4	-3.2	1,328.8
Capital increase	310.7	-	-	-	310.7
Net income	109.9	-	-	-	109.9
Dividends 2013	-32.4	-	-	-	-32.4
Exchange differences	-	91.3	-	-	91.3
Recognized in other comprehensive income	-	-	-	-17.3	-17.3
Cash flow hedges	-	-	-1.1	-	-1.1
Balance at 31.12.2014	1,835.8	-24.7	-0.7	-20.5	1,789.9
Net income	104.1	-	-	-	104.1
Dividends 2014	-56.3	-	-	-	-56.3
Exchange differences	-	-35.3	-	-	-35.3
Recognized in other comprehensive income	-	-	-	-20.0	-20.0
Cash flow hedges	-	-	-1.9	-	-1.9
Balance at 31.12.2015	1,883.6	-60.0	-2.6	-40.5	1,780.5

20 Net sales

	2015	2014
Gross sales	1,376.3	1,383.0
Transportation charged	7.7	7.8
Hedged exchange differences	-5.2	-1.9
Discounts	-7.0	-7.1
Total	1,371.8	1,381.8

Gross sales decreased by 0.5% (PY 3.9 increase). The growth attributable to changes in the scope of consolidation is 2.1% (PY 0.0). When comparing on the same scope of consolidation and ignoring foreign currency effects, sales rose by 2.5% (PY 4.8). The currency translation effect amounts to -5.1% (PY -0.9).

Services constitute less than 1% of total sales. Sales do not include interest, compensation fees or dividends.

21 Other operating income

	2015	2014
Sales of services	8.0	6.0
Lease income	1.4	1.5
Miscellaneous income	4.1	3.0
Gain on disposals	2.3	2.0
Gain on disposal of net assets	0.3	-
Total	16.1	12.5

During the reporting period CHF 1.4 million (PY 1.6) have been reported as operating lease income in "other operating income". The future maturities are listed in the following table:

Future aggregate minimum lease income	2015	2014
No later than 1 year	1.2	1.2
Later than 1 year and no later than 5 years	1.5	1.3
Later than 5 years	0.1	-
Total	2.8	2.5

22 Personnel expenses

	2015	2014
Wages and salaries	310.5	307.3
Profit-sharing	5.5	5.3
Social security and pension costs	50.6	63.4
Other employment costs	10.9	11.9
Total	377.5	387.9

The pension plans in other countries are contribution-based and accounted for as defined contribution plans. These are run by insurance companies and state institutions. The premium payments amounting to CHF 8.5 million (PY 7.9) are included in personnel expenses.

In social security an aperiodic special impact according to IAS 19r is included. It reduces the expenses by CHF 14.9 million compared to prior year.

23 Other operating expenses

	2015	2014
Tools, energy, maintenance	106.6	112.3
Selling and distribution	68.9	73.6
Miscellaneous operating expenses	34.1	32.5
Total	209.6	218.4

"Other operating expenses" include operating lease expenses in the amount of CHF 7.7 million (PY 8.0).

Future minimum lease payments related to the operating leases (mainly for premises) are as follows:

Future aggregate minimum lease payments	2015	2014
No later than 1 year	7.8	7.4
Later than 1 year and no later than 5 years	17.8	15.0
Later than 5 years	4.6	4.6
Total	30.2	27.0

Research and development costs

The total costs for research and development recognized during the reporting period amount to CHF 30.5 million (PY 34.3). The expenses in the fields development, tools, sampling, preparation for large-lot production is compared to the previous year slightly lower. The research and development costs are recognized within different line items in the income statement and are not capitalized, as the corresponding requirements according to IFRS have not been met.

24 Finance result

	2015	2014
Interest paid	-3.1	-8.0
Change in accrued interest	-0.1	-4.2
Finance expenses	-3.2	-12.2
Realized gains	0.9	1.6
Exchange differences on financial investments	2.5	2.8
Finance income	3.4	4.4
Finance result	0.2	-7.8

25 Income taxes

	2015	2014
Current income tax	33.0	30.6
Deferred income tax	-7.1	-6.7
Income tax expense	25.9	23.9
Reconciliation:		
Earnings before tax	130.9	134.1
Expected tax rate	17.4%	17.4%
Expected income tax	22.8	23.3
Variance in tax rates	0.7	1.8
Impact of change in tax rate on deferred taxes	-	-0.2
Items not subject to tax	-2.5	-2.9
Changes in tax loss carry-forwards	1.9	1.8
Adjustment in respect of prior years and other items	3.0	0.1
Effective income tax	25.9	23.9
Effective tax rate	19.8%	17.8%

The current income tax includes the taxes which have been paid or accrued on the profits of the single entities. They are calculated based on the relevant tax laws in the different countries. The reconciliation summarizes the individual reconciliation calculations which have been prepared based on the applicable tax rates of the different tax jurisdictions.

Deferred taxes have been calculated based on the future expected tax rate. The expected tax rate corresponds to the maximum tax rate for legal entities in the canton of St. Gallen.

26 Earnings per SFS share

	2015	2014
Weighted average number of shares	37,500,000	35,814,167
Net income attributable to owners of SFS Group AG	104.1	109.9
Earnings per share (in CHF) basic and diluted	2.78	3.07

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 31 December 2015 37,500,000 shares at CHF 0.10 are issued and outstanding. There are no dilutive effects.

A dividend for the year ended 31 December 2015 of CHF 1.50 (PY 1.50) per registered share, amounting to a total dividend of CHF 56.3 million (PY 56.3), will be proposed at the Annual General Meeting.

27 Swiss pension plan

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, Survivor's and Disability Pension Plans (BVG).

The SFS pension fund is a foundation, which is legally separated from the SFS Group. The management body is equally composed of employee and employer representatives. Amongst others this management body determines the level of pension benefits as well as the investment strategy for plan assets based on a periodically performed asset-liability study. The statutory determined benefit obligations are the basis for this study.

The plan assets are invested in accordance with the investment policy, which is in line with the statutory investment regulations. The management body's investment committee is responsible for the implementation. The majority of plan assets are administered by external fund managers.

The pension benefits exceed the statutory minimum and are financed through the employer and employee contributions as well as an annual interest yield on the insured person's savings accounts. The contributions, which are payable by employer and employee, depend on the insured wage level and vary as last year between 2.5% and 7.25% depending on the employee's age.

In the event the fund does not hold sufficient assets on a statutory basis (BVG) the management body is legally obliged to take the correct measures in order to restore the plan's solvency. Amendments to the benefit plan or additional contribution payments from the company and the insured persons would be potential measures. As per 31 December 2015 the SFS pension fund's financial position shows a coverage ratio according to BVG of 115% (PY 118).

The present challenges consist of 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 environment. The trustees of SFS Pension Fund therefore decided to reduce the conversion rate step-by-step to 5.8% until 2020. As supporting measure the contributions are increased annually by 0.25% from 2016 onwards.

The following tables are showing the results of the actuarial calculations according to IAS 19r post-employment benefits:

Funding of benefit obligations	2015	2014	2013	2012	2011
Fair value of plan assets	490.3	478.0	433.8	400.4	366.5
Present value of benefit obligations	-520.3	-494.4	-430.9	-436.4	-425.8
Net asset/(obligation) in balance sheet	-30.0	-16.4	2.9	-36.0	-59.3

Movements in the benefit obligations	2015	2014
Present value of benefit obligations at 1.1.	-494.4	-430.9
Amendment conversion rate	18.2	-
Current service cost	-25.1	-21.8
Interest cost	-6.2	-9.8
Experience adjustments	1.5	4.9
Change in financial assumptions	-29.5	-52.0
Benefits paid	15.2	15.2
Present value of benefit obligations at 31.12.	-520.3	-494.4

Movements in fair value of plan assets	2015	2014
Fair value of plan assets at 1.1.	478.0	433.8
Employer's contributions	10.4	10.4
Employee's contributions	10.4	10.4
Interest income	6.0	9.8
Return on plan assets	1.1	29.2
Administration expense	-0.4	-0.4
Benefits paid	-15.2	-15.2
Fair value of plan assets at 31.12.	490.3	478.0

Pension costs	2015	2014
Employer's contributions	-10.4	-10.4
Additional current service cost employer	-4.3	-1.0
Amendment conversion rate	18.2	-
Interest cost net	-0.2	-
Administration expense	-0.4	-0.4
Recognized in the income statement	2.9	-11.8
Return on plan assets	1.1	29.2
Change in financial assumptions	-29.5	-52.0
Experience adjustments	1.5	4.9
Recognized in other comprehensive income	-26.9	-17.9

The actual return on plan assets for 2015 amounts to CHF 7.1 million (PY 39.0). The employer contributions for 2016 are estimated to be CHF 10.5 million (PY 10.4).

Considering the step-by-step decline of the conversion rate the service costs are reduced by CHF 18.2 million as one time effect.

Assumptions/parameters	2015	2014
Discount rate/return on plan assets	0.75%	1.25%
Future salary increases	1.00%	1.00%
Demographic assumptions	BVG 2010 GT	BVG 2010 GT
Average retirement age	64/63	64/63
Duration of benefit obligation	11.6 years	11.6 years

Sensitivity analysis

The discount rate and future salary increases are essential assumptions for the calculation of the pension obligation. The following sensitivity analysis displays potential changes in the pension obligation as of 31 December 2015:

- a decrease/increase of the discount rate by 25 basis points (PY 25) increases the pension obligation by CHF 20.5 million (PY 14.3) and decreases by CHF 19.2 million (PY 13.5)
- a salary increase/decrease by 50 basis points (PY 50) increases the pension obligation by CHF 2.8 million (PY 3.0) and decreases by CHF 2.7 million (PY 2.8) respectively.

Structure of insured persons

2015	Actives	Retirees	Total
Number	2,129	464	2,593
Present value of benefit obligation	348.1	172.2	520.3

2014

Number	2,173	438	2,611
Present value of benefit obligation	342.9	151.5	494.4

Categories of plan assets	2015	2014
Cash and cash equivalents	52.7	29.6
Bonds listed	145.2	146.2
Shares listed	156.6	179.9
Shares not listed	18.9	19.5
Real estate	116.3	101.8
Other assets	0.6	1.0
Plan assets at 31.12.	490.3	478.0

The investment policy defines the strategic asset allocation currently with 34% equity instruments, 42% fixed income instruments and 24% real estate investments. The plan assets include shares of the SFS Group AG amounting to CHF 2.4 million (PY 2.8). Consistent with previous years no owner-occupied properties are part of the plan assets.

28 Derivative financial instruments

Foreward foreign exchange contracts	Contract value					Market value CHF	Fair value level
	CHF	EUR	USD	CNY	MYR		
2015							
EUR sale/CHF purchase	63.3	-60.7	-	-	-	-2.2	2
USD sale/CHF purchase	10.0	-	-10.0	-	-	0.2	2
USD sale/EUR purchase	-	5.9	-8.0	-	-	-1.4	2
USD sale/CNY purchase	-	-	-21.3	135.3	-	-0.5	2
2014							
CHF sale (SWAP)/EUR purchase	-7.2	6.0	-	-	-	-	2
USD sale/EUR purchase	-	8.9	-12.0	-	-	-1.0	2
USD sale/MYR purchase	-	-	-1.5	-	5.2	-	2
USD sale/CNY purchase	-	-	-50.7	315.9	-	-0.3	2

29 Related-party transactions

The key management is composed of five (PY five) non-executive board members, nine (PY nine) executive board members and members of the Group Executive Board.

Key management compensation	2015	2014
Compensation	5.5	6.5
Pension benefits	0.2	0.2
Discount on share purchases	0.0	0.0
Total	5.7	6.7
Members of key management	14	14

The compensation, which was paid to members of the Board of Directors and of the Group Executive Board that resigned during the reporting year is included in the above figures proportionately. Compensation includes all expenses incurred by the SFS Group such as salary, variable remuneration in cash and in shares and social security contributions. There were no (PY none) payments for termination benefits or other benefits based on termination of employment to members of key management. Based on the articles of association the SFS Group companies have not granted loans to members of the key management.

Business transactions with members of key management

Business transactions with members of key management or related parties have been performed as listed below:

	2015	2014
Sales of goods and services	3.2	3.1
Purchases of goods and services	0.8	1.0
Receivables	0.2	0.2
Liabilities	-	0.1

Business transactions with pension funds

The SFS Group charges administration costs of CHF 0.6 million (PY 0.6) to the Swiss pension fund and Employer's Foundation for managing these institutions.

30 Changes in scope of consolidation

Acquisition of subsidiaries	2015	2014
Cash and cash equivalents	0.8	0.8
Trade receivables	1.9	5.8
Inventories	4.3	5.5
Other current assets	1.6	1.1
Property, plant and equipment	0.7	28.8
Intangible assets	6.2	28.3
Goodwill	-	11.6
Other non-current assets	-	1.7
Current liabilities	-1.5	-7.3
Borrowings	-3.7	-6.9
Deferred taxes net	-1.2	-12.7
Other provisions	-0.8	-
Non-controlling interests	-	-6.3
Formerly acquired shares	-	-26.9
Purchase price	8.3	23.5
Cash and cash equivalents	-0.8	-0.8
Contingent consideration	-	15.9
Consideration in cash flow statement	7.5	38.6

2015

On 6 March 2015 the SFS Group acquired 100% of the Thomas Minder Holding AG, located in Bäretswil (Switzerland) to strengthen the Distribution & Logistic segment. Thomas Minder Holding AG achieved in 2015 with 35 employees sales amounting to CHF 16 million. The company structure of Thomas Minder Holding AG has been simplified. Market presence and distribution is carried out via Allchemet AG (Bäretswil).

SPI Precision (Suzhou) Pte. Ltd in Singapore (a non-core business) has been disposed together with its subsidiary SPI Precision (Suzhou) Co., Ltd at the end of 2015. Both entities realized sales of CHF 6.0 million in 2015 and owned net assets of CHF 3.8 million at the date of disposal. The consideration was slightly above the net assets.

2014

As of 31 July 2014 the SFS Group increased its share in Indo Schöttle from 45% to 88.8%. More than 10% of the share capital remains with the founding family. The consolidation of Indo Schöttle within the SFS Group commenced on 1 July 2014. Indo Schöttle is based in Pune, India approximately 200 kilometers to the southeast of Mumbai. It supplies the Indian and international automotive industry from five production sites located in Pune and Belgaum. The financial year of Indo Schöttle runs from 1 April to 31 March. An interim financial closing is prepared as of 31 December each year. In 2014 Indo Schöttle achieved sales amounting to CHF 27.5 million with 1,065 employees (FTE). Compared to the provisional purchase price allocation (PPA) there are no changes.

In December 2014 the SFS Group disposed of Sonic Clean (Wuxi) Co. Ltd, China, which was not focused on the core business. This company was held completely by Sonic Clean Ptd Ltd, Singapore, of which the SFS Group holds a share of 63%. In 2014 Sonic Clean (Wuxi) Co. Ltd, China achieved sales of CHF 1.5 million with approximately 60 employees.

The contingent consideration of CHF 15.9 million is related to the acquisition of Unisteel Technology Group in 2012. It was the final payment.

31 Events after the reporting period

Beginning of 2016 SFS Group acquired 100% of the share capital of the Stamm AG, located in Hallau (Switzerland). Stamm AG produces high-precision plastic injection moulds in the technical small and micro range for a number of sophisticated applications. Stamm AG is a preferred developer and manufacturer in this field and pursues a very similar business model to the SFS Group. Stamm AG was founded in 1947 and, with a workforce of 60, achieved sales of approx. CHF 15 million in 2015. The company will be consolidated as of 1 January 2016.

SFS is not aware of other events that occurred after the balance sheet date that could have a material impact on the consolidated statements for the financial year ended 31 December 2015.

32 Group companies

Country	Legal seat	Name of the company	Participation rate in %		Share capital in local currency		Activities
			2015	2014		('000)	
China	Guangzhou	Guangzhou SFS intec Fastening & Precision Parts Co., Ltd	100.0	100.0	CNY	13'185	inactive
	Nansha-Guangzhou	SFS intec (China) Advanced Precision Parts Manufacturing Co., Ltd	100.0	100.0	CNY	93'959	V, P
	Shanghai	Unisteel Fastening Systems (Shanghai) Co., Ltd	100.0	100.0	CNY	100'688	V, P
	Suzhou	SPI Precision (Suzhou) Co., Ltd	-	100.0	CNY	-	-
		Unisteel Precision (Suzhou) Co., Ltd	100.0	100.0	CNY	89'095	V, P
Denmark	Vejle	Unibolt A/S	100.0	100.0	DKK	13'000	V, P
Germany	Mörfelden-Walldorf	GESIPA Blindniettechnik GmbH	100.0	100.0	EUR	5'000	V, P
	Oberursel	SFS intec GmbH	99.0	99.0	EUR	5'000	V, P
		SFS intec Beteiligungen GmbH & Co. KG	100.0	100.0	EUR	4'000	H
	Olpe	W+O Niettechnik GmbH	100.0	100.0	EUR	1'000	V, P
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	Valence	GESIPA SAS	100.0	100.0	EUR	150	V
		SFS intec SAS	100.0	100.0	EUR	3'078	V, P
		SFS unimarket SAS	100.0	100.0	EUR	500	inactive
United Kingdom	Keighley	GESIPA Blind Riveting Systems Ltd	100.0	100.0	GBP	840	V, P
	Leeds	QBM Distributors Ltd	100.0	100.0	GBP	100	V
		SFS intec Holdings Ltd	100.0	100.0	GBP	2'000	H
		SFS intec Ltd	100.0	100.0	GBP	2'500	V, P
India	Pune	Indo Schöttle Auto Parts Pvt. Ltd	88.8	88.8	INR	46'654	V, P
		Pusalkar Fluid Power Pvt. Ltd	88.8	88.8	INR	17'672	V, P
Italy	Pordenone	SFS intec Spa.	100.0	100.0	EUR	10'000	V, P
Canada	Dundas	SFS intec Inc.	100.0	100.0	CAD	4'000	V, P
Malaysia	Johor Bahru	Unisteel Technology (M) Sdn Bhd	100.0	100.0	USD	1'372	V, P
	Labuan	Unisteel Technology International Limited	100.0	100.0	USD	379'850	V, H
Mauritius		Unisteel International Pte Ltd	100.0	100.0	USD	1	V
Netherlands	Helmond	Afast Holding B.V.	100.0	100.0	EUR	18	V, P
Norway	Lorenskog	SFS intec AS	100.0	100.0	NOK	2'500	V
Austria	Korneuburg	SFS intec GmbH	100.0	100.0	EUR	146	V, P
	Wien	GESIPA Blindnietvertriebs GmbH	100.0	100.0	EUR	365	V
Poland	Legionowo	GESIPA Polska Sp. z o.o.	100.0	100.0	PLN	1'000	V
	Poznan	SFS intec Sp. z o.o.	100.0	100.0	PLN	8'600	V
Portugal	Malveira	SFS Group Fastening Technology. (Iberica), S.A.U. Sucursal em Portugal	100.0	100.0	EUR	n/a	V
Sweden	Strängnäs	SFS intec AB	100.0	100.0	SEK	200	V, P

DL = Services

P = Production

V = Sales

H = Holding

Country	Legal seat	Name of the company	Participation rate in %		Share capital in local currency		Activities
			2015	2014		('000)	
Switzerland	Heerbrugg municipality of Au/SG	SFS intec Holding AG	100.0	100.0	CHF	5'400	H
		SFS intec AG	100.0	100.0	CHF	6'550	V, P
		SFS unimarket AG	100.0	100.0	CHF	12'550	V, P
		SFS services AG	100.0	100.0	CHF	100	DL
	Bäretswil	Allchemet AG	100.0	-	CHF	340	V
Singapore	Singapore	Unisteel Technology Limited	100.0	100.0	SGD	8'033	V
		Sonic Clean Pte. Ltd	63.0	63.0	SGD	2'020	V, H
		SPI Precision (Suzhou) Pte. Ltd	-	70.0	SGD	-	-
Spain	Arrigorriaga	SFS Group Fastening Technology (Iberica), S.A.U.	100.0	100.0	EUR	975	V
Czech Republic	Brno	GESIPA CZ s.r.o.	100.0	100.0	CZK	1'700	V
	Turnov	SFS intec s.r.o.	100.0	100.0	CZK	205'000	V, P
Turkey	Torbali-Izmir		91.4	91.4	TRY	3'000	V, P
Hungary	Janossomorja	GESIPA Hungary Kft.	100.0	100.0	HUF	12'500	V
		SFS intec Kft.	100.0	100.0	HUF	400'000	V, P
USA	Mocksville	GESIPA Fasteners USA Inc.	100.0	100.0	USD	3'750	V, P
	Wyomissing	SFS intec Inc.	100.0	100.0	USD	34'400	V, P

DL = Services

P = Production

V = Sales

H = Holding

SPI Precision (Suzhou) Pte. Ltd in Singapore (a non-core business) has been disposed together with its subsidiary SPI Precision (Suzhou) Co., Ltd at the end of 2015. Business activities of SFS unimarket SAS are newly processed from Switzerland. This entity is now inactive and will be liquidated in 2016. W+O Niettechnik GmbH in Germany will be merged into GESIPA Blindniettechnik GmbH as of 1 January 2016.

33 Exchange rates

		Balance sheet		Income statement	
		2015	2014	2015	2014
China	CNY 100	15.250	16.170	15.317	15.010
Denmark	DKK 100	14.500	16.150	14.344	16.326
EU	EUR 1	1.082	1.203	1.068	1.216
United Kingdom	GBP 1	1.467	1.540	1.471	1.505
India	INR 100	1.500	1.560	1.495	1.536
Canada	CAD 1	0.712	0.853	0.753	0.830
Malaysia	MYR 100	23.050	28.270	24.460	28.057
Norway	NOK 100	11.240	13.320	11.957	14.591
Poland	PLN 100	25.420	28.060	25.538	29.062
Sweden	SEK 100	11.790	12.780	11.415	13.376
Singapore	SGD 1	0.701	0.748	0.701	0.723
Czech Republic	CZK 100	4.000	4.340	3.912	4.447
Turkey	TRY 100	33.850	42.480	34.806	41.872
Hungary	HUF 100	0.346	0.382	0.345	0.395
USA	USD 1	0.990	0.989	0.963	0.919

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of SFS Group AG, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes (pages 72 to 109), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control

system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 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



Beat Inauen
Audit expert
Auditor in charge



Martin Bettinaglio
Audit expert

St. Gallen, 3 March 2016

Financial statements of SFS Group AG

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Balance sheet

Assets in CHF million	31.12.2015	31.12.2014
Cash and cash equivalents	19.3	24.8
Other current receivables	0.0	0.1
Other current receivables from related entities	52.5	11.9
Current assets	71.8	36.8
Financial assets	0.1	0.1
Financial assets from related entities	696.8	740.9
Shareholdings	90.8	82.5
Non-current assets	787.7	823.5
Assets	859.5	860.3

Liabilities and equity in CHF million		
Trade payables	0.0	0.0
Interest-bearing borrowings from related entities	21.6	28.3
Deferred income and accrued expenses	0.7	0.4
Current liabilities	22.3	28.7
Interest-bearing borrowings from related entities	14.2	19.5
Non-current liabilities	14.2	19.5
Share capital	3.8	3.8
Statutory capital reserves	266.9	323.2
Statutory retained earnings	1.9	1.6
Voluntary retained earnings	275.1	275.1
Retained earnings	275.3	208.4
Total equity	823.0	812.1
Liabilities and equity	859.5	860.3

Income statement

Income in CHF million	2015	2014
Investment income	63.0	33.0
Interest income	5.7	10.3
Total income	68.7	43.3
Expenses in CHF million		
Interest expense, financing costs capital increase	-0.5	-13.2
Currency loss financial assets (net)	-0.3	-3.7
Administration expenses	-0.4	-0.4
Total expenses	-1.2	-17.3
Net income before taxes	67.5	26.0
Direct taxes	-0.4	0.0
Net income	67.1	26.0

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) 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 employees.

3 Shareholdings

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

	2015		2014	
	Share capital		Share capital	
SFS intec Holding AG, Heerbrugg, municipality of Au/SG, Switzerland	5.4	100%	5.4	100%
SFS unimarket AG, Heerbrugg, municipality of Au/SG, Switzerland	12.6	100%	12.6	100%
SFS services AG, Widnau, Switzerland	0.1	100%	0.1	100%

The significant indirect shareholdings are disclosed in note 32 of the consolidated financial report.

4 Share capital

The Annual General Meeting of shareholders approved on 4 April 2014 a share split (1 share of CHF 1.00 each to 10 shares of CHF 0.10 each), a capital increase and the initial public offering with the first trading day on 7 May 2014.

	31.12.2015	31.12.2014
Number of shares	37,500,000	37,500,000

No conversion and option rights have been issued.

5 Significant shareholders

The founding families of SFS Group AG, Huber and Stadler/Tschan, form an organized group according to Art. 10 of the Ordinance of the Swiss Financial Supervisory Authority on Stock Exchanges and Securities Trading (SESTO-FINMA).

Share capital and voting rights	31.12.2015	31.12.2014
Founding families	55.10%	55.04%

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 in front of the particular interests of the families.

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

6 Board of Directors' and Group Executive Board's shareholding

The following tables provide information with regards to the shareholding of the Board members:

	Number of shares 31.12.2015	Number of shares 31.12.2014
Board of Directors		
Heinrich Spoerry, Chairman	n/a	n/a
Ruedi Huber, non-executive member	245,960	244,280
Urs Kaufmann, independent, external member	6,680	5,000
Thomas Oetterli, independent, external member	4,680	3,000
Karl Stadler, non-executive member	2,521,480	2,519,800
Jörg Walther, independent, external member	1,680	-
Total	2,780,480	2,772,080

The number of shares of Karl Stadler include privately held shares and shares of Wistama Finanz- und Beteiligungs AG, which is under his control.

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

	Number of shares 31.12.2015	Number of shares 31.12.2014
Group Executive Board		
Heinrich Spoerry, Chief Executive Officer until 31.12.2015	190,280	188,180
Thomas Bamberger, Head of Division Riveting	1,170	670
Arthur Blank, Head of Division Construction	12,840	12,340
Jens Breu, Chief Operating Officer until 31.12.2015, CEO from 1. 1.2016	6,330	5,680
Rolf Frei, Chief Financial Officer	61,530	60,680
Walter Kobler, Head of Division Industrial	19,500	19,000
George Poh, Head of Division Electronics	50,330	49,680
Alfred Schneider, Head of Division Automotive	14,080	13,580
Josef Zünd, Head of Segment Distribution & Logistics	18,190	17,340
Total	374,250	367,150

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

7 Statutory capital reserves

The disclosed statutory capital reserves amount to CHF 266,924,250 (PY 323,174,250) and result from the share premiums in connection with the share capital increase and the initial public offering. The statutory capital reserves of CHF 311,994,597.50 have been approved by the federal tax administration (ESTV) on 12 June 2015. As expected the ESTV did not accept the IPO and capital expenses of CHF 11,179,652.50 as statutory capital reserve. In this context the SFS Group AG is still of the opinion that the share premium before deduction of IPO and capital expenses qualify to the full extent for statutory capital reserves.

8 Contingent Liabilities

Apart from the warranty obligations there are no contingent liabilities.

Contingent liabilities	31.12.2015	31.12.2014
Warranty obligations to related entities	74.1	84.3
Warranty obligations to third parties	10.9	3.0
Of which used	21.2	31.7

Proposed appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting of shareholders on 20 April 2016 to approve the payment of a dividend from statutory capital reserves of CHF 1.50 (PY 1.50) per registered share with a nominal of CHF 0.10 per share.

Retained earnings in CHF million	31.12.2015	31.12.2014
Profit carry-forward	208.2	182.5
Net income	67.1	26.0
Withdrawal from statutory capital reserves	56.3	56.3
Earnings available for distribution	331.6	264.8

Board of Director's proposal in CHF million		
Dividend from statutory capital reserves	56.3	56.3
Allocation to statutory retained earnings	-	0.3
Profit carry-forward	275.3	208.2
Retained earnings	331.6	264.8

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of SFS Group AG, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes (pages 112 to 116), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control

system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 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



Beat Inauen
Audit expert
Auditor in charge



Martin Bettinaglio
Audit expert

St. Gallen, 3 March 2016

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.

	31.12.2015	31.12.2014
Number of registered shares	37,500,000	37,500,000
Number of shares ranking for dividend	37,500,000	37,500,000
Weighted average number of shares	37,500,000	35,814,167
Number of shareholders	6,941	6,778
Stock exchange quotation (in CHF)		
Year high	79.00	79.30
Year low	56.90	62.50
Year-end price at	70.00	79.10
Share key data		
Earnings per share in CHF	2.78	3.07
Cash earnings per share in CHF	4.03	4.32
Dividend per share in CHF	1.50	1.50
Payout ratio in % of consolidated net income	53.6	51.0
Price/earnings ratio (year-end price)	25.2	25.8
Cash price/earnings ratio (year-end price)	17.4	18.3
Market capitalization (year-end price x number of shares ranking for dividend)		
In CHF million	2,625.0	2,966.3
As a % of net sales	191.4	214.7
As a % of equity	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 151.1 million (PY 154.6).

Agenda

Friday, 4 March 2016	Publication results business year 2015
Wednesday, 20 April 2016	23rd Annual General Meeting of SFS Group AG
Friday, 22 July 2016	Publication half year results 2016

Security-Nr.	23.922.930
ISIN	CH 023 922 930 2
SIX Swiss Exchange AG	SFSN
Reuters	SFSN.S
Bloomberg	SFSN SW
Fact Set:	SFSN-CH