SGS Nederland Holding B.V.

Annual Report 2021

ANNUAL REPORT 2021

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

1. Report from the Board of Managing Directors

INTRODUCTION

SGS Nederland Holding B.V. (the "Company") is a Dutch intermediate holding company that directly or indirectly holds several subsidiaries, together referred to as the "SGS Netherlands Group". The Chamber of Commerce registration number of the Company is 24226721.

The SGS Netherlands Group is an independent service organization that provides services relating to inspection, verification and certification for goods, products and the environment, as well as consulting, storage and distribution for international trade and for national enterprises and government.

SGS SA is the ultimate parent company of SGS Nederland Holding B.V. SGS SA is located in Geneva, Switzerland. SGS SA is registered at the SIX Swiss Exchange and is the world's leading company for independent inspection, verification, testing and certification services (see also www.sgs.com) hereafter referred as "SGS SA Group". SGS Nederland Holding B.V. is a 100% subsidiary of SGS Société Générale de Surveillance SA, Geneva.

In April 2021, SGS Nederland Holding B.V. issued notes of EUR 746 700 thousand under the Euro Medium Term Note (EMTN) program. The notes are listed on the Luxembourg Stock Exchange. SGS Nederland Holding B.V. qualifies as a public listed entity (in Dutch "organisatie van openbaar belang") since that date. As a consequence, the financial statements for the year ended 31 December 2021 are the first the Company has prepared in accordance with IFRS.

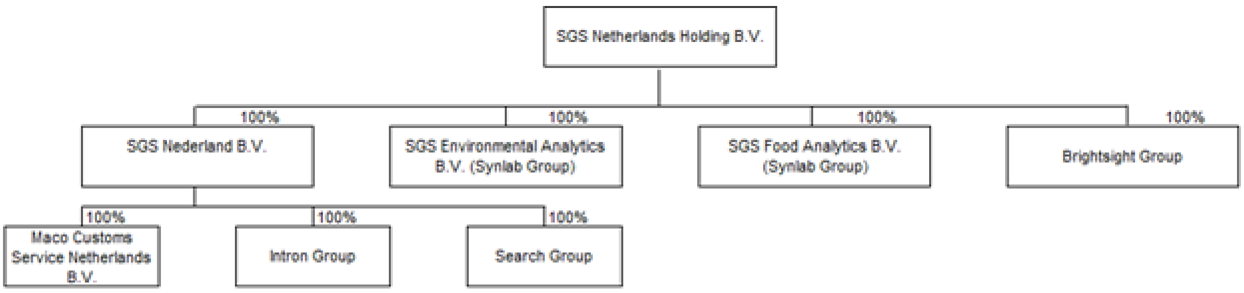
OUR VISION

We aim to be the most competitive and the most productive service organization in the world. Our core competencies in inspection, verification, testing and certification are being continuously improved to be best-in-class. They are at the heart of what we are. Our chosen markets will be solely determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers all over the world.

We are constantly looking beyond customers' and society's expectations in order to deliver market leading services wherever they are needed. As the leader in providing specialized business solutions that improve quality, safety and productivity and reduce risk, we help customers navigate an increasingly regulated world. Our independent services add significant value to our customers' operations and ensure business sustainability.

INTERNAL ORGANIZATION

The abridged group structure of the SGS Netherlands Group as per 31 December 2021 is as follows:



A full list of all legal entities included in the consolidated financial statements are included in the notes of the consolidated financial statements. The SGS Netherlands Group is divided into five business segments as disclosed below. The SGS Netherlands Group is headed by the board of managing directors which consist of Mr. Pype (Managing Director Benelux) and Mr. Oostrom (Finance Director Benelux). The SGS Netherlands Group did also have a Central Management Committee ("CMC") which consist of the board of managing directors and the business managers. The CMC meets on a monthly basis and discusses topics regarding investments, projects, strategy, personnel & organization, legal & compliance and finance.

SGS Nederland Holding B.V. meets the criteria for the structure regime for the first time on 31 December 2018. The structure regime is not immediately compulsory. The law sets requirements which a company must meet before application can become compulsory after a 3-years period. As per 31 December 2019, the Company did not met the criteria anymore and since 31 December 2020, the Company did again met the criteria from then onwards.

The company became a public-interest entity in April 2021 after issuance of the corporate bonds on the Luxembourg Stock Exchange. According to Article 41 of EU directive 2006/43/EG, a public-interest entity should have an audit committee or similar supervisory body. The SGS Netherlands Group did not have its own audit committee which supervise the Dutch Group until now. The Company is currently in the process of setting up its own audit committee in order to comply with Article 41 of EU directive 2006/43/EG.

BUSINESS SEGMENTS

The SGS Netherlands Group is part of the international SGS SA Group and is organized following the business segment structure of the international SGS SA Group. The SGS Netherlands Group reports its operations by business segment, according to the nature of the services provided. The SGS Netherlands Group operates in five business segments:

- Health and Nutrition (H&N): end-markets covered include Food, Crop Scient, Health Science and Cosmetics and Hygiene;

- Natural Resources (NR): end-markets covered include Trade and Inspection of minerals, oil and gas and agricultural commodities, Laboratory Testing, Metallurgy and Consulting and Market Intelligence;
- Connectivity & Products (C&P): end-markets covered include Electrical and Electronic goods, Softlines, Hardlines and Trade Facilitation;
- Industries & Environment (I&E): end-markets covered include Field Services and Inspection, Technical Assessment and Advisory, Industrial and Public Health & Safety, Environmental Testing and Public Mandates;
- Knowledge (Kn): end-markets covered include Management System Certification, Customized Audits, Consulting and Academy.

RESULTS AND FINANCIAL POSITION

RESULTS

The revenue of the SGS Netherlands Group increased in 2021 with EUR 68 294 thousand, split into organic growth of 2% and external growth of 34%. The net turnover in the Netherlands was realized in the following business segments of the SGS Netherlands Group's operations:

	REVENUE							
	2021			2020				
Business segment (EUR thousand)	**Existing business**	**Acquired business**	**Total**	**Total**	**ORGANIC GROWTH**		**TOTAL GROWTH**	
Health & Nutrition	9 368	12 241	21 609	8 482	886	10%	13 127	155%
Natural Resources	69 904	-	69 904	68 445	1 459	2%	1 459	2%
Connectivity & Products	14 162	12 104	26 266	10 689	3 473	32%	15 577	146%
Industries & Environment	88 772	39 537	128 309	91 534	(2 762)	(3%)	36 775	40%
Knowledge	12 409	-	12 409	11 053	1 356	12%	1 356	12%
TOTAL BUSINESS	**194 615**	**63 882**	**258 497**	**190 203**	**4 412**	**2%**	**68 294**	**36%**

The Health & Nutrition business line mainly grown due to the acquisition of SGS Food Analytics B.V. per 31 December 2020. The organic growth is due to the testing of Covid-19 samples, which is not likely to be continued in full year 2022. Without this Covid-19 sampling the existing business performs relatively stable.

The Natural Resources business shows a stable 2% organic growth. The Natural Resources division is highly diversified in its activities. The traditional inspection and laboratory services on oil, gas and chemical products ("Q+Q business") is under pressure due to general market environment and entries of new competitors. Intense price competition is still ongoing with these new parties and also with existing competitors. Furthermore end-market of Petroleum related products is shrinking due to energy transition (i.e. fuel market will transform but overall shrink).

The Connectivity & Products business line grown due to the acquisition of SGS Brightsight B.V. The organic growth relates mainly to the increased E-custom activities. These activities consist of customs compliance services including consultancy, import, export & transit declarations, certificates of origin, fiscal representation and excise. The revenue growth is a result of the Brexit.

The Industries & Environment ('I&E') business line grown due to the acquisition of SGS Environmental Analytics B.V. per 31 December 2020. The Industries & Environment business is a very diversified business line. The organic decrease is due to the following developments:

The organic decrease for Environment, Health and Safety is related to the change of market conditions. Covid-19 had a major impact on the real estate market. The virus dampened the investment and transaction volume by 40 to 60% compared to the situation pre-Covid-19. A relatively low volume of Technical Due Diligences on real estate in 2021 is a result of that. The training department within SGS Search was also heavily impacted by the restrictions. Less trainings with a lower number of candidates per training. Next to the Covid-19 impact is the change in legislation for asbestos. Due to changes in the legislation of asbestos, less asbestos samples were analyzed in 2021 in an already shrinking market. High price competition has also its effect on the price setting for existing and new customers.

The sample management business is further growing at various sites plus an extra one-off large project in 2021. Furthermore, the loss-making activity Marine Safety has been stopped at the beginning of the fourth quarter of 2021.

As usual the Industries & Environment business is depending on large-scale turn-arounds at plants of our customers. During the first waves of Covid-19 a few of these turn-arounds were cancelled due to the fact that no one at that time knew how to organize turn-arounds with the measures taken by the government. During 2020 and 2021, we saw most people and companies were getting used to the measures taken and found ways to continue the business considering these measures. For us this means the impact on our business would rather be described as a postponement than a loss. As we now see, revenue is coming back again. However, the large-scale turn-arounds are not yet planned and still postponed to unknown date. Management expects those turn-arounds to be started when Covid-19 measures are cleared. However, planning of turn-arounds by customers are time-consuming (planning for two years in advance).

The Knowledge business line did not acquire any companies. The organic growth mainly relates to revenues from new clients. For the ex-CBE non-food business (now called activity 9051 Non Food - Management System Certification), 2021 was a so-called re-certification year (a lot certificates need to be renewed once every three years) which generates also more revenues. The revenues for knowledge increased further due to a Covid-19 related catching up from 2020.

The movement of the operating income from 2020 to 2021 is as follows:

(EUR thousand)	Total	Existing business	Acquired business
Operating income (EBIT) 2020	**5 339**	**5 339**	**-**
Increase / (decrease) in revenues	68 294	4 412	63 882
(Increase) / decrease of personnel expenses	(29 633)	234	(29 867)
(Increase) / decrease of depreciation, amortization, and impairment	(5 287)	3 991	(9 278)
(Increase) / decrease gains and losses on disposal	(547)	(547)	-
(Increase) / decrease of other expenses (including subcontractors' expenses)	(26 113)	(6 171)	(19 942)
Operating income (EBIT) 2021	**12 053**	**7 258**	**4 795**

For the developments of the revenues, we refer to analysis per business line above. The personnel expenses of the existing business activities decreased slightly mainly due to a decrease of 82 FTE and an overall indexation. The lower depreciation, amortization and impairment charges are caused by the impairment of prior CGU/acquisition Roos + Bijl in 2020 of EUR 3 745 thousand. The increase of the other expenses for the existing business is mainly due to increase of restructuring costs and termination expenses. On the other hand, there were cost savings and less vehicle and travel costs in 2021.

FINANCIAL POSITION

The financial position of the SGS Netherlands Group increased significantly in 2021 mainly due to the issue of the corporate bonds under its EMTN program and the acquisition of SGS Brightsight B.V..

The SGS Netherlands Group acquired Brightsight B.V. and its subsidiaries as per 30 April 2021. The acquisition resulted in a recognition of goodwill of EUR 52 567 thousand and other intangibles (customer relationships and brand names) of EUR 27 920 thousand. The acquisition is financed with a loan from the ultimate parent company SGS SA of EUR 78 410 thousand with a maturity until 28 April 2023.

The Company issued notes of EUR 746 700 thousand under the Euro Medium Term Note (EMTN) program as per 21 April 2021. The notes are listed on the Luxembourg Stock Exchange. SGS SA act as guarantor of the notes. The Company agreed with SGS SA to on-lend to SGS SA the net proceeds of the notes issuance of EUR 746 700 thousand. The loan will mirror the tenor of the notes.

The current ratio as per 31 December 2021 is 0.87 (31 December 2020: 1.30). The decrease of the current ratio in 2021 fully relates to the reclassification of the loan from its ultimate parent company of EUR 40 000 thousand from non-current to current liabilities. It is expected that the maturity of the loan will be extended for another 2 years in 2022.

The Company relies on intercompany financing for its activities by using a cash pool. The ultimate parent of the Company, SGS SA has a current rating by Moody's of A3, with a stable outlook, and has declared not to demand the cash pooling debt in the next twelve months starting from the date of signing the 2021 financial statements.

Further, SGS SA irrevocably and unconditionally guarantees to provide financial support to the Company to enable the Company to continue to operate as a going concern in case, as result of discussions with the Dutch tax authority the transfer pricing policies applied within the SGS SA Group are amended in such a manner as to give rise to an additional corporate income tax liability.

Taking the considerations described above into account, the Board of Managing Directors considers that no material uncertainties exist that may cause significant doubt on the ability of the Company to continue operations as a going concern.

ACQUISITIONS & DISPOSALS

The Company acquired Brightsight B.V. and its subsidiaries as per 30 April 2021 for EUR 77 805 thousand. The acquisition is initiated and managed by SGS SA. Brightsight is the leading cybersecurity evaluation laboratory network for chip-based secure payment systems, secure identity solutions and IoT platforms.

The acquisition of Brightsight materially accelerates the global strategy of the SGS SA Group to become the global Testing, Inspection, and Certification ('TIC') leader in cybersecurity. With an independent network of laboratories headquarted in the Netherlands, 145 highly qualified employees and local offices in Barcelona, Madrid, Graz (Austria), Meyreuil (France), Beijing and Taipei, SGS Brightsight is an accredited expert in cybersecurity. Its product range includes bank cards, mobile payment systems, payment terminals, and electronic identity solutions such as electronic passports. Its quality management system is also ISO 17025 certified.

As more and more products are connected, our customers face new challenges to ensure that their products are not only safe to use, but that they are also secure. Serving this growing need for higher standards of security is crucial for SGS, and we continue to build on our reputation and track record to drive future sales of our cybersecurity services. Brightsight balances the right level of security for our customers with time to market for their products. Our experts also provide up-to-date information on market developments to further develop our customers' capabilities in the areas of security technologies, regulations and standards. The cybersecurity market is developing rapidly and requires a broad service scope. Brightsight's expertise is testing connected products (including hardware/ software) and connectivity (IT and Cloud). The SGS SA Group expect to see strong synergies from Brightsight across the business, in particular in our operations in Asia.

Brightsight contributed revenues of EUR 12 104 thousand and net loss of EUR 380 thousand to the SGS Netherlands Group for the period from 30 April 2021 until 31 December 2021. Total assets of Brightsight as per 31 December 2021 amounts to EUR 17 530 thousand (excluding goodwill and other intangible assets recognized from purchase price allocation) and total liabilities to EUR 18 062 thousand.

At the end of December 2020, SGS SA acquired Synlab Analytics & Services (A&S), a leading European environmental, food testing and tribology services company. A&S was a division of Synlab, the leading medical diagnostic services provider in Europe. Regionally, the acquisition enhances SGS's market position in North-Western Europe, by strengthening our presence especially in Germany and Benelux, while enabling us to enter new attractive markets in the Nordics. Acquiring A&S is strongly aligned with SGS SA's strategic objective of accelerating M&A in attractive, high growth sectors with scope for automation and digitization.

SGS Nederland Holding B.V. acquired four Dutch entities from the A&S division of Synlab per 31 December 2020.

In 2021, SGS Netherlands Group started with the integration. The integration team consists of representatives from financial, IT, marketing and HR department and was tasked with finding significant synergies and building on an efficient and market leading environment and food testing business. The integration of the A&S division is well on track. We have retained all the company's larger customers, and they appreciate that we can complete the testing we do for them as a core part of our business. We also achieved the rebranding of the company to SGS Analytics in just five months – covering all aspects, from top to bottom.

RISK MANAGEMENT

GENERAL

The SGS Netherlands Group is exposed to several financial, operational and reputation risks which can impact the delivery of our strategy. A proactive approach to risk management is critical to ensure the sustainable growth and resilience of the SGS Netherlands Group. Risk exposures are managed centrally by SGS SA Group through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

Every year the Board of the SGS SA Group assesses the risks that SGS SA Group faces. This process is conducted with the active participation and input of the Board of Managing Directors of the Company. Once identified, risks are assessed according to their likelihood, severity and mitigation. The Board of SGS SA Group deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers for implementing these measures. As part of this process, ownership and accountability for identified risks are approved by the Board. The implementation of these actions is audited by SGS SA Group Internal Audit. The findings are communicated to the Board of SGS SA Group so that progress and identified risks can be monitored objectively and independently from the Board of Managing Directors of the Company.

In the monthly Central Management Committee meeting in the Benelux chaired by the Managing Director of the Company, the topic of Business Continuity is addressed as a fixed agenda item. The Central Management Committee further consists of business managers (leaders of the respective business lines) and functional representatives from HR, IT and Finance. Topics related to business risks impacting the continuity of the business are discussed and reported when relevant. When needed mitigating actions are implemented.

MAIN RISKS NOTED

During 2021 there were only two specific major risks (Covid-19 and the uncertain tax position) that came to attention which required dedicated follow up. We refer to below.

Covid-19 pandemic

At the moment of signing the financial statements, most of the Covid-19 related measures and restrictions have been released.

SGS Netherlands Group has a CMT (Crisis Management Team) which now meets regularly to discuss the latest developments.

During the year 2021, it was noticed that Covid-19 has limited effects on the performance of SGS Netherlands Group. Our business model is using a flexible shelf of third parties (subcontractors/casuals), which we can easily stop using when orders are being delayed or cancelled.

To cover the mentioned risks, we've already taken actions to mitigate possible negative consequences. Amongst others actions we have increased the number of FTE on the credit control department, we moved employees between business lines to cover up for Illnesses and activated a lot saving opportunities on our variable and where possible fixed costs.

Since the Company has a diversified portfolio of services in many sectors, the impact of the Covid-19 crisis is diversified as well. Currently, the impact is very limited since most of the Covid-19 measures and restrictions taken by the Dutch government have been released.

These 2021 consolidated financial statements were prepared considering the impact of the pandemic, as well as the future uncertainties, with particular attention to the below specific areas:

- Impairment of non-current assets: The SGS Netherlands Group has analyzed whether any triggering event could be identified that would indicate an impairment of its assets and none were identified.
- Goodwill impairment test: The SGS Netherlands Group ran the annual impairment test with no impairment required.
- Appropriateness of expected credit loss allowance for trade receivables, unbilled revenue and work in progress: The SGS Netherlands Group reviewed its trade receivables to ensure it continues to reflect current and future credit risks and assessed it as adequate.

Uncertain tax position

The Company is an affiliate of the SGS SA Group of companies and as such has access to a wide range of intellectual property and services provided by SGS Société Générale de Surveillance SA/ SGS Group Management SA for which it is paying a Network Access Fee. The Network Access Fee is determined based on a percentage of the third-party revenues generated by SGS Affiliates, including SGS Nederland B.V. In 2015, SGS Nederland B.V. entered into a process to agree on a Bilateral Advanced Pricing Arrangement (BAPA) with the Direct Taxation department of the Dutch Ministry of Finance and the State Secretariat for International Financial Matters in Switzerland. The BAPA has been closed with no resolution between the competent authorities and both parties (SGS Nederland

Holding B.V. and SGS Société Générale de Surveillance SA/ SGS Group Management SA) have applied for a Mutual Agreement Procedure (MAP) at the beginning of May 2019.

As of today, there has been no agreement on the Network Access Fee that would be accepted by the respective taxation authorities. However, based on the ongoing discussions between the taxation authorities, it is likely that the additional corporate income tax will have to be paid. In order to assess the potential additional tax liability, the Company assumes that the taxation authority will examine amounts and have full knowledge of all related information. The company reflected uncertainty over the taxable profit by using the sum of probability-weighted amount in a range of possible outcomes. As at 31 December 2021, this results in an estimated current tax liability of EUR 15 651 thousand (estimate as per 31 December 2020: EUR 14 194 thousand), representing the tax risk estimated regarding the period 2012-2021 including the expected tax interests amounts due for the former years. To cover the risk for increasing material tax interest the Company made prepayments to the tax authorities for the tax claim in 2020 and 2021.

SUMMARY OF PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

Risk description: Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events.

Potential impact: Adverse business performance, price and volume pressure, adverse terms and margin erosion.

Key mitigating measures: We seek to minimize our exposure to operational risk. The SGS SA Group Audit Committee oversees the management of operational risks across the SGS Netherlands Group. Risks potentially threatening the SGS Netherlands Group's ability to meet its strategic objectives are monitored on an ongoing basis through the approval of all major investments, transactions and changes. In addition, an annual risk assessment process is conducted to ensure the SGS Netherlands Group is responding effectively to changes in economic conditions, market dynamics and internal developments. The nature and impact of future changes in economic policies, laws and regulations are not predictable and may run counter to our strategic interests. We keep a close watch on key regulatory developments to anticipate changes and their potential impact on our performance. Special focus is placed on ensuring the risk profile covers all areas of concern identified and that internal controls are put in place to monitor the evolution of such risks and mitigate their likely impact at an early stage. Periodically, the local performances and specific risks, all major investments, and all management challenges are reviewed and discussed by the Central Management Committee of the SGS Netherlands Group and SGS Belgium Group. To mitigate the operational risk at the level of SGS Netherlands Group we have the following key mitigating measures in place:

- We take into account all regulations given by certifying authorities since the nature of our business is to deliver an integer service to our customers.
- To make sure we fulfill all regulatory demands, we do have an extensive education plan for new employees and are driven by policies and procedures which are in line with the regulations of the different schemes.

Market risk

Risk description: We recognize market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices.

Potential impact: Adverse business performance, price and volume pressure, adverse terms and margin erosion.

Key mitigating measures: Our exposure to market risk arises principally from customer-driven transactions and financing activities. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements. We continue to focus on strengthening relationships and building partnerships with our customers, with focus on value adding services and innovation and investing in people and infrastructure. Other mitigations are customer and competitor strategy review and analysis, improved sales and pricing processes and continued emphasis on cost reduction and efficiency. The primary categories of market risk for the SGS Netherlands Group are interest rate risk and currency exchange rate risk. Currently, the SGS Netherlands Group has limited exposure to interest rate risk and therefore did not perform hedging activities. Monthly, the commercial/operational performances are reviewed within the local management and in close cooperation with the SGS SA Group business leaders (in line with the matrix structure within SGS) and the central control department of the SGS SA Group.

The market risk increased significantly due to war ongoing in Ukraine since February 2022 and the international sanctions against Russia. The market prices for raw materials increased significantly since that date which leads to a high inflation and potentially to an economic recession. The Central Management Committee monitors the actual situation on a frequent basis.

Funding and other financial risks

Risk description: Risks related to the cost and availability of funds to meet our business needs, movement on interest rates, foreign currency exchange rates.

Potential impact: Financial exposure due to interest rates, foreign currencies and lack of funding to meet our requirements.

Key mitigating measures: The funding is primarily managed by the central treasury department of the SGS SA Group, which operates in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors of SGS SA.

SGS Netherlands Group relies on intercompany financing for its activities by using a cash pool and have loans from the ultimate parent SGS SA for financing of acquisitions. The liquidity risk is limited due to i. the significant cash position at group level, ii. the current rating by Moody's of A3 for ultimate parent SGS SA and iii. SGS SA has various committed and uncommitted bilateral credit facilities with its banks. For more information about the liquidity risk management at SGS SA level, we refer to the financial statements of SGS SA (ww.sgs.com).

Interest risks for SGS Netherlands Group are due to intercompany financing in line with SGS SA. Interest risks are managed at SGS SA level. For more information about the interest rate risk management at SGS SA level, we refer to the financial statements of SGS SA (www.sgs.com).

The use of financial instruments to mitigate financial risks is limited (reference is made to the Notes of the consolidated financial statements for further information hereon). Foreign currency risks are mitigated by frequently reviewing such risks and hedging them, if needed. The hedging contracts are agreed and managed by the Treasury department of SGS SA. For more information about the foreign currency risk management at SGS SA level, we refer to the financial statements of SGS SA (www.sgs.com).

Cyber-attacks and data security

Risk description: Information systems and the technology infrastructure are key to supporting SGS Netherlands Group's strategy and growth and exposes the SGS Netherlands Group to risks of disruption of IT systems or compromise of sensitive data driven by malicious cyber-attacks or technology failure.

Potential impact: Business interruption, financial losses, loss of confidential data, negative reputational impact and breach of contracts and regulations.

Key mitigating measures: SGS Netherlands Group IT security policies and processes are in place covering areas around antivirus software, backups, access and password control. Disaster recovery plans are in place and tested. In the case of a disaster or technology failure, clear responsibilities have been set between IT and business to ensure operations can continue during the down time. Mirrored data storage and control and monitoring processes are in place.

Environmental, fire, health and safety risks

Risk description: The risk of a significant environmental contamination, fire or health and safety issue at one of our locations.

Potential impact: Health and safety incident, financial exposure, business disruption and reputational damage.

Key mitigating measures: We continue as SGS worldwide and local level to carry out regular health, safety and environmental (HSE) audits in cooperation with internal and external specialists to drive best practice. Audits are coordinated by the SGS SA Group and will be conducted annually using a specially designed online tool which provides a comprehensive overview of potential risks per site and the controls in place for managing them. Performance will be benchmarked across SGS sites globally.

Fraud, bribery and internal control failure

Risk description: The risk of an internal control failure such as a SGS Netherlands Group employee committing fraud or bribery due to lack of integrity or awareness.

Potential impact: Financial loss, reputational damage and breach of laws.

Key mitigating measures: The SGS Code of Integrity defines the main principles of professional integrity for the SGS SA Group and is an expression of the values that are shared throughout our organization, our businesses and our affiliates. The Code applies to all our employees, officers and directors, our affiliated companies, our contractors, our joint-venture partners, our agents, our subcontractors and anyone acting on behalf of or representing SGS. It addresses issues such as conflicts of interest, bribery and corruption, facilitation payments and the use of intermediaries and consultants.

Violations of the Code result in disciplinary action, including termination of employment and criminal prosecution for serious violations. New employees must sign the Code at the start of their employment with SGS and are expected to complete an integrity e-learning module within three months of joining. A Professional Conduct Committee ensures implementation of the Code within our organization and advises management on all issues of business ethics.

The SGS SA Group designed an internal control over financial reporting framework ("ICOFR"), intended to provide reasonable assurance to prevent fraud and/or errors, which applies to local subsidiaries and is periodically monitored by both internal and external auditors to ensure consistency and further enhancement.

During 2018, we have moved part of the administrative organization to our shared service center in Poland. In 2021 and 2020 we have intensified the cooperation with our Polish colleagues. From a risk point of view, the risks and implemented controls are monitored by our local team in the Netherlands.

Insufficient talent and knowledge capital

Risk description: Failing to identify, attract, develop and retain talents to satisfy current and future needs of the business.

Potential impact: Performance declines or lack of growth due to lack of talent 'bench strength'.

Key mitigating measures: Our ability to acquire, manage, develop and retain talent is essential, as we need highly skilled employees to deliver outstanding services to our customers. As part of our continued strategic focus on building a solid and winning organization we continue to invest in active talent management, succession planning and the development needs of our employees.

Financial reporting risks

The risk exists that financial reporting is not in compliance with reporting regulations which may result in failing of presenting reliable financial statements. The financial reporting risk increased due to the transition to IFRS which is a consequence of the issuance of the corporate bonds in April 2021. To address this risk, qualified staff within the Company and the larger SGS SA Group, working close with Internal Audit in Geneva, is assigned to address this risk. Furthermore, ICOFR is in place based on international regulations which includes financial controls aimed to address risks of material misstatements.

Compliance risks

The SGS Netherlands Group is subject to a wide variety of laws, regulations and policies. The SGS Netherlands Group is exposed to litigation which could lead to payment of damages and affect the reputation of the SGS Netherlands Group. To address this risk, the

SGS Netherlands Group has its own internal legal department which is supported by external lawyers where necessary. This also involves periodical reporting on claims to the Board of Managing Directors and insurance coverage and policies.

Risk appetite assessment

Our risk appetite can be divided over several areas where we have a different appetite and is considering our strategic goals, our business principles, our policies and procedures, and is taking into consideration the highly regulated services we deliver.

When it comes to our strategic risk, we accept balanced and controlled risks to achieve our growth ambitions.

When it comes to our operational risk, we have zero risk appetite. This is the sole result of the nature of our business, where we have to deliver an integer service to our customers, taking into account all regulations given by certifying authorities.

When it comes to financial risk, we are at the conservative site of the risk-taking matrix as we need to make sure our financial position is supporting our growth ambition.

At last, we have the regulatory risk where of course we have a zero-risk appetite as this is one of the main reasons, we are the leader in the TIC industry. To make sure we fulfill all regulatory demands, we do have an extensive education plan for new employees and are driven by policies and procedures which are in line with the regulations of the different schemes.

To be on top of the changing environment we ran a Risk Analysis twice a year, where every department have to assess their possible risk and make sure they have the right mitigating controls in place. All of this is periodically audited and constantly monitored by our Risk Management and Internal Control department in our head office.

Financial risk management

Currency risk

SGS Netherlands Group mainly operates in the European Union. The main currency is the Euro in which the SGS Netherlands Group operates. Further, the currency risk for the SGS Netherlands Group concerns positions and future transactions in US dollars (approx. 2% of total revenues). Management has determined, based on a risk assessment, that some of these currency risks need to be hedged. Forward exchange contracts are used for this purpose.

Interest, cash flow and liquidity risk

The SGS Netherlands Group is exposed to fair value interest rate risk because the SGS Netherlands Group borrows funds at variable rates (IBOR plus fixed mark-up) from its ultimate parent company. The SGS Netherlands Group does not hedge interest risks using Interest Rate Swap contracts. The coupon interest for the corporate bonds concerns a fixed rate.

As it relates to the SGS Netherlands Group's cash flow risk, the SGS Netherlands Group is part of a cash-pool facility which is headed by SGS Société Générale de Surveillance SA / SGS Group Management S.A. ("the lender").

Further, SGS SA has provided a guarantee to provide financial or other support necessary for the continuing operations of the Company should the need arise.

Credit risk

The SGS Netherlands Group has no significant concentration of credit risk, with exposure spread over many counterparties and customers. Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The SGS Netherlands Group's credit risk is diversified due to the large number of entities that make up the SGS Netherlands Group's customer base and the diversification across many different industries. The maximum credit risk to which the SGS Netherlands Group is theoretically exposed at balance sheet date is represented by the carrying amounts of receivables in the balance sheet. No customer accounts for 5% or more of the SGS Netherlands Group's total receivables at balance sheet date. The SGS Netherlands Group focuses on maintaining a low DSO-rate and adherence to contractual payment terms by customers which is supported by a dedicated credit management team.

SUSTAINABILITY

The SGS Netherlands Group follows the strategy and policies of the SGS SA Group regarding sustainability. Sustainability is deeply ingrained in our corporate culture, and we are an internationally recognized leader in the field. At SGS, sustainability is about using our scale and global reach to enable a more responsible and sustainable future. We strive to become an even more sustainable company by maximizing the positive impact we have on all of our stakeholder groups while minimizing our negative impact throughout the value chain. Sustainability is a distinct and integral part of the SGS Business Principles. These are the fundamental overarching beliefs and behaviors that guide our decisions and allow us to embody the SGS brand in everything we do.

Sustainability ambitions 2030

Our corporate sustainability strategy: The Sustainability Ambitions 2030 (SA2023). This new strategy is framed by our brand purpose of enabling a better, safer and more interconnected world.

The strategy is based on an analysis of a series of Global Drivers:

- External megatrends that are influencing our business: climate change, rapid urbanization, population and social trends, economic growth and technological disruption
- The Sustainable Development Goals (SDGs)
- The results of our risk assessment
- Our identified material topics
- Best practices of other sustainability leaders

To achieve our ambitions, we have set long-term targets for 2030 and short-term targets for 2023, which are aligned with our 2023 business strategy. Our SA2030 address our entire value chain. This enables us to focus not only on the value we create in our direct operations and supply chain management, but also the value we enable through our Sustainability Solutions.

The strategy is based on three pillars:

- Better planet
- Better society
- Better governance

Each pillar is supported by Group-wide policies, global programs, and local initiatives.

Better planet

At SGS, we are committed to supporting the transition to a low carbon and climate resilient world through responsible resource use and effective waste management. Each individual action can add up to a significant positive impact around the globe.

Carbon neutrality

Since 2014, we are a carbon neutral company. Our carbon neutrality strategy is built on 3 steps:

1. Reduce energy consumption. We have many programs in place, like the Energy Efficiency in Buildings program, the initiatives to reduce emissions from our fleet vehicle, etc.
2. Use renewable energy whenever possible. As a signatory to the RE100 initiative, we have pledged to source 100% of our energy requirements from renewable sources, either through onsite energy generation or procurement of renewable energy. At the moment, 95% of the electricity we use is from renewable resources.
3. Carbon offsetting. We compensate for any residual emissions through our carbon offsetting strategy. We invest in credible and verified carbon offsetting projects that directly benefit communities where we have an impact.

Waste and water management

Since 2011, all SGS facilities are required to report twice annually the total quantity of hazardous and non-hazardous waste generated during the reporting period as well as the total related expenditure on waste disposal as part of SGS's sustainability data reporting process. In addition, through our offices we generate significant quantities of operational waste much of which can be recycled or otherwise diverted from landfill.

SGS has comparatively low water consumption, with usage concentrated in our laboratories, plus drinking, food preparation, cleaning and sanitation. Our global water usage data is tracked through SGS Solaris, our sustainability reporting system.

Better society

At SGS, we are committed to empowering equality, wellbeing, and prosperity. People are at the very center of our business and the key to our success. At SGS, all our efforts are focused on addressing the needs of our diverse workforce and unlocking their potential while we support the communities where we work and live.

Human Resources initiatives

There is a wide range of initiatives developed by global and local HR teams to promote diversity, talent acquisition and management, wellbeing, engagement, etc.

Some examples:

- INSPIRE: an initiative for developing great leadership at SGS. It is SGS's management and leadership development framework.
- SHINE: is the global on-boading programme to ensure effective integration of new employees into SGS.
- SmartRecruiters: is the common recruitment platform that provides affiliates with automation of time consuming and repetitive tasks, allowing them to focus on adding value to candidates.

Protecting human rights

Our group human rights policy clearly sets out our commitment to treat everyone with whom we come into contact with fairness, dignity and respect. It is in line with leading international human rights legislation and principles, and it applies to all those working for SGS or in our supply chains. Each year, the policy is reviewed and benchmarked against global principles and laws, including the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles, the UN Women's Empowerment Principles and the UN Global Compact. In 2021, a new human rights eLearning was launched.

Better governance

At SGS, we´re committed to enabling long-term value through secure, fair, transparent and responsible business practices. We promote excellence and integrity in our operations. This at the heart of the value we deliver to our customers and to society and is fundamental to our success and sustainability.

Integrity

The SGS Code of Integrity defines the main principles of professional integrity and is an expression of the values that are shared throughout SGS, our various businesses and our affiliates. Covering topics from conflicts of interest and political donations, to bribery and corruption, and fair competition.

The expectations set out in the code include:

- not engaging in any form of bribery or corruption;
- treating everyone with fairness, dignity and respect;
- adhering strictly to the legal requirements of every country in which we operate; and
- not seeking any business advantage that would compromise our integrity or threaten our assets, brand, people or intellectual property.

All new SGS recruits must complete integrity training within three months of joining the Company, covering integrity expectations and standards, and the disciplinary action, termination and/or criminal prosecution that will follow any violation. We update our training every year, incorporating case studies and lessons learned from real cases from our business.

Sustainable supply chain

Sustainable Procurement and Supply Chain strategy is one of the four pillars of the SGS Procurement and Supply Chain Management strategy. Recognizing that we are in a position to influence many suppliers to follow our principles and values, we include sustainability criteria in requests for proposals. By participating to our tenders, suppliers must accept our Supplier Code of Conduct.

OUTLOOK

Investments

We will continue to focus on sustainable growth - both organic and through acquisitions. This will be supported by full attention to our employees and keeping an appropriate level of investments to ensure our equipment is up to date. Capital expenditure investments are focused on the strongest areas of the business, and those with the best growth record or long-term growth potential. In 2021 we have invested EUR 7 413 thousand (2020: EUR 3 673 thousand) in tangible assets and EUR 287 thousand (2020: EUR 427 thousand) in intangible assets, spread over the business we have in the Netherlands. The forecast for 2022 is to keep the investments on the same level in order to keep our assets up to date and where necessary to replace them with new assets with which we fulfil the changing needs in the market.

Financing

The Company relies on intercompany loans from within the SGS SA Group for the financing of its activities and acquisitions and will continue to do so. We expect no major changes in financing, except for the extension of the maturity of the intercompany loans with SGS SA which originally mature in 2022.

On 2 July 2020 the Company has agreed on and SGS SA has guaranteed a Euro Commercial Paper ('ECP') Program of EUR 1 billion. SGS SA optimize the way the SGS SA Group is financed and ask the Company to support the needs by issuing commercial paper and then grant an IC loan to SGS SA.

In the frame of the ECP program, the Company wishes to issue commercial paper worth EUR 500 million with maturities up to 3 months. The issuing will be spread over several trades, subject to market conditions. The ECP program is guaranteed by SGS SA. At moment of signing of the financial statements, the raised notes are EUR 439 million in total.

Going concern

We have received a support letter from SGS SA. The SGS Netherlands Group is part of SGS SA. SGS SA is registered at the SIX Swiss Exchange (see also www.sgs.com) and has a current rating by Moody's of A3 with stable outlook. SGS SA has provided a guarantee to provide financial or other support necessary for the continuing operations of the Company should the need arise. This letter is valid for twelve months from the date of these financial statements.

Personnel

The number of full-time equivalents (FTEs) employed by the SGS Netherlands Group was 2,273 as per 31 December 2021 (2020: 1,739). The increase is mainly due acquisition of the A&S division of Synlab and Brightsight.

The Company does not anticipate major changes in personnel, except of potential acquisitions. SGS SA has introduced in 2020 a strategy for growth by new acquisitions.

The Company does not have a policy regarding preference for men or women in certain positions, nor in favor of men, nor in favor of women. Apart from that, because our workforce changes continuously and since a large part of the workforce consists of temporary workers, the proportion men/women vary as well.

However, in general we consider the men/women proportion as well balanced, although we notice that the proportion of women in executive positions is lower than the gross average.

The Board of Managing Directors of the Company is small and constitutes of only two people. Both are male. When opportune, for example in case of leave or new employment, the Company is open to assign more women in the Board of Managing Directors.

Performance

The Company will continue to focus on growth as a key objective for the year ahead, along with solid cash flow and good profitability and expects further continuation of the performance shown in 2021.

Research and development

Our research and development activities will focus on continuous improvement of our services. Across the SGS SA Group innovation is facilitated, strategic investments are initiated and programs to support our people and cement our operational integrity are internally enhanced. Within the SGS SA Group, the research and development activities related to amongst other, services and market strategies are executed the SGS SA Group on central level. Locally, only acquired development costs from Brightsight of EUR 135 thousand are recognized.

Conflict Russia and Ukraine

The conflict between Russia and Ukraine has a limited impact on the business activities and results of SGS Netherlands Group and expected to be very limited in the near future. The SGS Netherlands Group did not have any major customers in those countries or closely related. The conflict and the potential impact for SGS Netherlands Group will be closely monitored by the CMC.

EU TAXONOMY

Although SGS Netherlands Group is in scope for the EU taxonomy, the activities of the Group are not yet covered by the EU taxonomy for 2021, therefore no specific disclosure about the eligibility of the activities is included in the annual report 2021. We are monitoring the developments around the EU taxonomy and will act accordingly.

CORPORATE GOVERNANCE STATEMENT

This statement is included pursuant to Section 2(a) of the Decree on the Content of the Directors' Report (Besluit inhoud bestuursverslag). The information that must be included in this statement pursuant to Section 3a, articles a and d, of said decree can be found in the following sections of the 2021 report from the board of managing directors. The sections referred to below should be regarded as included and repeated here:

- information on the principal features of the management and control system in connection with the SGS Netherlands Group's financial reporting process (paragraph 'Risk management').
- information on the composition and performance of the Board of Managing Directors (paragraph 'Personnel').

SIGN-OFF

We wish to express our sincere thanks to all SGS Netherlands Group employees who have helped grow the business in 2021. Our continued success depends on your commitment and dedication. Together, our commitment ensures SGS continues to be the leading Testing, Inspection, Certification and Verification company. Through our desire to innovate, build customer-value and employee satisfaction we will continue our path to success in 2022 and beyond.

Spijkenisse, 15 September 2022

Board of Managing Directors

J.L.J. Pype	R.C.A. Oostrom
Managing Director Benelux	Finance Director Benelux

2. Consolidated Financial Statements

2.1. Consolidated Income Statement

FOR THE YEARS ENDED 31 DECEMBER

(EUR thousand)	Notes	2021	2020
CONTINUING OPERATIONS			
REVENUE	6, 7	**258 497**	**190 203**
Personnel expenses	8	(130 837)	(101 204)
Subcontractors' expenses	9	(18 505)	(17 805)
Depreciation, amortization and impairment	10	(22 346)	(17 059)
Gains / (losses) on disposals		(64)	483
Other operating expenses	11	(74 692)	(49 279)
OPERATING INCOME (EBIT)	6	**12 053**	**5 339**
Financial income	12	1 426	2
Financial expenses	13	(7 335)	(1 062)
PROFIT BEFORE TAXES		**6 144**	**4 279**
Taxes	14	(3 630)	(3 031)
PROFIT FROM CONTINUING OPERATIONS		**2 514**	**1 248**
Profit from discontinued operations	5	-	19 493
PROFIT FOR THE PERIOD		**2 514**	**20 741**
Profit attributable to:			
Equity holders of SGS Nederland Holding B.V.		2 514	20 741

2.2. Consolidated Statement of Comprehensive Income

FOR THE YEARS ENDED 31 DECEMBER

(EUR thousand)	Notes	2021	2020
Actuarial gains/ (losses) on defined benefit plans	29	160	-
Income tax on actuarial gains/(losses)	14	(39)	-
Items that will not be subsequently reclassified to income statement		*121*	-
Items that may be subsequently reclassified to income statement		-	-
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		**121**	**-**
Profit for the year		2 514	20 741
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2 635**	**20 741**
Attributable to:			
Equity holders of SGS Nederland Holding B.V.		2 635	20 741

2.3. Consolidated Statement of Financial Position

(EUR thousand)	Notes	31 DECEMBER 2021	31 DECEMBER 2020	1 JANUARY 2020
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	15	29 561	26 779	21 314
Right-of-use assets	16	28 493	26 791	21 871
Goodwill	17	214 382	161 814	23 683
Other intangible assets	18	78 365	55 969	5 220
Deferred tax assets	14	1 980	1 584	1 425
Loans to ultimate parent company	19, 32	746 070	-	-
Other non-current assets	20, 32	1 135	2 830	1 181
TOTAL NON-CURRENT ASSETS		**1 099 984**	**275 767**	**74 694**
CURRENT ASSETS				
Inventories		629	1 040	-
Unbilled revenues and work in progress	7	8 783	5 178	5 139
Trade receivables	21	40 721	38 725	33 719
Amounts due from (ultimate) parent and affiliated companies	32	21 667	30 590	17 867
Other receivables and prepayments	22	2 297	1 671	1 385
Current tax assets	14	6 255	108	1 435
Current tax assets for uncertain tax positions	2	3 056	2 187	-
Cash and cash equivalents	23	14 162	5 123	2 127
TOTAL CURRENT ASSETS		**97 570**	**84 622**	**61 672**
TOTAL ASSETS		**1 197 555**	**360 389**	**136 366**
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	27	3 025	3 025	3 025
Reserves	27	28 357	25 722	11 087
TOTAL EQUITY		**31 382**	**28 747**	**14 112**
NON-CURRENT LIABILITIES				
Loans and other financial liabilities	28	746 525	-	-
Loans from ultimate parent company	28, 32	265 317	232 626	40 000
Lease liabilities	16	19 144	18 064	14 736
Deferred tax liabilities	14	19 690	13 467	1 042
Employee benefits	29	2 914	2 537	2 856
TOTAL NON-CURRENT LIABILITIES		**1 053 591**	**266 694**	**58 634**
CURRENT LIABILITIES				
Loans from ultimate parent company	28, 32	40 000	-	-
Lease liabilities	16	9 400	8 748	7 060
Trade payables		15 420	13 585	10 978
Amounts due to (ultimate) parent and affiliated companies	32	2 635	1 726	1 963
Current tax liabilities	14	1 840	4 819	-
Current tax liabilities for uncertain tax positions	2	-	-	12 852
Contract liabilities	7	7 528	1 546	1 081
Other liabilities and accruals	30	35 758	34 524	29 686
TOTAL CURRENT LIABILITIES		**112 582**	**64 948**	**63 620**
TOTAL LIABILITIES		**1 166 173**	**331 642**	**122 254**
TOTAL EQUITY AND LIABILITIES		**1 197 555**	**360 389**	**136 366**

pwc PricewaterhouseCoopers Accountants N.V. For identification purposes only

2.4. Consolidated Statement of Cash Flows

FOR THE YEARS ENDED 31 DECEMBER

(EUR thousand)	Notes	2021	2020
Profit for the year		2 514	20 741
Non-cash and non-operating items	24.1	32 581	1 163
Decrease in working capital	24.2	912	817
Taxes paid		(14 527)	(20 378)
CASH FLOW GENERATED FROM OPERATING ACTIVITIES		**21 480**	**2 343**
Purchase of property, plant and equipment and other intangible assets	15, 18	(7 700)	(3 835)
Disposal of property, plant and equipment and other intangible assets	15, 18	9	719
Acquisition of business, net of cash acquired	25	(73 904)	3 650
Proceeds from disposal of business	5	-	28 136
Loans to ultimate parent company	19, 24.3	(746 070)	-
Repayment of long-term receivables by affiliated companies	20, 24.3	2 000	-
(Increase) / decrease in other non-current assets		(93)	78
CASH FLOW (USED IN) / GENERATED FROM INVESTING ACTIVITIES		**(825 758)**	**28 748**
Dividend distribution	27	-	(18 107)
Share premium contribution	27	12 000	-
Proceeds from corporate bonds	24.3, 28	746 070	-
Proceeds from loans from ultimate parent company	24.3, 28	78 410	-
Repayment of loans from ultimate parent company	24.3, 28	(5 719)	-
Interest paid		(5 566)	(846)
Payment of lease liabilities	16, 24.3	(10 455)	(8 183)
Change in short-term intercompany financing		(1 422)	(959)
CASH FLOW GENERATED FROM / (USED IN) FINANCING ACTIVITIES		**813 318**	**(28 095)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9 039**	**2 996**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**5 123**	**2 127**
Increase/(decrease) in cash and cash equivalents		9 039	2 996
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**14 162**	**5 123**

2.5. Consolidated Statement of Changes in Equity

FOR THE YEARS ENDED 31 DECEMBER

(EUR thousand)	Share capital	Share premium reserve	Legal reserves	Cumulative gains/ (losses) on defined benefit plans [1]	Other reserves	Total Equity
BALANCE AT 1 JANUARY 2020	**3 025**	**-**	**-**	**-**	**11 087**	**14 112**
Profit for the period	-	-	-	-	20 741	20 741
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	*-*	*-*	*-*	*-*	*20 741*	*20 741*
Dividends paid	-	-	-	-	(18 106)	(18 106)
Share premium contribution	-	12 000	-	-	-	12 000
BALANCE AT 31 DECEMBER 2020	**3 025**	**12 000**	**-**	**-**	**13 722**	**28 747**
BALANCE AT 1 JANUARY 2021	**3 025**	**12 000**	**-**	**-**	**13 722**	**28 747**
Profit for the period	-	-	-	-	2 514	2 514
Other comprehensive income for the period	-	-	-	121	-	121
Total comprehensive income for the period	*-*	*-*	*-*	*121*	*2 514*	*2 635*
Transfer to / (from) other reserves	-	-	135	(162)	27	-
BALANCE AT 31 DECEMBER 2021	**3 025**	**12 000**	**135**	**(41)**	**16 263**	**31 382**

1. Net of tax

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

2.6. Notes to Consolidated Financial Statements

1. ACTIVITIES OF THE GROUP

SGS Nederland Holding B.V. ("the Company"), with its registered office in Spijkenisse, the Netherlands, together with its subsidiaries forms the SGS Netherlands Group ("the Group"). The Chamber of Commerce registration number of the Company is 24226721. The SGS Netherlands Group is an independent service organization that provides services relating to inspection, verification and certification for goods, products and the related environment, as well as consulting, storage and distribution for international trade and for national enterprises and government.

GROUP STRUCTURE

The ultimate parent company is SGS SA which has its headquarters in Geneva, Switzerland and is listed on the SIX Swiss Exchange (see also www.sgs.com). SGS Nederland Holding B.V. is a 100% subsidiary of SGS Société Générale de Surveillance SA, Geneva. The financial statements of SGS Nederland Holding B.V. are included in the consolidated financial statements of SGS SA.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group are stated in thousands of Euro's (EUR thousand). Rounding differences are not adjusted. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year end 2021 have been adopted by the EU. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB.

For all periods up to and including the year ended 31 December 2020, the Group prepared its financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). These financial statements for the year ended 31 December 2021 are the first the Group has prepared in accordance with IFRS. Refer to Note 3 for information on how the Group adopted IFRS.

The financial statements are prepared on an accruals basis and under the historical cost convention, modified as required for the revaluation of certain financial instruments.

COVID-19 PANDEMIC

Although economic indicators have risen over the past months, the duration and extent of the pandemic, together with the related financial, social and public health impacts of Covid-19 remain uncertain.

Consequently, these 2021 consolidated financial statements were prepared considering the continued impact of the pandemic, as well as future uncertainties, with particular attention to the below specific areas:

- Impairment of non-current assets: the Group has analyzed whether any triggering event could be identified that would indicate an impairment of its assets and none were identified;
- Goodwill impairment test: the Group ran the annual impairment test with no impairment required;
- Appropriateness of expected credit loss allowance for trade receivables, unbilled revenue and work in progress: applying the simplified approach for IFRS 9 expected credit loss model, the Group reviewed its impairment matrix to ensure it continues to reflect current and future credit risks and assessed it as adequate.

GOING CONCERN

The SGS Netherlands Group is part of SGS SA Group. SGS SA is registered at the SIX Swiss Exchange (see also www.sgs.com) and has a current rating by Moody's of A3 with stable outlook. The net proceeds of the bond issuance have been lent to SGS SA. The loan mirrors the tenor of the loan. Furthermore, the acquisitions of Brighsight and the A&S division of Synlab in respectively 2021 and 2020 are financed with intercompany loans. So, the company's dependency on its ultimate parent increased significantly over the last two years.

SGS SA has declared not to demand the cash pooling debt in the next twelve months starting from the date of signing the 2021 financial statements. Further, SGS SA has provided a guarantee to provide financial or other support necessary for the continuing operations of the Company should the need arise. This letter is valid for twelve months from the date of signing these financial statements.

Taking the considerations above into account, the Board of Managing Directors considers that no material uncertainties exist that may cast significant doubt on the ability of the Group to continue operations as a going concern.

NEW AND AMENDED STANDARS ADOPTED BY THE SGS NETHERLANDS GROUP

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19-Related Rent Concessions – amendments to IFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Group. Control is achieved when the Group:

- Has power over the investee;
- Is exposed, or has the right, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its return.

The Company reassesses whether or not the Group controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The following entities are included in the consolidated income statement and statement of financial position for the year 2021:

Company name	Place	Participating interest
SGS Nederland B.V.	Spijkenisse	100%
SGS Roos + Bijl B.V. (merged into SGS Nederland B.V.)	Rhoon	100%
Rotterdam Claims Prevention & Recovery Bureau B.V.	Spijkenisse	100%
SGS Asset Management B.V.	Spijkenisse	100%
Horizon Energy Partners	Kuala Lumpur, Malaysia	100%
SGS Intron B.V.	Sittard	100%
SGS Intron Certificatie B.V.	Sittard	100%
SGS Search Laboratorium B.V.	Heeswijk Dinther	100%
SGS Search Ingenieursbureau B.V.	Heeswijk Dinther	100%
SGS Floriaan B.V. (merged into SGS Search Ingenieursbureau B.V.)	Zaltbommel	100%
Maco Customs Service Netherlands B.V.	Roermond	100%
Maco Customs Connect B.V. (merged into Maco Customs Service Netherlands B.V.)	Roermond	100%
SGS Subholding B.V. (merged into SGS Nederland Holding B.V.)	Spijkenisse	100%
SGS Analytics Holdings (Netherlands) B.V. (merged into SGS Nederland Holding B.V.)	Rotterdam	100%
SGS Analytics Holding B.V. (merged into SGS Analytics Holdings (Netherlands) B.V.)	Rotterdam	100%
SGS Food Analytics B.V.	's Hertogenbosch	100%
SGS Environmental Analytics B.V.	Rotterdam	100%
Brightsight B.V.	Delft	100%
Brightsight Services B.V.	Delft	100%
Brightsight Medical B.V.	Delft	100%
Brightsight Holding Asia B.V.	Delft	100%
Brightisght Barcelona Holding B.V.	Delft	100%
Brightsight France Holding B.V.	Delft	100%
Brightsight China Ltd	Beijing, China	100%
Brightsight Barcelona S.L.	Barcelona, Spain	100%
Brightsight France SARL	Meyreuil, France	100%

Transactions eliminated on consolidation

All intra-Group balances and transactions, and any unrealized gains and losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Consolidation of foreign companies

All assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the year. Translation differences resulting from the application of this method are recognized in other comprehensive income and reclassified to profit or loss on disposal. Average exchange rates are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current versus non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

REVENUE RECOGNITION

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue based on two main models: services transferred at a point in time and services transferred over time.

- The majority of SGS' revenue is transferred at a point in time and recognized upon completion of performance obligations and measured according to the transaction price agreed in the contract. Once services are rendered, e.g. a report issued, the client is invoiced and payment is due.
- Services transferred over time mainly concern long-term contracts, where revenue is recognized based on the measure of progress. The revenue is recognized over time because SGS Netherlands Group's performance does not create an asset with an alternative use for the customer and the SGS Netherlands Group has a right to payment for performance completed to date. When the Group has a right to consideration from a customer at the amount corresponding directly to the customer's value of the performance completed to date, the Group recognizes revenue in the amount to which it has a right to invoice. In all other situations, the measure of progress is either based on observable output methods (usually the number of tests or inspection performed) or based on input methods such as the time incurred to date relative to the total expected hours to the satisfaction of the performance obligation. These contracts invoices are usually issued per contractually agreed installments and prices. Payments are due upon invoicing.

SEGMENT INFORMATION

The SGS Netherlands Group is part of the international SGS SA Group and is organised following the business segment structure of the international SGS SA Group. The SGS Netherlands Group reports its operations by business segment, according to the nature of the services provided. The SGS Netherlands Group operates in five business segments:

- Health & Nutrition (H&N): end-markets covered include Food, Crop Science, Health Science and Cosmetics & Hygiene;
- Natural Resources (NR): end-markets covered include Trade and Inspection of minerals, oil and gas and agricultural commodities, Laboratory Testing, Metallurgy and Consulting and Market Intelligence;
- Connectivity & Products (C&P): end-markets covered include Electrical and Electronic goods, Softlines, Hardlines and Trade Facilitation;
- Industries & Environment (I&E): end-markets covered include Field Services and Inspection, Technical Assessment and Advisory, Industrial and Public Health & Safety, Environmental Testing and Public Mandates;
- Knowledge (Kn): end-markets covered include Management System Certification, Customized Audits, Consulting and Academy.

The Chief Operating Decision Maker evaluates segment performance and allocates resources based on several factors, of which revenue and local contribution are the main criteria. The local contribution is provided to assess the underlying financial and operational performance of the Group by business line excluding the influence of items not directly attributable to operational performance. Local contribution represents the income from operations excluding:

- Amortization and impairment of acquired intangible assets;
- Restructuring costs including impairment charges arising from the execution of restructuring plans;

- Acquisition and divestment-related expenses including integration costs;
- Gains and losses from sale of business;
- Network fees, royalties and other charges passed from head office;
- Other non-recurring items which may include non-operational items such as certain regulatory, compliance and legal costs and certain asset write-downs / impairments.

For the Group, the Chief Operating Decision Maker is the Board of Managing Directors, which is composed of the Managing Director Benelux and Finance Director Benelux.

All segment revenues reported are from external customers and affiliated SGS companies.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Land is stated at historical cost and is not depreciated. Buildings, machinery, equipment and other tangible assets are stated at historical cost less accumulated depreciation. Assets under construction are stated at cost and are not depreciated until the assets are taken into operation. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property and equipment. All other expenditures are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings 10–40 years
- Machinery and equipment 3–10 years
- Other tangible assets 3–10 years

RIGHT-OF-USE ASSETS

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. They are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

LEASE LIABILITIES

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The Group elected to use the practical expedient to account for each lease component and any non-lease components as a single lease component. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In the case that the implicit rate cannot be readily determined, the Group uses an incremental borrowing rate considering the country and the lease duration. The rate is estimated by the combination of the reference rate, the financing spread and any asset specific adjustment when required.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interests and reduced for the lease payments made. Subsequently, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group applies the short-term lease and low-value recognition exemptions. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

GOODWILL

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value. The difference between the purchase price and the fair value is classified as goodwill and recorded in the statement of financial position as an intangible asset.

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected amounts recognized at that date.

Goodwill arising on the acquisition of a foreign entity is recorded in the relevant foreign currency and is translated using the end of period exchange rate.

On disposal of part or all of a business that was previously acquired and which gave rise to the recording of acquisition goodwill, the relevant amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill acquired as part of business combinations is tested for possible impairment annually and whenever events or changes in circumstances indicate their value may not be fully recoverable.

For the purpose of impairment testing, the Group has adopted a uniform method for assessing goodwill and other intangible assets recognized under the acquisition method of accounting. These assets are allocated to a cash generating unit (CGU) which are expected to benefit from the business combination. The recoverable amount of a CGU is determined through a value-in-use calculation.

If the value-in-use of the CGU is less than the carrying amount of its net operating assets, then a fair value less costs to sell valuation is also performed with the recoverable amount of the CGU being the higher of its value-in-use and the fair value less costs to sell.

The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates, operating margins and expected changes to selling prices or direct costs during the period. Pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted for specific risks associated with the CGUs' cash flow projections. The growth rates are based on industry growth forecasts.

Expected changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For all CGUs a value-in-use calculation is performed using cash flow projections covering the next five years and including a terminal growth assumption. These cash flow projections take into account the most recent financial results and outlook approved by Management.

If the recoverable amount of the CGU is less than the carrying amount of the unit's net operating assets, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Even if the initial accounting for an intangible asset acquired in the reporting period is only provisional, this asset is tested for impairment in the year of acquisition.

OTHER INTANGIBLE ASSETS

Intangible assets, including software, licences, trade names and customer relationships are capitalized and amortized on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. Software is measured at cost less accumulated amortization and impairment losses.

Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably. Measurement of other intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to expected profits in the backlog of the acquired companies, the customer lists at the acquisition date and the trade name value. The fair value is based on discounted cash flows expected to be received from these identifiable intangible assets. Subsequently, the assets are amortized over the estimated useful life.

Internally generated intangible assets are recognized if the asset created can be identified, it is probable that future economic benefits will be generated from it, the related development costs can be measured reliably and sufficient financial resources are available to complete the development. These assets are amortized on a straight-line basis over their useful lives, which usually do not exceed five years. All other development costs are expensed as incurred.

The following useful lives are used in the calculation of amortization:

- Trade names 7-19 years
- Customer relationships 5–20 years
- Computer software 1–5 years

IMPAIRMENT OF ASSETS EXCLUDING GOODWILL

At each balance sheet date, or whenever there is an indication that an asset may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether they have suffered an impairment loss. If indications of impairment are present, the assets are tested for impairment. If impaired, the carrying value of the asset is reduced to its recoverable value. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount of an asset is the greater of the net realizable value and its value-in-use. In assessing its value-in-use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

REVERSAL OF IMPAIRMENT LOSSES

Where an impairment loss on assets other than goodwill subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. A reversal of an impairment loss is recognized as income immediately.

GOVERNMENT GRANTS

IAS 20 sets out the principle for the recognition, measurement, presentation and disclosure of government grants. Government grants that are not related to assets are credited to the income statement as a deduction of the related expenses. Government grants are recognized when there is a reasonable assurance that the grant will be received and all attached conditions will be met.

INVENTORIES

Inventories are valued at historical cost based on the FIFO method (first in, first out) or lower realisable value. The historical cost consists of all costs relating to the acquisition and the costs incurred in order to bring the inventories to their current location and current condition. The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

TRADE RECEIVABLES
Trade receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. An expected credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the credit risk profile, as well as available historical data. The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- Significant financial difficulty of the customer; or
- It is becoming probable that the customer will enter bankruptcy or other financial reorganization.

UNBILLED REVENUES
Unbilled revenues are recognised for services of mainly short-term contracts, defined as services whose performance takes less than one month. Unbilled revenues are recognized for services completed but not yet invoiced and are valued at net selling price. Similarly to receivables, an allowance for unbilled revenues is made in compliance with the simplified approach using a provision matrix (expected credit loss model).

WORK IN PROGRESS
Work in progress is recognised in cases where:

- The services rendered under a contract can last more than a month; and
- The revenue meets the criteria for the transfer of control overtime.

Work in progress is recognized for the partially finished performance obligations under a contract. The measure of progress is either based on observable output methods or based on input methods. In case the input method is used, a margin is recognized based on the proportion of actual costs incurred compared to the total estimated costs, provided that the project is expected to be profitable once completed. In case the output method is used, work in progress is recognized based on the value to the customer of the services transferred to date relative to the remaining services promised under the contract. Similarly to receivables, an allowance for work in progress is made in compliance with the simplified approach using a provision matrix (expected credit loss model).

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash and deposits held with banks with an original maturity of three months or less, and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current loans.

FINANCIAL INSTRUMENTS
Non-derivative financial instruments
Financial assets include trade receivables, other receivables and loans. Loans and receivables, are recognized on the date they are originated. All other financial assets are recognized initially on trade date when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Group classifies its financial assets as those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) or those to be measured at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition, based on the business model for managing the assets and the contractual terms of the cash flows, and assesses the designation at each reporting date.

Derivative financial instruments and hedging
The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a mark-to-market basis.

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value at each balance sheet date. The gains and losses resulting from the fair value remeasurement are recognized in the income statement. The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date. The Group did not apply hedge accounting.

CORPORATE BONDS
The corporate bonds issued by the Group are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

FAIR VALUE MEASUREMENT
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

- Level 1 fair value measurements are those derived from the quoted price in active markets

- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques as it cannot be derived from publicly available information. The assumptions and inputs used in the model take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions often do not exist. External valuers are involved for valuation for significant assets and liabilities

EMPLOYEE BENEFITS

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other liabilities and accruals in the consolidated statement of financial position.

Pension plans

The Group maintains several defined benefit and defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension plans are based on an employee's years of service and remuneration earned during a pre-determined period. Contributions to these plans are normally paid into funds, which are managed independently of the Group.

The Group's obligations towards defined benefit pension plans and the annual cost recognized in the income statement are determined by independent actuaries using the projected unit credit method. Remeasurement gains and losses are immediately recognized in the consolidated statement of financial position with the corresponding movement being recorded in the consolidated statement of comprehensive income.

Past service costs are immediately recognized as an expense. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Payments to defined contribution plans are recognized as an expense in the income statement as incurred.

Other long-term benefits

The Group operates some compensation arrangements. The method of accounting is simplified compared to those used for defined benefit pension plans. Remeasurement gains and losses are immediately recognized in the consolidated statement of financial position with the corresponding movement being recorded in the income statement.

TRADE PAYABLES

Trade payables are recognized at amortized cost that approximates the fair value.

PROVISIONS

The Group records provisions when: it has an obligation, legal or constructive, to satisfy a claim; it is probable that an outflow of Group resources will be required to satisfy the obligation; and a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on Management's informed judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments.

Changes in provisions are reflected in the income statement in the period in which the change occurs.

CONTRACT LIABILITIES

Contract liabilities arise upon advance payments from clients and issuance of upfront invoices.

RESTRUCTURING COSTS

The Group recognizes costs of restructuring against operating income in the period in which Management has committed to a formal plan, the costs of which can be reliably estimated, and has raised a valid expectation in those affected that the plan will be implemented and the related costs incurred. Where appropriate, restructuring costs include impairment charges arising from the implementation of the formal plan.

CAPITAL MANAGEMENT

Capital comprises equity attributable to equity holders, loans and other financial liabilities, lease liabilities and cash and cash equivalents.

The Board of Managing Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence, and to sustain the future development of the business. The Board also recommends the level of dividends to be distributed to ordinary shareholders on an annual basis. The Group maintains sufficient liquidity at the Group and subsidiary level to meet its working capital requirements. For small and medium-sized acquisitions, the SGS Netherlands Group need intercompany financing from its ultimate parent company SGS SA.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

TAXES

Income taxes include all taxes based upon the taxable profits of the Group, including withholding taxes payable on the transfer of income from Group companies and tax adjustments from prior years. Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity or other comprehensive income, in which case the related income tax effect is recognized in equity or other comprehensive income. Provisions of income and withholding taxes that could arise on the remittance of subsidiary retained earnings are only made where there is a current intention to remit such earnings. Other taxes not based on income, such as property taxes and capital taxes, are included within operating expenses.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred taxes are provided using the full liability method. They are calculated on all temporary differences that arise between the tax base of an asset or liability and the carrying values in the consolidated financial statements except for non-tax-deductible goodwill and for those differences related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Deferred income tax assets relating to the carry-forward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Current income tax assets and liabilities are off-set when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of off-set. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

DIVIDENDS

Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Use of estimates

The key assumptions concerning the future, and other key sources of estimation at the balance sheet date that may have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Business combinations

In a business combination, the determination of the fair value of the identifiable assets acquired, particularly intangibles, requires estimations which are based on all available information and in some cases on assumptions with respect to the timing and amount of future revenues and expenses associated with an asset. The purchase price is allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The excess is reported as goodwill. As a result, the purchase price allocation impacts reported assets and liabilities, future net earnings due to the impact on future depreciation and amortization expense and impairment charges. The purchase price allocation is subject to a maximum period of 12 months adjustment.

The SGS Netherlands Group acquired Brightsight as per 30 April 2021 and acquired the Dutch part of the A&S division of Synlab as per 31 December 2020. The accounting of the business combinations contains the following estimates and judgments:

- Determining the net assets and liabilities based on their respective fair value;
- Calculating the intangible assets contains estimates with respect to expected future cash flows, customer churn, royalty rates and discount rates;
- The total consideration of EUR 74 907 thousand (net of debt) of the Dutch part of the A&S division of Synlab is a part of the full acquisition sum paid by SGS SA. The allocation is based on estimated future EBITDA's.

Valuation of trade receivables, unbilled revenue and work in progress

The balances are presented net of expected credit loss allowance. These allowances for potential uncollected amounts are estimated in compliance with the simplified approach using a provision matrix (expected credit loss model), which has been developed to reflect the country risk, the credit risk profile, as well as available historical data. In addition, an allowance is estimated based on individual client analysis when the collection is no longer probable.

Impairment of goodwill

The Group determines whether goodwill is impaired at a minimum on an annual basis. This requires identification of CGUs and an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows.

Income Taxes

The Company is an affiliate of the SGS Group and as such has access to a wide range of intellectual property and services provided by SGS Société Générale de Surveillance SA/ SGS Group Management SA for which it is paying a Network Access Fee. The Network Access Fee is determined based on a percentage of the third-party revenues generated by SGS Affiliates, including SGS Nederland B.V. In 2015, SGS Nederland B.V. entered into a process to agree on a Bilateral Advanced Pricing Arrangement (BAPA) with the Direct Taxation department of the Dutch Ministry of Finance and the State Secretariat for International Financial Matters in Switzerland. The BAPA has been closed with no resolution between the competent authorities and both parties (SGS Nederland Holding B.V.

and SGS Société Générale de Surveillance SA/ SGS Group Management SA) have applied for a Mutual Agreement Procedure (MAP) at the beginning of May 2019.

As of today, there has been no agreement on the Network Access Fee that would be accepted by the Dutch Tax Authority. However, based on the ongoing discussions between the tax authorities, it is likely that additional corporate income tax will have to be paid.

In assessing how an uncertain tax treatment may affect the determination of the taxable profit (tax loss), the SGS Netherlands Group assumes that a taxation authority will examine amounts and have full knowledge of all related information. The SGS Netherlands Group reflected the uncertainty over the taxable profit by using the sum of probability-weighted amount in a range of possible outcomes. The different scenarios varies between a costplus methodoloy and the existing 8% Network Access Fee (based on third-party revenue). The different scenarios assessed probability weighted by Management are based on initial propositions and discussion with the tax authorities involved in the simultaneous tax audit. As at 31 December 2021, this results in a estimated income tax charge of EUR 15 651 thousand in total of which EUR 1 465 thousand is related to fiscal year 2021. The SGS Netherlands Group paid the tax assessments received from the Dutch Tax Authorities of EUR 18 707 thousand in total to mitigate any interest risk, resulted in a current tax asset for uncertain tax positions of EUR 3 056 thousand as per 31 December 2021. The Group objected those assessments.

3. FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 December 2021, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2020, the Group prepared its financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Dutch Accounting Standards (‘Dutch GAAP’).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Group’s opening statement of financial position was prepared as at 1 January 2020, the Group’s date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Dutch GAAP financial statements, including the statement of financial position as at 1 January 2020 and the financial statements as of, and for, the year ended 31 December 2020.

EXEMPTIONS APPLIED

The Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under IFRS that occurred before 1 January 2020. Use of this exemption means that the Dutch GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise any assets or liabilities that were not recognised under the Dutch GAAP or exclude any previously recognised amounts as a result of IFRS recognition requirements;
- IFRS 1 also requires that the Dutch GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognised on goodwill at 1 January 2020;
- The Group assessed all contracts existing at 1 January 2020 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2020;
- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 January 2020. Right-of-use assets of land and buildings were measured at its carrying amount as if IFRS 16 had been applied since the commencement date of the lease, but discounted using the lessee’s incremental borrowing rate at 1 January 2020. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2020. The Group applied IAS 36 to right-of-use assets as at 1 January 2020.

ESTIMATES

The estimates at 1 January 2020 and at 31 December 2020 are consistent with those made for the same dates in accordance with Dutch GAAP after adjustments to reflect any differences in accounting policies. The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2020, the date of transition to IFRS and as at 31 December 2020.

RECLASSIFICATIONS AND REMEASUREMENTS OTHER THAN FIRST-TIME ADOPTION OF IFRS

The reconciliation of the consolidated income statement and the consolidated statement of financial position includes also reclassifications and adjustments other than those related to first-time adoption of IFRS. In the notes to the reconciliation of the consolidated income statement and the consolidated statement of financial position it is clearly stated when an reclassification and or remeasurement relate to the first-time adoption of IFRS or not.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT

for the year ended 31 december 2021

(EUR thousand)	Notes	Dutch GAAP	Reclassification and remeasurements	IFRS
CONTINUING OPERATIONS				
REVENUE		**190 203**	**-**	**190 203**
Costs of raw and auxiliary materials	3.1	(9 735)	9 735	-
Salaries and wages		(101 204)	-	(101 204)
Subcontractors' expenses		(17 805)	-	(17 805)
Depreciation, amortization and impairment	3.2, 3.3	(12 627)	(4 432)	(17 059)
Gains / (losses) on disposals	3.4	26 520	(26 037)	483
Other operating expenses	3.1, 3.2, 3.5	(48 201)	(1 078)	(49 279)
OPERATING INCOME (EBIT)		**27 151**	**(21 812)**	**5 339**
Financial income		2	-	2
Financial expenses	3.2	(843)	(219)	(1 062)
PROFIT BEFORE TAXES		**26 310**	**(22 031)**	**4 279**
Taxes	3.2, 3.4	(9 887)	6 856	(3 031)
PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**16 423**	**(15 175)**	**1 248**
Profit from discontinued operations	3.4	-	19 493	19 493
PROFIT FOR THE PERIOD		**16 423**	**4 318**	**20 741**
Profit attributable to:				
Equity holders of SGS Nederland Holding B.V.		16 423	4 318	20 741

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As per 1 January 2020

(EUR thousand)	Notes	Dutch GAAP	Reclassification and remeasurements	IFRS
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		21 314	-	21 314
Right-of-use assets	3.2	-	21 871	21 871
Goodwill		23 683	-	23 683
Other intangible assets		5 220	-	5 220
Deferred tax assets	3.2	1 373	52	1 425
Other non-current assets		1 181	-	1 181
TOTAL NON-CURRENT ASSETS		**52 771**	**21 923**	**74 694**
CURRENT ASSETS				
Unbilled revenues and work in progress	3.6	-	5 139	5 139
Amounts to be invoiced	3.6	5 139	(5 139)	-
Trade receivables	3.5	34 018	(299)	33 719
Amounts due from affiliated companies		17 867	-	17 867
Other receivables and prepayments	3.2	1 630	(245)	1 385
Current tax assets		1 435	-	1 435
Cash and cash equivalents		2 127	-	2 127
TOTAL CURRENT ASSETS		**62 216**	**(544)**	**61 672**
TOTAL ASSETS		**114 987**	**21 379**	**136 366**
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital		3 025	-	3 025
Reserves		12 618	(1 531)	11 087
TOTAL EQUITY		**15 643**	**(1 531)**	**14 112**
NON-CURRENT LIABILITIES				
Loans from ultimate parent company		40 000	-	40 000
Lease liabilities	3.2	-	14 736	14 736
Deferred tax liabilities	3.7	-	1 042	1 042
Employee benefits	3.9	-	2 856	2 856
Provisions	3.8, 3.9	15 708	(15 708)	-
TOTAL NON-CURRENT LIABILITIES		**55 708**	**2 926**	**58 634**
CURRENT LIABILITIES				
Lease liabilities	3.2	-	7 060	7 060
Trade payables		10 978	-	10 978
Amounts due to affiliated companies		1 963	-	1 963
Taxes and social security contributions	3.9	8 018	(8 018)	-
Current tax liabilities for uncertain tax positions	3.8	-	12 852	12 852
Contract liabilities	3.9	-	1 081	1 081
Other liabilities and accruals	3.2, 3.9	22 677	7 009	29 686
TOTAL CURRENT LIABILITIES		**43 636**	**19 984**	**63 620**
TOTAL LIABILITIES		**99 344**	**22 910**	**122 254**
TOTAL EQUITY AND LIABILITIES		**114 987**	**21 379**	**136 366**

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As per 31 December 2020

(EUR thousand)	Notes	Dutch GAAP	Reclassification and remeasurements	IFRS
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3.10	27 421	(642)	26 779
Right-of-use assets	3.2, 3.10	-	26 791	26 791
Goodwill	3.3, 3.10	145 062	16 752	161 814
Other intangible assets	4.10	53 333	2 636	55 969
Deferred tax assets	3.2, 3.10	1 562	22	1 584
Other non-current assets		2 830	-	2 830
TOTAL NON-CURRENT ASSETS		**230 208**	**45 559**	**275 767**
CURRENT ASSETS				
Inventories	3.10	1 272	(232)	1 040
Unbilled revenues and work in progress	3.6, 3.10	-	5 178	5 178
Amounts to be invoiced	3.6	4 869	(4 869)	-
Trade receivables	3.5, 3.10	38 749	(24)	38 725
Amounts due from (ultimate) parent and affiliated companies		30 590	-	30 590
Other receivables and prepayments	3.2	1 861	(190)	1 671
Current tax assets	3.10	45	63	108
Current tax assets for uncertain tax positions		2 187	-	2 187
Cash and cash equivalents		5 123	-	5 123
TOTAL CURRENT ASSETS		**84 696**	**(74)**	**84 622**
TOTAL ASSETS		**314 904**	**45 485**	**360 389**
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital		3 025	-	3 025
Reserves		22 934	2 788	25 722
TOTAL EQUITY		**25 959**	**2 788**	**28 747**
NON-CURRENT LIABILITIES				
Loans from ultimate parent company		232 626	-	232 626
Financial lease obligations	3.2	234	(234)	-
Lease liabilities	3.2, 3.10	-	18 064	18 064
Deferred tax liabilities	3.7, 3.10	-	13 467	13 467
Employee benefits	3.11	-	2 537	2 537
Provisions	3.11	2 537	(2 537)	-
TOTAL NON-CURRENT LIABILITIES		**235 397**	**31 297**	**266 694**
CURRENT LIABILITIES				
Lease liabilities	3.2, 3.10	-	8 748	8 748
Trade payables		13 585	-	13 585
Amounts due to (ultimate) parent and affiliated companies		1 726	-	1 726
Taxes and social security contributions	3.9	14 547	(14 547)	-
Current tax liabilities	3.6, 3.10	-	4 819	4 819
Contract liabilities	3.9	-	1 546	1 546
Other liabilities and accruals	3.9, 3.10	23 690	10 834	34 524
TOTAL CURRENT LIABILITIES		**53 548**	**11 400**	**64 948**
TOTAL LIABILITIES		**288 945**	**42 697**	**331 642**
TOTAL EQUITY AND LIABILITIES		**314 904**	**45 485**	**360 389**

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

NOTES TO THE RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1 Cost of raw and auxiliary materials
Cost of raw and auxiliary materials mainly consist of operational materials and supplies. In the 2020 financial statements, these costs are separately presented in the consolidated income statements. Under IFRS, these costs are included in the other operating expenses and disclosed in note 11. Other operating expenses. This reclassification is not a result of the first-time adoption to IFRS.

3.2 Leases
Under Dutch GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets of land and buildings were measured at its carrying amount as if IFRS 16 had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at 1 January 2020. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2020.

As a result, the Group recognised EUR 21 871 thousand (31 December 2020: EUR 26 791 thousand) of right-of-use assets and EUR 21 796 thousand (31 December 2020: EUR 26 812 thousand) of lease liabilities. The difference between lease liabilities and right-of-use assets has been recognised in other reserves. The increase of depreciation expenses of right-of-use assets over 2020 amounts to EUR 8 065 thousand and the increase of the finance expenses amounts to EUR 219 thousand. The reversal of the lease expenses as accounted for under Dutch GAAP amounts to EUR 8 231 thousand.

3.3 Goodwill
Under Dutch GAAP, goodwill resulting from acquisitions is capitalised and amortized on a straight-line basis over the estimated economic life. Under IFRS, goodwill is stated at cost and not amortized. The reversal of the depreciation expenses amounts to EUR 3 089 thousand.

3.4 Discontinued operations
Under Dutch GAAP, the profit for the period after tax of discontinued operations is not separately presented in the consolidated income statement. Under IFRS, the profit for the period after tax of discontinued operations is separately presented in the consolidated income statements. The gain on disposed operations amounts to EUR 25 991 thousand and the tax impact amounts to EUR 6 498 thousand, resulting in a gain net of tax of EUR 19 493 thousand.

3.5 Trade receivables
Under Dutch GAAP, allowances for trade receivables are based on the incurred loss model. Under IFRS, allowances for trade receivables are based on the expected credit loss model. As a result, the allowances for trade receivables increased with EUR 299 thousand (31 December 2020: decrease of EUR 127 thousand) to EUR 2 517 thousand as per 1 January 2020 (31 December 2020: EUR 1 235 thousand).

3.6 Unbilled revenues and work in progress
Amounts to be invoiced of EUR 5 139 thousand (31 December 2020: EUR 4 869 thousand) are reclassified to unbilled revenues and work in progress.

3.7 Deferred tax liabilities
In the 2020 financial statements, no deferred tax liability is recognized for acquired intangible assets. Amortization of acquired intangible assets was treated as a permanent difference in the tax calculation. This concerns an adjustment related to the 2020 financial statements and did not relate to the first-time adoption of IFRS. The deferred tax liability recognized as a result of the adjustment amounts to EUR 1 042 thousand as per 1 January 2020 (31 December 2020: EUR 742 thousand). The impact on the deferred tax expense amounts to EUR 295 thousand. This adjustment did have an impact of EUR 295 thousand on the profit for the period 2020 and an impact on capital and reserve as per 1 January 2020 of EUR 1 042 thousand and as per 31 December 2020 of EUR 746 thousand.

3.8 Uncertain tax positions
In the 2020 financial statements, a provision for uncertain tax positions (31 December 2020: prepayment) is recognised. Under IFRS, this uncertain tax positions is classified as a current tax liability for uncertain tax positions (31 December 2020: current tax asset for uncertain tax positions). The reclassification concerns a correction of a prior period error relating to the 2020 financial statements and did not relate to the first-time adoption of IFRS. The prior period error did not have any impact on the profit for the period and capital and reserves.

3.9 Other reclassifications
Under Dutch GAAP, current liabilities for taxes and social security contributions of EUR 8 018 thousand (31 December 2020: EUR 14 547 thousand) are separately presented in the consolidated statement of financial position. Under IFRS, income tax liabilities are separately presented in the consolidiated statement of financial position and liabilities for social security contributions are included in other liabilities and accruals.

Under Dutch GAAP, the Group recognised deferred revenue of EUR 1 081 thousand (31 December 2020: 1 546 thousand) for an obligation to transfer goods or services for which the Group has received consideration or the amount is due from the customer, which is included in other liabilities and accruals. Under IFRS, the obligation should be recognised as a contract liability rather than deferred revenue.

3.10 Business combinations

The SGS Netherlands Group acquired the Dutch part of the A&S division of Synlab as per 31 December 2020. In the 2020 financial statements, the purchase price allocation was based on provisional amounts. Under IFRS, the Group shall retrospectively adjust the provisional amounts recognised at acquisition date during the 12-months measurement period. The adjustments of the recognition of the right-of-use assets and lease liabilities are related to the first-time adoption of IFRS. The following adjustments have been made:

	(EUR thousand)
FAIR VALUE ADJUSTMENTS	
Adjustment to the customer relationships based on the final PPA report	5 000
Adjustment of the LIMS IT software	(2 364)
Adjustment for write-off of obsolete inventories	(232)
Adjustment for allowance for trade receivables according to Group accounting policies	158
Recognition of a deferred tax liability for intangible assets	(12 725)
Increase of the current tax liability due to interest deduction limitation rules	(1 529)
Recognition of additional accruals for bonusses, vacation days and consultancy costs	(1 084)
Other adjustments	19
TOTAL FAIR VALUE ADJUSTMENTS	**(12 757)**
FIRST-TIME ADOPTION IFRS ADJUSTMENTS	
Reclassification of property, plant and equipment to right-of-use assets	(642)
Recognition of the right-of-use assets	4 003
Recognition of the lease liabilities	(3 769)
TOTAL FIRST-TIME ADOPTION IFRS ADJUSTMENTS	**(408)**
TOTAL ADJUSTMENTS	**(13 165)**
GOODWILL ADJUSTMENT	**13 165**

3.11 Employee benefits

The Group operates defined benefit pension plans and other long-term employee benefit compensation arrangements. These obligations are reclassified from provisions under Dutch GAAP to employee benefits under IFRS.

4. BUSINESS COMBINATIONS

The following business combinations occurred during 2021 and 2020:

BUSINESS COMBINATIONS 2021

On 30 April 2021, SGS Nederland Holding B.V. acquired 100% of Brightsight B.V and its subsidiaries. Brightsight is the leading cybersecurity evaluation laboratory network for chip-based secure payment systems, secure identity solutions and IoT platforms. Brightsight is acquired for a purchase price of EUR 77 805 thousand and the goodwill generated from this acquisition amounts to EUR 52 567 thousand. Refer to note 25 for the disclosure of the fair values of the assets and liabilities arising from this acquisition.

As of 30 April 2021, SGS Nederland Holding B.V. has the power to control Brightsight. The acquired business contributed revenues of EUR 12 104 thousand and net loss of EUR 380 thousand to the Group for the period from 30 April to 31 December 2021. Had the acquisition been effective 1 January 2021, the revenue for the period would have been EUR 17 428 thousand and net loss would have been EUR 884 thousand.

On 30 April 2021, SGS Nederland Holding B.V. acquired 100% of SGS Subholding B.V. from SGS SA. The purchase price amounts to EUR 5 707 thousand which is equal to the net book value of SGS Subholding B.V. The entity act as an intermediate holding company. Subsequently, SGS Subholding B.V. is merged into SGS Nederland Holding B.V. in 2021.

MERGERS 2021

The following group companies are merged in 2021:

- SGS Roos + Bijl B.V. into SGS Nederland B.V.
- SGS Floriaan B.V. into SGS Search Ingenieursbureau B.V.
- Maco Customs Connect B.V. into Maco Customs Service Netherlands B.V.
- SGS Subholding B.V. into SGS Nederland Holding B.V.
- SGS Analytics Holding B.V. into SGS Analytics Holdings (Netherlands) B.V.
- SGS Analytics Holdings (Netherlands) B.V. into SGS Nederland Holding B.V.

These mergers did not have any impact on consolidated financial statements.

BUSINESS COMBINATIONS 2020

On 31 December 2020 SGS Nederland Holding B.V. has acquired 100% of the Dutch entities of the A&S division of Synlab. This acquisition will strengthen our presence in environmental testing and food testing the Netherlands. The activities of the A&S division of Synlab can be split into two areas:

- Environment & Hygiene which has the focus on analyzing soil, water and hygiene samples;
- Agrifood which has the focus on analyzing the food chain from Farm-to-fork. This consists of microbiological and chemical testing.

The purchase price of the four Dutch entities of the A&S division of Synlab amounts to EUR 74 907 thousand net of debt. The consideration is a part of the full acquisition sum paid by SGS SA and allocated based on estimated future EBITDA's. The allocated consideration is settled with SGS SA by means of the issuance of a loan of EUR 74 907 thousand. The goodwill generated from this acquisition amounts to EUR 143 325 thousand. Refer to note 25 for the disclosure of the fair values of the assets and liabilities arising from acquisition. As of 31 December 2020, SGS Nederland Holding B.V. has the power to control these entities. The acquired business has not contributed to the Group's revenue and net profit in 2020. Had the acquisition been effective 1 January 2020, the revenue for the period would have been EUR 49 914 thousand and the operating income would have been EUR 8 644 thousand.

On 30 September 2020, SGS Nederland B.V. acquired the business activities of Tank & Container Survey Europe B.V. for EUR 265 thousand. This acquisition is considered as not material.

5. DISCONTINUED OPERATIONS

In January 2020, the SGS Netherlands Group has sold its Pest management and fumigation operations in the Netherlands for a total consideration of EUR 28 136 thousand, generating a gain on disposal of EUR 25 991 thousand (EUR 19 493 thousand net of income tax) which includes the disposal of goodwill of EUR 2 026 thousand. The carrying amount of the net assets sold amounts to EUR 119 thousand and consist of intangible assets (EUR 373 thousand), property, plant and equipment (EUR 30 thousand), work in progress (EUR 135 thousand) and other liabilities (EUR 419 thousand). Due to materiallity considerations these net assets are not separately presented as assets and liabilities of disposal groups classified as held for sale as per 1 January 2020.

6. INFORMATION BY BUSINESS AND GEOGRAPHICAL SEGMENT

The information presented is disclosed by business line and focuses on revenue and local contribution because these are the performance measures used by the Chief Operating Decision Maker to assess segment performance.

Analysis of operating income

(EUR thousand)	2021	2020
LOCAL CONTRIBUTION	**38 513**	**24 999**
Amortization and impairment of acquired intangible assets	(6 052)	(4 736)
Restructuring costs	(3 390)	(383)
Transaction and integration costs	(1 515)	(109)
Gain / (loss) on disposals	(64)	483
Network fees, royalties and other charges passed from head office	(14 246)	(14 549)
Other non-recurring items	(1 193)	(366)
OPERATING INCOME (EBIT)	**12 053**	**5 339**

ANALYSIS OF REVENUE AND OPERATING INCOME

December 2021

(EUR thousand)	Revenue	Local contribution	Amortization and impairment of acquired intangible assets	Restructuring costs	Transaction and integration costs	Gain / (loss) on disposal	Network fees, royalties and other charges passed from head office	Other non-recurring items	Operating income by business
Health & Nutrition	21 609	3 507	(955)	(87)	(214)	(64)	(1 176)	4	1 015
Natural Resources	69 904	12 761	(63)	(2 790)	-	-	(3 768)	(150)	5 991
Connectivity & Products	26 266	5 318	(1 781)	(56)	(38)	-	(1 575)	(441)	1 427
Industries & Environment	128 309	15 606	(3 253)	(407)	(1 263)	-	(7 056)	(558)	3 069
Knowledge	12 409	1 321	-	(50)	-	-	(672)	(48)	551
TOTAL	**258 497**	**38 513**	**(6 052)**	**(3 390)**	**(1 515)**	**(64)**	**(14 246)**	**(1 193)**	**12 053**

December 2020

(EUR thousand)	Revenue	Local contribution	Amortization and impairment of acquired intangible assets	Restructuring costs	Transaction and integration costs	Gain / (loss) on disposal	Network fees, royalties and other charges passed from head office	Other non-recurring items	Operating income by business
Health & Nutrition	8 482	573	(11)	34	(109)	383	(654)	(19)	198
Natural Resources	68 445	12 160	(10)	-	-	-	(5 311)	23	6 863
Connectivity & Products	10 689	1 699	(193)	-	-	-	(832)	(413)	261
Industries & Environment	91 534	8 503	(4 522)	(417)	-	100	(6 891)	43	(3 184)
Knowledge	11 053	2 062	-	-	-	-	(861)	(1)	1 201
TOTAL	**190 203**	**24 999**	**(4 736)**	**(383)**	**(109)**	**483**	**(14 549)**	**(366)**	**5 339**

REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT

In 2021 and 2020, all revenues from external customers are generated from the Netherlands.

MAJOR CUSTOMER INFORMATION

In 2021 and 2020, no external customer represented 5% or more of the Group's total revenue.

7. REVENUES FROM CONTRACTS WITH CUSTOMERS

TIMING OF REVENUE RECOGNITION

	2021		2020	
(EUR thousand)	Services transferred at a point in time	Services transferred over time	Services transferred at a point in time	Services transferred over time
Health & Nutrition	99%	1%	100%	0%
Natural Resources	100%	0%	100%	0%
Connectivity & Products	53%	47%	100%	0%
Industries & Environment	86%	14%	88%	12%
Knowledge	100%	0%	100%	0%
TOTAL	**88%**	**12%**	**94%**	**6%**

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

	31 DECEMBER		1 JANUARY
(EUR thousand)	2021	2020	2020
Unbilled revenues	5 109	3 782	3 711
Work in progress	3 674	1 396	1 428
Contract liabilities	(7 528)	(1 546)	(1 081)

Revenue evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2021, the Group has recognized revenue of EUR 707 thousand related to contract liabilities at 31 December 2020. In 2020, the revenue recognized from contract liabilities at 31 December 2019 amounted to EUR 760 thousand. Revenue recognized from performance obligations satisfied in previous periods were immaterial in 2021 and 2020.

The Group is applying the practical expedient IFRS 15.121 and does not disclose unsatisfied or partially unsatisfied performance obligations from contracts with an original duration of one year or less or where the Group may recognize revenue from the satisfaction of the performance obligation in accordance with IFRS 15.B16. This paragraph permits as a practical expedient to exclude contracts where the Group has a right to payment for performance completed to date.

8. PERSONNEL EXPENSES

(EUR thousand)	2021	2020
Wages and salaries	106 684	82 456
Social security charges	17 846	13 842
Pension costs	6 307	4 906
TOTAL	**130 837**	**101 204**

The average number of employee (full-time equivalent) per business line is as follows:

	2021	2020
Health & Nutrition	181	86
Natural Resources	558	587
Connectivity & Products	273	118
Industries & Environment	1 157	841
Knowledge	104	107
TOTAL FTE's	**2 273**	**1 739**

All employees are employed in the Netherlands, except of 54 FTEs (2020: nil) which are employed in Belgium (4 FTE), France (43 FTE) and Spain (7 FTE). The increase of 534 FTE in 2021 relates mainly to the acquisition the A&S division of Synlab (454 FTE) and Brightsight (103 FTE).

KEY MANAGEMENT PERSONNEL

The Board of Managing Directors are defined as key management personnel of the SGS Netherlands Group which consist of mr. Pype (Managing Director Benelux) and mr. Oostrom (Finance Director Benelux).

9. SUBCONTRACTORS' EXPENSES

(EUR thousand)	2021	2020
External costs	8 671	9 703
Costs from affiliated companies	9 834	8 102
TOTAL	**18 505**	**17 805**

10. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

(EUR thousand)	2021	2020
Depreciation property, plant and equipment	6 186	4 258
Depreciation right-of-use assets	10 109	8 065
Amortization other intangible assets	6 051	991
Impairment goodwill and other intangible assets	-	3 745
TOTAL	**22 346**	**17 059**

11. OTHER OPERATING EXPENSES

(EUR thousand)	2021	2020
Operational materials and supplies	16 144	9 735
Temporary employees	3 270	3 496
Other staffing costs	7 649	2 858
Network fees and royalties passed on from head office	14 352	13 662
Other charges passed from head office and associated companies	5 656	3 776
Recharge business management costs to head office	(2 306)	(2 134)
Travel, lease, insurance and service charges	7 707	6 769
Communication costs	671	573
Repairs and maintenance costs	4 803	4 452
Office supplies	1 163	923
Consultancy costs	1 571	1 431
Allowance for expected credit loss	269	(252)
IT expenses	2 163	1 081
Other operating expenses	11 580	2 909
TOTAL	**74 692**	**49 279**

INDEPENDENT AUDITOR FEES

In 2021, an amount of EUR 296 thousand (2020: EUR 230 thousand) was recognised for the external independent auditor fees. These costs were charged by PricewaterhouseCoopers Accountants N.V. (2020: Deloitte Accountants B.V.) and relate to the audit for the group and statutory purposes. No other audit procedures services, tax services or other non-audit services are performed and charged by PricewaterhouseCoopers Accountants N.V. and related network firms. In 2020, EUR 29 thousand was recognised for tax advisory services by other Deloitte network firms.

12. FINANCIAL INCOME

(EUR thousand)	2021	2020
Interest income on intercompany loans	1 427	-
Other financial income	(1)	2
TOTAL	**1 426**	**2**

13. FINANCIAL EXPENSES

(EUR thousand)	2021	2020
Interest expenses on debts and borrowings	1 150	-
Interest expenses on intercompany loans	5 866	843
Interest expenses on lease liabilities	339	219
Other financial expenses	(20)	-
TOTAL	**7 335**	**1 062**

14. TAXES

MAJOR COMPONENTS OF TAX EXPENSE

(EUR thousand)	2021	2020
Current taxes	4 823	9 992
Deferred tax (credit) / expense relating to the origination and reversal of temporary differences	(1 193)	(463)
TAX EXPENSE	**3 630**	**9 529**
Tax expense is attributable to:		
Profit from continuing operations	3 630	3 031
Profit from discontinued operations	-	6 498

A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

RECONCILIATION OF TAX EXPENSE

(EUR thousand)	2021	2020
Profit before taxes from continuing operations	6 144	4 279
Profit before taxes from discontinued operations	-	25 991
Profit before taxes	**6 144**	**30 270**
Tax at statutory rates applicable to the profits earned in the country concerned	**1 536**	**7 568**
Tax effect on permanent differences	9	841
Tax effect of non-deductible or non-taxable items	188	140
Prior period adjustments (current tax)	(117)	-
Adjustments for uncertain tax positions	1 465	1 334
Prior period adjustments (deferred tax)	-	(295)
Rate changes (deferred tax)	549	(59)
TAX EXPENSE	**3 630**	**9 529**

COMPONENTS OF DEFERRED INCOME TAX BALANCES

	31 DECEMBER 2021		31 DECEMBER 2020		1 JANUARY 2020	
(EUR thousand)	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Right of use assets	-	(6 634)	-	(6 650)	-	(4 693)
Fixed assets	1 165	-	888	-	753	-
Employee benefits	751	-	633	-	620	-
Lease liabilities	6 698	-	6 713	-	4 745	-
Intangible assets	-	(19 690)	-	(13 467)	-	(1 042)
DEFERRED INCOME TAXES	**8 614**	**(26 324)**	**8 234**	**(20 117)**	**6 118**	**(5 735)**

The deferred tax assets from lease liabilities and the deferred tax liability from right-of-use assets are netted. The deferred tax after netting is as follows:

DEFERRED TAX AFTER NETTING

	31 DECEMBER		1 JANUARY
(EUR thousand)	**2021**	**2020**	**2020**
Deferred tax assets	1 980	1 584	1 425
Deferred tax liabilities	(19 690)	(13 467)	(1 042)
TOTAL	**(17 710)**	**(11 883)**	**383**

The deferred tax assets and liabilities are expected to be recovered in more than 12 months.

NET CHANGE IN DEFERRED TAX ASSETS/(LIABILITIES)

(EUR thousand)	**Total**
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY 2020	**383**
Acquisition of subsidiairies	(12 725)
Credited to the income statement	463
Exchange differences and other	(4)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2020	**(11 883)**
Acquisition of subsidiairies	(6 980)
Credited to the income statement	1 193
(Charged) to other comprehensive income	(39)
Exchange differences and other	(1)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2021	**(17 710)**

15. PROPERTY, PLANT AND EQUIPMENT

(EUR thousand)	Land & buildings	Machinery & equipment	Other tangible assets	Assets under construction	TOTAL
2021					
COST					
At 1 January	36 844	40 127	9 387	387	86 745
Additions	443	3 158	674	3 138	7 413
Acquisitions and disposals of business	-	753	4 079	-	4 832
Disposals	(213)	(2 076)	(1 814)	-	(4 103)
Transfer	62	1 946	(1 646)	(387)	(25)
Exchange differences and other	-	-	1	-	1
At 31 December	37 136	43 908	10 681	3 138	94 863
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January	(24 086)	(29 366)	(6 514)	-	(59 966)
Depreciation	(1 267)	(3 978)	(940)	-	(6 185)
Acquisitions and disposals of business	-	(450)	(2 756)	-	(3 206)
Disposals	183	2 065	1 837	-	4 085
Transfer	(52)	(1 516)	1 538	-	(30)
Exchange differences and other	-	1	(1)	-	-
At 31 December	(25 222)	(33 244)	(6 836)	-	(65 302)
NET BOOK VALUE AT 31 DECEMBER	**11 914**	**10 664**	**3 845**	**3 138**	**29 561**

(EUR thousand)	Land & buildings	Machinery & equipment	Other tangible assets	Assets under construction	TOTAL
2020					
COST					
At 1 January	36 977	31 397	7 852	1 146	77 372
Additions	814	2 912	706	(759)	3 673
Acquisitions and disposals of business	-	9 210	2 144	-	11 354
Disposals	(922)	(3 421)	(1 311)	-	(5 654)
Transfer	(24)	29	(5)	-	-
Exchange differences and other	-	-	-	-	-
At 31 December	36 845	40 127	9 386	387	86 745
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January	(23 598)	(25 575)	(6 885)	-	(56 058)
Depreciation	(1 360)	(2 312)	(586)	-	(4 258)
Impairment	-	-	-	-	-
Acquisition of subsidiaries	-	(4 603)	(333)	-	(4 936)
Disposals	872	3 126	1 288	-	5 286
Transfer	-	(2)	2	-	-
Exchange differences and other	-	-	-	-	-
At 31 December	(24 086)	(29 366)	(6 514)	-	(59 966)
NET BOOK VALUE AT 31 DECEMBER	**12 759**	**10 761**	**2 872**	**387**	**26 779**

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	RIGHT-OF-USE ASSETS				
(EUR thousand)	Land & buildings	Machinery & equipment	Other tangible assets	TOTAL	LEASE LIABILITIES
AT 1 JANUARY 2021	**12 520**	**773**	**13 498**	**26 791**	**26 812**
Additions	5 990	-	3 166	9 156	9 156
Acquisitions	2 779	-	113	2 892	2 892
Disposals	(77)	-	(196)	(273)	(273)
Depreciation expense	(4 495)	(160)	(5 453)	(10 108)	-
Interest expense	-	-	-	-	335
Payment of lease liabilities and interests	-	-	-	-	(10 455)
Exchange difference and other	34	-	1	35	77
AT 31 DECEMBER 2021	**16 751**	**613**	**11 129**	**28 493**	**28 544**

Analysed as:	2021
Current liabilities	9 400
Non-current liabilities	19 144
TOTAL	**28 544**

	RIGHT-OF-USE ASSETS				
(EUR thousand)	Land & buildings	Machinery & equipment	Other tangible assets	TOTAL	LEASE LIABILITIES
AT 1 JANUARY 2020	**11 290**	**19**	**10 562**	**21 871**	**21 796**
Additions	1 821	-	7 876	9 697	9 697
Acquisitions	2 632	771	601	4 004	4 004
Disposals	(192)	(1)	(520)	(713)	(713)
Depreciation expense	(3 030)	(16)	(5 020)	(8 066)	-
Interest expense	-	-	-	-	205
Payment of lease liabilities and interests	-	-	-	-	(8 183)
Exchange difference and other	(1)	-	(1)	(2)	6
AT 31 DECEMBER 2020	**12 520**	**773**	**13 498**	**26 791**	**26 812**

Analysed as:	2020
Current liabilities	8 748
Non-current liabilities	18 064
TOTAL	**26 812**

Included in other tangible assets are mainly lease vehicles for EUR 11 103 thousand (2020: EUR 13 438 thousand).

The Group leases mainly offices, laboratory spaces and vehicles.

(EUR thousand)	2021	2020
IFRS 16 OTHER QUANTITATIVE INFORMATION		
Expense relating to short-term leases	699	706
Expense relating to leases of low value assets	349	353
Expense relating to variable lease payments	-	-
TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT	**1 048**	**1 059**

17. GOODWILL

(EUR thousand)	2021	2020
COST		
At 1 January	164 892	23 683
Additions	52 567	143 235
Disposals	-	(2 026)
At 31 December	217 460	164 892
ACCUMULATED IMPAIRMENT		
At 1 January	(3 078)	-
Impairment charges	-	(3 078)
At 31 December	(3 078)	(3 078)
NET BOOK VALUE AT 31 DECEMBER	**214 382**	**161 814**

Goodwill recognized by the Group is allocated to Cash Generating Units (CGUs) for impairment testing purposes and is annually tested.

As required by IAS 36 and considering specific impairment indicators, Roos + Bijl B.V. was assessed as a separate CGU in 2020.

As part of its transition to IFRS and following the business restatements initiated by SGS SA Group as per 1 January 2021, SGS Netherlands Group redefined the CGUs on which the goodwill is monitored by management.

ALLOCATION OF GOODWILL TO CGUS

Goodwill allocated to the main CGUs, as of 31 December, is broken down as follows:

	31 DECEMBER		1 JANUARY
(EUR thousand)	2021	2020	2020
Health & Nutrition	39 526	39 526	-
Connectivity & Products	54 019	1 451	1 451
Industries & Environment	120 837	120 837	22 232
TOTAL	**214 382**	**161 814**	**23 683**

No goodwill is alloated to the operating segments Natural Resources (NR) and Knowledge (Kn). Goodwill impairment reviews have been conducted for all goodwill balances allocated to the CGUs as described above.

The recoverable amount of each of the CGUs, determined based upon a value-in-use calculation, is higher than its carrying amount. The recoverable amount of Goodwill for impairment testing purposes is based on a value-in-use calculation, which is complex and judgemental. The calculations use cash flow projections based on historical performance, our budget plan for 2022 as approved by the Board of Managing Directors and projections for 2023 - 2026, after which a terminal value was calculated using an estimated growth rate.

The business plans include management's estimate about the level and timing of the execution of (the improvement of) operating performance and margins. For impairment testing purposes a more prudent outlook and phasing has been considered for the development of revenues and margins.

KEY ASSUMPTIONS FOR THE CGUS IMPAIRMENT TESTING

The key assumptions used in the projections are:

- Annual revenue growth: based on experience and market analysis;
- Operating margin (EBITA): based on historical performance, budget plan 2022 and management's long-term projections;
- Pre-tax discount rate: based on the market participants view on rates of return demanded for investments equivalent to those in the Group. The components of the pre-tax discount rate include the cost of equity and cost of debt.

The applied assumptions in the impairment test are as follows:

	Annual revenue growth	Operating margin (EBITA)	Pre-tax discount rate	Terminal growth rate
Health & Nutrition	2 - 2.4%	16.2%	7.8%	2.0%
Connectivity & Products	5.0%	18.0%	7.8%	1.0%
Industries & Environment	1.0%	13.1%	7.8%	1.0%

The outcome of the impairment test for each of the CGU's shows sufficient headroom as per 31 December 2021. The SGS Netherlands Group did a roll-back for the impairment test as per 1 January 2020 (transition date to IFRS) and 31 December 2020 by using the actual results and cash flows over respectively 2020 and 2021. The outcome of the roll-back shows also sufficient headroom.

SENSITIVITY TO CHANGES IN ASSUMPTION

The SGS Netherlands Group is a testing, inspection and certification company, which enables trade. The revenue of the SGS Netherlands Group depends on trade. The CGU is the lowest level within the SGS Netherlands Group at which goodwill is monitored for internal management purposes. Every CGU has its own characteristics and market dynamics and maturity.

The expected future cash flows used in the goodwill impairment analysis are based on management's estimates. Events in our end-markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of the SGS Netherlands Group.

After considering the outcome of the base case of the impairment test, sensitivity analyses were conducted using the following key assumptions:

- Scenario A: Reducing the expected annual revenue growth rates for the first five years by 1.0% in revenue and 2.0% in EBITA, compared to the base scenario;
- Scenario B: Increasing the pre-tax discount rate assumption by 1 percentage point.

Health & Nutrition

For CGU Health & Nutrition (H&N,) changing the key assumptions retained in the scenario's using the sensitivity analyses described above, would result in an impairment charge, summarized as follows:

(EUR thousand)	Impairment charge
Scenario A: decrease of 1.0% in revenue and 2.0% in EBITA	7 456
Scenario B: increase pre-tax discount rate rate by 1.0%	6 148

Due to limited headroom of CGU H&N, the impact on the goodwill valuation has been closely monitored during the year. For the 2021 impairment test significant attention was given to all estimates, including the terminal growth rate and the EBITA level. The estimate of the SGS Netherlands Group is based on historic information as well as predictions of the industry's near and far future by management.

It is not likely that revenue and margin will decrease substantially for H&N business line (also based on historical market data). CGU H&N for the SGS Netherlands Group is mainly focusing on ensuring safe, sustainable and high-quality food products. Food is an essential product. Food testing is a highly regulated market where independent food testing is required to bring food products to the consumer. Further, food safety is getting more focus by consumers.

In line with assessment above, the pre-tax discount rate is also not likely to increase with 1.0%. The food testing industry is a mature industry where the pre-tax discount rate is also stable.

Connectivity & Products

For CGU Connectivity & Products (C&P), changing the key assumptions retained in the scenario's using the sensitivity analyses described above, would not result in any impairment charge.

For CGU C&P most discounted cash flows are in the perpetuity stage due to the growth potential. CGU C&P is mainly consisting of SGS Brightsight B.V., which is the world's leading cybersecurity evaluation laboratory network for chip-based secure payment systems, secure identity solutions and IoT platforms. This acquisition materially accelerates the strategy of SGS SA to become the global TIC leader in cybersecurity.

This CGU has strong growth potential. The historic results SGS Brightsight B.V. showed a year-on-year growth on revenue and stable EBITA percentage levels.

Due to the strong growth expectation, an increase of the pre-tax discount rate has the most effect on the headroom. An unlikely increase of 1.0% of the pre-tax discount rate will not lead to any impairment charge.

Industries & Environment

For CGU Industries & Environment (I&E), changing the key assumptions retained in the scenario's using the sensitivity analysis described above, would not result in any impairment charge. There is sufficient headroom considering the ratio's recoverable amount divided through carrying amount. The reason is that CGU I&E is a diversified division with different segments. The services of I&E are partly legally required by regulators or required on internal safety regulation at customers. It is not likely that revenue and margin will decrease substantially for I&E business line (also based on historical market data). Overall, the I&E business is mature.

SPECIFIC IMPAIRMENT TEST PERFORMED FOR ROOS + BIJL B.V.

As required by IAS 36 and considering specific impairment indicators, Roos + Bijl B.V. was assessed as a separate CGU in 2020. Roos + Bijl B.V. is acquired in 2016. Due to a negative results over the past five years and on top the Covid-19 pandemic, a specific impairment test was performed for Roos + Bijl B.V. in 2020. As a result, the carrying amount of goodwill recognised as part of the acquisition of Roos + Bijl B.V. is fully impaired in 2020 (EUR 3 078 thousand).

18. OTHER INTANGIBLE ASSETS

(EUR thousand)	Customer relationships	Trade names	Software and other assets	Total
2021				
COST				
At 1 January	61 036	-	4 914	65 950
Additions	-	-	287	287
Acquisitions and disposals of business	19 924	7 996	283	28 203
Disposals	1	-	(1 203)	(1 202)
Transfer	(1)	1	205	205
Exchange differences and other	-	-	(1)	(1)
At 31 December	80 960	7 997	4 485	93 442
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
At 1 January	(6 907)	-	(3 074)	(9 981)
Amortization	(4 832)	(703)	(516)	(6 051)
Acquisitions and disposals of business	-	-	(107)	(107)
Disposals	-	-	1 203	1 203
Transfer	-	-	(141)	(141)
Exchange differences and other	-	-	-	-
At 31 December	(11 739)	(703)	(2 635)	(15 077)
NET BOOK VALUE AT 31 DECEMBER	**69 221**	**7 294**	**1 850**	**78 365**

(EUR thousand)	Customer relationships	Trade names	Software and other assets	Total
2020				
COST				
At 1 January	17 903	8 419	2 280	28 602
Additions	265	-	162	427
Acquisitions and disposals of business	49 570	-	2 644	52 214
Disposals	(6 702)	(8 419)	(172)	(15 293)
Transfer	-	-	-	-
Exchange differences and other	-	-	-	-
At 31 December	61 036	-	4 914	65 950
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
At 1 January	(13 101)	(8 419)	(1 862)	(23 382)
Amortization	(799)	-	(192)	(991)
Impairment	(667)	-	-	(667)
Acquisitions and disposals of business	957	-	(1 191)	(234)
Disposals	6 703	8 419	172	15 294
Exchange differences and other	-	-	(1)	(1)
At 31 December	(6 907)	-	(3 074)	(9 981)
NET BOOK VALUE AT 31 DECEMBER	**54 129**	**-**	**1 840**	**55 969**

19. LOANS TO ULTIMATE PARENT COMPANY

SGS Nederland Holding B.V. act as issuer of EUR 746 070 thousand notes issued under a Euro Medium Term Notes (EMTN) program and SGS SA act as a guarantor of the notes. SGS Nederland Holding B.V. agreed with SGS SA to on-lend to SGS SA the net proceeds of the notes issuance of EUR 746 070 thousand. The loan will mirror the tenor of the notes and will be effective from 21 April 2021 until 21 April 2027. The interest rate is 0.263% and will be paid annually in arrears, starting at 21 April 2022.

20. OTHER NON-CURRENT ASSETS

	31 DECEMBER		1 JANUARY
(EUR thousand)	**2021**	**2020**	**2020**
Receivables from affiliated companies	-	2 000	-
Receivable from disposal	-	-	350
Restricted cash	1 109	830	831
Other non-current assets	26	-	-
TOTAL	**1 135**	**2 830**	**1 181**

The receivable from a affiliated company of EUR 2 000 thousand as per 31 December 2020 arise from the acquisition of the A&S division of Synlab. The receivable is collected in 2021.

21. TRADE RECEIVABLES

	31 DECEMBER		1 JANUARY
(EUR thousand)	**2021**	**2020**	**2020**
Trade receivables	42 070	39 960	36 236
Allowance for expected credit losses	(1 349)	(1 235)	(2 517)
TOTAL	**40 721**	**38 725**	**33 719**

The movement of allowance for expected credit losses is analyzed as follows:

(EUR thousand)	**2021**	**2020**
At 1 January	(1 235)	(2 517)
Acquisition of subsidiaries	(80)	(394)
(Increase) / decrease in allowance recognized in the income statement	(269)	252
Utilisation	235	1 424
TOTAL AT 31 DECEMBER	**(1 349)**	**(1 235)**

22. OTHER RECEIVABLES AND PREPAYMENTS

	31 DECEMBER		1 JANUARY
(EUR thousand)	**2021**	**2020**	**2020**
Prepayments	2 035	1 236	508
Receivable from disposal	-	350	350
Other receivables	262	85	527
TOTAL	**2 297**	**1 671**	**1 385**

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are at free disposal of the Group.

24. CASH FLOW STATEMENT

24.1. NON-CASH AND NON-OPERATING ITEMS

(EUR thousand)	2021	2020
Depreciation of property, plant and equipment	6 185	4 258
Depreciation of right-of-use assets	10 108	8 066
Amortization of intangible assets	6 051	991
Impairment of goodwill	-	3 078
Impairment of other intangible assets	-	667
(Decrease)/increase in provisions and employee benefits	498	(495)
Gain on disposal of business	-	(25 991)
Interest expenses	7 535	1 060
Interest income	(1 426)	-
Taxes	3 630	9 529
NON-CASH AND NON-OPERATING ITEMS	**32 581**	**1 163**

24.2. DECREASE/(INCREASE) IN WORKING CAPITAL

(EUR thousand)	2021	2020
(Increase) / decrease in inventories	411	(710)
(Increase) / decrease in unbilled revenues and work in progress	(3 605)	576
(Increase) / decrease in trade receivables	572	4 601
(Increase) / decrease in other receivables and prepayments	2 090	(120)
Increase / (decrease) in trade and other payables	545	(281)
Increase / (decrease) in contract liabilities	937	(457)
Increase / (decrease) in other liabilities and accruals	(39)	(2 792)
DECREASE/(INCREASE) IN WORKING CAPITAL	**912**	**817**

24.3. CHANGES IN ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

		CASH IMPACT	NON CASH IMPACT			
(EUR thousand)	1 JANUARY	Financing cash flows	Acquisition and disposals	New Leases	Other movements[1]	31 DECEMBER
2021						
Financial assets						
Loans to ultimate parent company	-	746 070	-	-	-	746 070
Receivable from affiliated companies	2 000	(2 000)	-	-	-	-
Total financial assets	**2 000**	**744 070**	**-**	**-**	**-**	**746 070**
Financial liabilities						
Corporate bonds	-	(746 070)	-	-	(455)	(746 525)
Loans from ultimate parent company	(232 626)	(72 691)	-	-	-	(305 317)
Lease liabilities	(26 812)	10 455	(2 619)	(9 156)	(412)	(28 544)
Total financial liabilities	**(259 438)**	**(808 306)**	**(2 619)**	**(9 156)**	**(867)**	**(1 080 386)**
Net debt	**(257 438)**	**(64 236)**	**(2 619)**	**(9 156)**	**(867)**	**(334 316)**

1. Other movements include interest accruals and amortization under effective interest method.

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For identification purposes only

(EUR thousand)	1 JANUARY	CASH IMPACT Financing cash flows	NON CASH IMPACT Acquisition and disposals	New Leases	Other movements[1]	31 DECEMBER
2020						
Financial assets						
Loans to ultimate parent company	-	-	-	-	-	-
Receivable from affiliated companies	-	-	2 000	-	-	2 000
Total financial assets	**-**	**-**	**2 000**	**-**	**-**	**2 000**
Financial liabilities						
Corporate bonds	-	-	-	-	-	-
Loans from ultimate parent company	(40 000)	-	(192 626)	-	-	(232 626)
Lease liabilities	(21 796)	8 183	(3 291)	(9 697)	(211)	(26 812)
Total financial liabilities	**(61 796)**	**8 183**	**(195 917)**	**(9 697)**	**(211)**	**(259 438)**
Net debt	**(61 796)**	**8 183**	**(193 917)**	**(9 697)**	**(211)**	**(257 438)**

1. Other movements include interest accruals.

25. ACQUISITIONS

ASSETS AND LIABILITIES ARISING FROM ACQUISITIONS

(EUR thousand)	Fair value on Brightsight (2021)	Fair value on SYNLAB Analytics & Services (2020)
Property, plant and equipment	1 627	6 449
Right-of-use assets	2 893	4 004
Intangible assets	28 096	52 353
Other non-current assets	212	2 120
Trade receivable	2 568	9 607
Other current assets	3 076	1 309
Cash and cash equivalents	3 901	3 915
Current liabilities	(8 032)	(14 996)
Non-current liabilities	(9 104)	(133 089)
NET ASSETS ACQUIRED	**25 238**	**(68 328)**
Goodwill	52 567	143 235
TOTAL PURCHASE PRICE	**77 805**	**74 907**
Acquired cash and cash equivalents	(3 901)	(3 915)
Loan from ultimate parent company	-	(74 907)
NET CASH OUTFLOW / (INFLOW) ON ACQUISITION	**73 904**	**(3 915)**

In compliance with IFRS 3, fair value on acquisition remains provisional for a twelve-month period following the date of acquisition, during which the Group can finalise the purchase price allocation.

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets.

The total consideration for the entire acquisition of the A&S division of Synlab is paid by SGS SA. The allocated purchase price for SGS Netherlands Group for the Dutch part of the A&S division of Synlab is settled with SGS SA by means of the issuance of loan of EUR 74 907 thousand.

26. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT POLICIES AND OBJECTIVES

The SGS Netherlands Group's activities expose it primarily to market, credit and liquidity risk. Market risk includes foreign exchange and interest rate risks.

The risk management policies and objectives are governed by the SGS Netherlands Group's policies approved by the Board of Managing Directors.

The SGS Netherlands Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risk and limits continually by means of reliable and up-to-date administrative and information systems.

RISK MANAGEMENT ACTIVITIES

The SGS Netherlands Group mainly operates in the European Union. The main currency is the Euro in which the Group operates. Further, the currency risk for the Group concerns positions and future transactions in US dollars (approx. 2 - 3% of total revenues). Management has determined, based on a risk assessment, that some of these currency risks need to be hedged. Forward exchange contracts are used for this purpose. Receivables denominated in US dollars are hedged, as are forecasted purchases to the extent that it is highly probable that the purchases will occur. The Group did not apply hedge accounting. The forward exchange contracts outstanding at year end are considered as not material.

CREDIT RISK MANAGEMENT

The SGS Netherlands Group has no significant concentration of credit risk, with exposure spread over many counterparties and customers. Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed.
The Group's credit risk is diversified due to the large number of entities that make up the SGS Netherlands Group's customer base and the diversification across many different industries. The maximum credit risk to which the SGS Netherlands Group is theoretically exposed at balance sheet date is represented by the carrying amounts of receivables in the balance sheet. No customer accounts for 5% or more of the SGS Netherlands Group's total receivables at balance sheet date. The SGS Netherlands Group focuses on maintaining a low DSO-rate and adherence to contractual payment terms by customers which is supported by a dedicated credit management team.

As at 31 December 2021, the SGS Netherlands Group has unbilled revenue and work in progress of EUR 8 783 thousand (2020: EUR 5 178 thousand) which is net of an allowance for expected credit losses of EUR 410 thousand (2020: EUR 375 thousand).

Receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. A credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the credit risk profile and available historical data. Similarly to receivables an allowance for unbilled revenues and work in progress is made using a provision matrix.

Set out below is the information about the credit risk exposure on the SGS Netherlands Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2021:

(EUR thousand)	Expected credit loss rate	Gross carrying amount	Expected credit loss
0 - 60 days	1%	36 112	239
61 - 90 days	3%	2 728	72
91 - 120 days	8%	942	77
121 - 180 days	17%	811	141
181 - 240 days	19%	269	51
241 - 300 days	29%	115	34
> 300 days	67%	1 093	735
TOTAL		**42 070**	**1 349**

Set out below is the information about the credit risk exposure on the SGS Netherlands Group's trade receivables using a provision matrix based on ageing of trade receivables as of invoice date at 31 December 2020:

(EUR thousand)	Expected credit loss rate	Gross carrying amount	Expected credit loss
0 - 60 days	1%	34 441	421
61 - 90 days	2%	2 756	59
91 - 120 days	6%	961	54
121 - 180 days	10%	575	57
181 - 240 days	11%	400	44
241 - 300 days	16%	132	22
> 300 days	83%	695	578
TOTAL		**39 960**	**1 235**

As part of financial management activities, the SGS Netherlands Group enters into various types of transactions with international banks, usually with a credit rating of at least A. Exposure to these risks is closely monitored and kept within predetermined parameters. The SGS Netherlands Group does not expect any non-performance by these counterparties. The maximum credit risk to which the SGS Netherlands Group is theoretically exposed at 31 December 2021 is the carrying amount of financial assets including derivatives.

In addition, the SGS Netherlands Group issued a loan of EUR 746 070 thousand to its ultimate parent company SGS SA related to the notes issued under a Euro Medium Term Notes (EMTN) program. SGS SA has a current rating by Moody's of A3 with a stable outlook.

Analysis of financial assets by class and category at 31 December 2021:

	AMORTIZED COST		FAIR VALUE: AT FAIR VALUE THROUGH OCI		FAIR VALUE: AT FAIR VALUE THROUGH P&L		TOTAL	
(EUR thousand)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash-equivalents	14 162	14 162	-	-	-	-	14 162	14 162
Trade receivables	40 721	40 721	-	-	-	-	40 721	40 721
Other receivables[1]	2 261	2 261	-	-	7	7	2 268	2 268
Unbilled revenues and work in progress	8 783	8 783	-	-	-	-	8 783	8 783
Loans to ultimate parent company	746 070	746 070	-	-	-	-	746 070	746 070
Other non-current assets	1 135	1 135	-	-	-	-	1 135	1 135
Amounts due from (ultimate) parent and affiliated companies	21 667	21 667	-	-	-	-	21 667	21 667
TOTAL FINANCIAL ASSETS	**834 799**	**834 799**	**-**	**-**	**7**	**7**	**834 806**	**834 806**

1. Excluding VAT and other tax related items.

Analysis of financial assets by class and category at 31 December 2020:

	AMORTIZED COST		FAIR VALUE: AT FAIR VALUE THROUGH OCI		FAIR VALUE: AT FAIR VALUE THROUGH P&L		TOTAL	
(EUR thousand)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash-equivalents	5 123	5 123	-	-	-	-	5 123	5 123
Trade receivables	38 725	38 725	-	-	-	-	38 725	38 725
Other receivables[1]	1 651	1 651	-	-	-	-	1 651	1 651
Unbilled revenues and work in progress	5 178	5 178	-	-	-	-	5 178	5 178
Other non-current assets	2 830	2 830	-	-	-	-	2 830	2 830
Amounts due from (ultimate) parent and affiliated companies	30 590	30 590	-	-	-	-	30 590	30 590
TOTAL FINANCIAL ASSETS	**84 097**	**84 097**	**-**	**-**	**-**	**-**	**84 097**	**84 097**

1. Excluding VAT and other tax related items.

In the fair value hierarchy, level 1 measurements are those derived from the quoted price in active markets. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivative assets (2021: EUR 7 thousand; 2020: nil) qualify as Level 2 fair value measurement category in accordance with the fair value hierarchy. Derivative assets consist of foreign currency forward contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

LIQUIDITY RISK MANAGEMENT

The objective of the Group's liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding are primarily managed by Group Treasury of SGS SA in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Managing Directors.

SGS Nederland Holding B.V. act as issuer of EUR 746 070 thousand notes issued under a Euro Medium Term Notes (EMTN) program with a maturity date of 21 April 2027. SGS SA act as a guarantor of the notes. SGS SA has a current rating by Moody's of A3 with a stable outlook.

As it relates to the SGS Netherlands Group's cash flow risk, the SGS Netherlands Group is part of a cash-pool facility which is headed by SGS Société Générale de Surveillance SA / SGS Group Management SA ("the lender"). The lender provided the SGS Netherlands Group with the guarantee that they will not require outright repayment of the cash-pool facility advances granted within one year after the signing date of these financial statements.

Analysis of financial liabilities by class and category at 31 December 2021:

	AMORTIZED COST		FAIR VALUE: AT FAIR VALUE THROUGH EQUITY		FAIR VALUE: AT FAIR VALUE THROUGH P&L		TOTAL	
(EUR thousand)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade payables	15 420	15 420	-	-	-	-	15 420	15 420
Contract liabilities	7 528	7 528	-	-	-	-	7 528	7 528
Other liabilities and accruals[1]	24 171	24 171	-	-	3	3	24 174	24 174
Loans and other financial liabilities	746 525	744 525	-	-	-	-	746 525	744 525
Loans from ultimate parent company	305 317	305 317	-	-	-	-	305 317	305 317
Amounts due to (ultimate) parent and affiliated companies	2 635	2 635	-	-	-	-	2 635	2 635
Lease liabilities	28 544	28 544	-	-	-	-	28 544	28 544
TOTAL FINANCIAL LIABILITIES	**1 130 140**	**1 128 140**	**-**	**-**	**3**	**3**	**1 130 143**	**1 128 143**

1. Excluding VAT and other tax related items.

The corporate bonds qualify as fair value level 1 which amounts to EUR 744 525 thousand as per 31 December 2021.

Analysis of financial liabilities by class and category at 31 December 2020:

	AMORTIZED COST		FAIR VALUE: AT FAIR VALUE THROUGH EQUITY		FAIR VALUE: AT FAIR VALUE THROUGH P&L		TOTAL	
(EUR thousand)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade payables	13 585	13 585	-	-	-	-	13 585	13 585
Contract liabilities	1 546	1 546	-	-	-	-	1 546	1 546
Other liabilities and accruals[1]	18 474	18 474	-	-	2	2	18 476	18 476
Loans and other financial liabilities	-	-	-	-	-	-	-	-
Loans from ultimate parent company	232 626	232 626	-	-	-	-	232 626	232 626
Amounts due to (ultimate) parent and affiliated companies	1 726	1 726	-	-	-	-	1 726	1 726
Lease liabilities	26 812	26 812	-	-	-	-	26 812	26 812
Derivatives financial instruments	-	-	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**294 769**	**294 769**	**-**	**-**	**2**	**2**	**294 771**	**294 771**

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2021:

(EUR thousand)	**Trade payables**	**Contract liabilities**	**Other liabilities and accruals[1]**	**Loans and other financial liabilities**	**Loans from ultimate parent company**	**Amounts due to (ultimate) parent and affiliated companies**	**Lease liabilities**	**Total**
On demand or within one year	15 420	7 528	24 171	938	45 986	2 635	9 851	106 528
Within the second year	-	-	-	938	267 808	-	7 983	276 729
Within the third year	-	-	-	938	-	-	5 195	6 133
Within the fourth year	-	-	-	938	-	-	2 320	3 258
Within the fifth year	-	-	-	938	-	-	1 346	2 284
After five years	-	-	-	750 280	-	-	3 703	753 983
TOTAL CONTRACTUAL MATURITIES	**15 420**	**7 528**	**24 171**	**754 970**	**313 794**	**2 635**	**30 398**	**1 148 915**

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2020:

(EUR thousand)	Trade payables	Contract liabilities	Other liabilities and accruals[1]	Loans from ultimate parent company	Amounts due to (ultimate) parent and affiliated companies	Lease liabilities	Total
On demand or within one year	13 585	1 546	18 474	195 336	1 726	9 301	239 969
Within the second year	-	-	-	40 388	-	7 756	48 144
Within the third year	-	-	-	-	-	5 724	5 724
Within the fourth year	-	-	-	-	-	3 167	3 167
Within the fifth year	-	-	-	-	-	862	862
After five years	-	-	-	-	-	2 057	2 057
TOTAL CONTRACTUAL MATURITIES	**13 585**	**1 546**	**18 474**	**235 724**	**1 726**	**28 867**	**299 923**

1. Excluding VAT and other tax related items.

In 2021, the SGS Netherlands Group has refinanced the loans from the ultimate parent company SGS SA, which expired in 2021. It is expected that SGS SA will confirm its intention to extent the maturity of the loans with at least another 12 months for those which matured in 2022.

INTEREST RATE RISK MANAGEMENT

The SGS Netherlands Group is exposed to fair value interest rate risk because the SGS Netherlands Group borrows funds from SGS SA at variable interest rates (IBOR plus fixed mark-up) and from external parties at fixed rates. The SGS Netherlands Group does not hedge interest risks using Interest Rate Swap contracts.

CLIMATE-RELATED RISKS

During the course of 2021, we conducted a scenario analysis to improve our strategic resilience and explore climate vulnerabilities that might impact our business.

We have analyzed each line of business and performed a scenario analysis based on different frameworks, considering two scenarios: a 2°C world (FAO TSS: IPCC RCP4.5) and a 4°C world (FAO SSS: IPCC RCP8.5). The analysis was done following TCFD recommendations, which indicate that at least two scenarios should be used, including one scenario aligned with the Paris Agreement (in our case IEA Sustainable Development Scenario (SDS)), while the other is based on business as usual.

In order to enhance our resilience, SGS Netherlands Group's framework aims to minimize climatic risks and maximize climatic opportunities.

To minimize risks, for each identified risk in which gross risk level is unacceptable (i.e. the risk can have a significant impact on business revenues, profit margin, business continuity, reputation or operations), mitigation programs are defined, in order to manage climatic risks and bring the residual risk level to an acceptable level.

In addition, our business continuity strategy aims to enable us to respond to any disruption efficiently and effectively, while minimizing the impact on our operations in terms of our sites, processes and service delivery.

Finally, each division takes into consideration identified risks and the results of our scenario analysis to define our business strategies and ensure that we anticipate any market or regulatory changes, and that we also exploit any new opportunities.

Our resilience strategy also includes the programs that we have in place to reduce our CO_2 emissions and our dependency from energy. Some examples are our energy efficiency in buildings program and our vehicle emissions policy.

Although climate related risks are key drivers of the SGS Netherlands Group's strategy, the SGS Netherlands Group did not experience any impact on the financial result of the period. The risks will however remain key points of attention for areas such as impairment testing, estimation of remaining useful life and expected credit losses.

27. CAPITAL AND RESERVES

Reference is made to note 4 of the company financial statements.

28. LOANS AND OTHER FINANCIAL LIABILITIES

	31 DECEMBER		1 JANUARY
(EUR thousand)	2021	2020	2020
Corporate bonds	746 525	-	-
Loans from ultimate parent company	305 317	232 626	40 000
TOTAL	**1 051 843**	**232 626**	**40 000**
Current	40 000	-	-
Non-current	1 011 843	232 626	40 000

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SGS Nederland Holding B.V. issued notes of EUR 746 070 thousand as per 21 April 2021 under the Euro Medium Term Note (EMTN) program. The all-in price amounts to 99.761% of the aggregate nominal amount of EUR 750 000 thousand. The maturity date of the notes is 21 April 2027 and the coupon rate is 0.125% per annum. SGS SA act as guarantor of the notes with an A3 guarantor rating from Moody's. The notes are listed on the Luxembourg Stock Exchange. The aggregate fair value of the notes as per 31 December 2021 amounts to EUR 744 600 thousand. The corporate bonds are valued at amortised cost using an effective interest rate of 0.213%. The program size of the EMTN program amounts to EUR 1 billion. The EMTN program is extended as per April 2022 for another year with an increased program size of EUR 2 billion.

The loans from ultimate parent company consist of the following loans:

- A revolving credit facility of EUR 40 000 thousand between SGS Nederland B.V. and SGS SA with a maturity date as per 26 June 2022. On all funds drawn down under this facility interest is due based on the 12-month EURIBOR interest rate plus a margin of 2.00%. If the EURIBOR will be negative, the EURIBOR will be set to 0%. In respect of securities, no agreements have been made;
- A loan of EUR 74 907 thousand between SGS Nederland Holding B.V. and SGS SA for the acquisition of the A&S division of Synlab. The loan has been extended in 2021 until 30 June 2023. The interest rate is based on the 12-month EURIBOR interest rate plus a margin of 2.11% which reflects the average external borrowing costs of the SGS SA Group and the creditworthiness of the SGS Netherlands Group. If the EURIBOR will be negative, the EURIBOR will be set to 0%. In respect of securities, no agreements have been made;
- A loan of EUR 112 000 thousand between SGS Analytics (Netherlands) B.V. and SGS SA. SGS Analytics (Netherlands) B.V. is merged into SGS Nederland Holding B.V. as per 1 January 2021. The loan agreement is renewed as per 30 June 2021 and extended until 30 June 2023. As part of the renewal, EUR 5 719 thousand is repaid. The interest rate is based on the 12-month EURIBOR interest rate plus a margin of 2.11% If the EURIBOR will be negative, the EURIBOR will be set to 0%. In respect of securities, no agreements have been made;
- A loan of EUR 78 410 thousand between SGS Nederland Holding B.V. and SGS SA for the acquisition of Brightsight. The loan has a maturity until 28 April 2023. The interest rate is based on the 12-month EURIBOR interest rate plus a margin of 2.11% If the EURIBOR will be negative, the EURIBOR will be set to 0%. In respect of securities, no agreements have been made.

29. EMPLOYEE BENEFITS

The SGS Netherlands Group has concluded pension contracts with insurance company Nationale Nederlanden. All active SGS participants are part of a defined contribution agreement. This arrangement is a defined contribution scheme in which the participants individually invest in shares or share funds. Participants can make a choice to invest life cycle or free.

The SGS Netherlands Group has two minor defined benefit pension plans arising from the acquisition of the A&S division of Synlab (French branch, 45 employees) and from the acquisition and subsequently merger of SGS Subholding B.V. which relates to 6 ex-gratia pensioners from the United Kingdom. These plans are considered as not material.

The SGS Netherlands Group operates a compensation arrangement which qualifies as an other long-term employee benefit. The compensation arrangement has been set-up for staff which were previously entitled to a final pay and career average pension scheme. The method of accounting is simplified compared to those used for defined benefit pension plans. Remeasurement gains and losses are immediately recognized in the consolidated statement of financial position with the corresponding movement being recorded in the income statement.

The assets and liabilities recognized in the statement of financial position at 31 December for defined benefit pension obligations and for other long-term employee benefits are as follows:

	31 DECEMBER		1 JANUARY
(EUR thousand)	**2021**	**2020**	**2020**
Fair value of plan assets	-	-	-
Present value of funded defined benefit obligation	-	-	-
FUNDED/(UNFUNDED) STATUS	**-**	**-**	**-**
Present value of unfunded defined benefit obligation	(2 914)	(2 537)	(2 856)
NET ASSET/ (LIABILITY) AT 31 DECEMBER	**(2 914)**	**(2 537)**	**(2 856)**

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Amounts recognized in the income statement:

(EUR thousand)	2021	2020
Service cost expense	-	(200)
Net interest expense on defined benefit plan	30	21
Immediate recognition of (gains)/losses arising over the year	-	14
Administrative expenses	-	-
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**30**	**(165)**
Expense charged in:		
Personnel expenses	-	(200)
Financial expenses	30	35
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**30**	**(165)**

Amounts recognized in the statement of other comprehensive income:

(EUR thousand)	2021	2020
Remeasurement on net defined benefit liability		
Change in demographic assumptions	1	-
Change in financial assumptions	9	-
Experience adjustments on benefit obligations	150	-
TOTAL RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	**160**	**-**

Movements of the net asset / (liability) during the period:

(EUR thousand)	2021	2020
Opening present value of the defined benefit obligation	2 537	2 856
Current service cost	-	-
Interest cost	30	21
Past service cost	-	(200)
Net increase/(decrease) in DBO from acquisitions/disposals	878	176
Actual net benefit payments	(431)	(330)
(Gains)/losses due to changes in demographic assumptions	(1)	-
(Gains)/losses due to changes in financial assumptions	(9)	14
Experience (gains)/losses	(150)	-
Exchange rate (gains)/losses	60	-
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**2 914**	**2 537**

Movements of the net asset / (liability) during the period:

(EUR thousand)	2021	2020
NET ASSET/ (LIABILITY) AT 1 JANUARY	**(2 537)**	**(2 856)**
Expense recognized in the income statement	(30)	165
Remeasurements recognized in other comprehensive income	160	-
Effect of acquisitions/disposals	(878)	(176)
Contributions paid	431	330
Employer benefit payments	-	-
Exchange differences	(60)	
NET ASSET/ (LIABILITY) AT 31 DECEMBER	**(2 914)**	**(2 537)**

Change in the defined benefit obligation is as follows:

(EUR thousand)	2021	2020
Opening present value of the defined benefit obligation	2 537	2 856
Current service cost	-	-
Interest cost	30	21
Past service cost	-	(200)
Net increase/(decrease) in DBO from acquisitions/disposals	878	176
Actual net benefit payments	(431)	(330)
(Gains)/losses due to changes in demographic assumptions	(1)	-
(Gains)/losses due to changes in financial assumptions	(9)	14
Experience (gains)/losses	(150)	-
Exchange rate (gains)/losses	60	-
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**2 914**	**2 537**

Change in fair value of plan assets is as follows:

(EUR thousand)	2021	2020
Opening fair value of plan assets	-	-
Actual employer contributions	431	330
Actual net benefit payments	(431)	(330)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**-**	**-**

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2021 and 2020 are as follows:

(Weighted average)	2021	2020
Discount rate	1.0%	0.7%
Price inflation	1.7%	1.3%
Rate of increases in pensionable salaries	1.3%	1.3%
Rate of increases to pensions in payment	3.0%	-

30. OTHER LIABILITIES AND ACCRUALS

	31 DECEMBER		1 JANUARY
(EUR thousand)	2021	2020	2020
Holiday allowance	8 879	8 970	8 246
Bonuses and gratifications	2 918	3 476	2 841
Amounts due to employees	1 354	1 283	(1)
VAT payable	6 013	6 118	4 882
Social security charges	4 973	5 064	2 996
Custom duties payable	1 946	1 844	1 790
Other taxes	528	75	140
Restructuring provision	2 759	814	2 654
Claims	231	228	243
Government support payable	-	1 313	-
Other liabilities and accruals	6 158	5 339	5 895
TOTAL	**35 758**	**34 524**	**29 686**

In 2020, the SGS Netherlands Group received government support for the Covid-19 pandemic (NOW subsidy) of EUR 1 313 thousand. In 2021, the SGS Netherlands Group concluded that they did not meet the conditions to keep the support and it is fully repaid to the government.

RESTRUCTURING PROVISION

(EUR thousand)	2021	2020
At 1 January	814	2 654
Increase	3 374	613
Release to income statement	(12)	(323)
Payment / utilization	(1 417)	(2 130)
TOTAL AT 31 DECEMBER	**2 759**	**814**

Provisions for restructuring include costs related to certain staff compensation and costs directly related to the existing plans to execute restructurings, mainly outdoor staff. A provision is only recognized once the decision to execute the restructuring has been taken, its costs can be reasonably and fairly estimated, and its intended execution has been announced.

31. CONTINGENT ASSETS AND LIABILITIES

GUARANTEES

As at 31 December 2021, the issued guarantees amounts to EUR 2 108 thousand (2020: EUR 2 818 thousand).

FISCAL UNITY VAT

SGS Nederland Holding B.V. is part of the fiscal unity for VAT purposes. As such the Company is jointly and severally liable for any tax liabilities of the fiscal unity. The VAT fiscal unity per 31 December 2021 includes:

- SGS Nederland Holding B.V.
- SGS Nederland B.V.
- Rotterdam Claims Prevention & Recovery Bureau B.V.
- SGS Intron B.V.
- SGS Intron Certificatie B.V.
- SGS Search Ingenieursbureau B.V.
- SGS Search Laboratorium B.V.

FISCAL UNITY CIT

The Company and its domestic subsidiaries (except Brightsight B.V. and Maco Custom Service Netherlands B.V.) forms a fiscal unity for corporate income tax purposes. They are charged corporate income tax as if they were independent taxable entities. SGS Nederland Holding B.V. is the head of the fiscal unity. The corporate income tax fiscal unity per 31 December 2021 includes:

- SGS Nederland Holding B.V.
- SGS Nederland B.V.
- Rotterdam Claims Prevention & Recovery Bureau B.V.
- SGS Intron B.V.
- SGS Intron Certificatie B.V.
- SGS Search Ingenieursbureau B.V.
- SGS Search Laboratorium B.V.
- SGS Food Analytics B.V.
- SGS Environmental Analytics B.V.

CREDIT FACILITIES

SGS Nederland Holding B.V. has a credit facility of EUR 3 000 thousand at the Belfius Bank, which is not used per 31 December 2021.

32. RELATED-PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the SGS Netherlands Group, have been eliminated on consolidation and are not disclosed.

COMPENSATION TO THE BOARD OF MANAGING DIRECTORS

(EUR thousand)	2021	2020
Amounts of periodically paid remuneration	134	131
Remuneration payable in instalments	8	8
Profit shares and bonus payments	17	27
TOTAL	**159**	**166**

The remuneration disclosed relates to a single managing director. The other managing director is unremunerated.

RELATED-PARTY TRANSACTIONS AND OUTSTANDING BALANCES OUTSIDE SGS NETHERLANDS GROUP

	2021		
(EUR thousand)	Ultimate parent company (SGS SA)	Parent company (SGS Société Générale de Surveillance SA)	Other related parties
Revenues from related parties	-	2 741	10 925
Expenses incurred from related parties	(1)	(1 672)	(13 782)
Financial income and (expenses)	(4 271)	-	43
TOTAL	**(4 272)**	**1 069**	**(2 814)**

	2020		
(EUR thousand)	Ultimate parent company (SGS SA)	Parent company (SGS Société Générale de Surveillance SA)	Other related parties
Revenues from related parties	-	2 573	10 207
Expenses incurred from related parties	-	(1 441)	(9 489)
Financial expenses	(842)	(1)	-
TOTAL	**(842)**	**1 131**	**718**

	31 DECEMBER 2021		
(EUR thousand)	Ultimate parent company (SGS SA)	Parent company (SGS Société Générale de Surveillance SA)	Other related parties
Current receivables from related parties	4 498	16 020	1 149
Current payables from related parties	(732)	(788)	(1 115)
Loans to related parties	746 070	-	-
Loans from related parties	(305 317)	-	-
TOTAL	**444 519**	**15 232**	**34**

The current receivable from parent company SGS Société Générale de Surveillance SA include the cash pool accounts of EUR 16 020 thousand (2020: EUR 15 210 thousand) on wich the SGS Netherlands Group relies for the short-term intercompany financing of its activities. The interest rates applied on the cash pool accounts for both 2021 and 2021 amounts to 0.50% for debit amounts and 0.00% for credit amounts. Refer to note 19 and 28 for disclosure of the loans to and from related parties. Other related parties consist of entities within the SGS SA Group, however outside the SGS Netherlands Group. The other current receivables and payables from related parties relates to transactions in the normal course of business activities. These transactions were made on normal commercial terms and conditions and at market rates.

	31 DECEMBER 2020		
(EUR thousand)	Ultimate parent company (SGS SA)	Parent company (SGS Société Générale de Surveillance SA)	Other related parties
Current receivables from related parties	2 000	27 321	1 269
Current payables from related parties	(442)	-	(1 284)
Loans to related parties	-	-	2 000
Loans from related parties	(232 626)	-	-
Dividends paid	-	(18 107)	-
TOTAL	**(231 068)**	**9 214**	**1 985**

33. SUBSEQUENT EVENTS

The EMTN program is extended as per April 2022 for another year with an increased program size of EUR 2 billion. The Company did not issue new corporate bonds until now.

There are no material subsequent events, that would have changed the judgement and analysis by management of the financial condition of the SGS Netherlands Group at 31 December 2021, or the result for 2021.

3. Company Financial Statements

3.1. Income Statement

FOR THE YEARS ENDED 31 DECEMBER

(EUR thousand)	Notes	2021	2020
Other operating expenses		(410)	(3)
TOTAL OTHER EXPENSES		**(410)**	**(3)**
Financial income		1 421	-
Financial expenses		(6 804)	(470)
PROFIT BEFORE TAXES		**(5 792)**	**(473)**
Taxes		(4 969)	(7 276)
Income from investments in consolidated subsidiaries	3	13 275	28 490
NET PROFIT AFTER TAXATION		**2 514**	**20 741**

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3.2. Statement of Financial Position

(BEFORE APPROPRIATION OF RESULT)

(EUR thousand)	Notes	31 DECEMBER 2021	31 DECEMBER 2020	1 JANUARY 2020
ASSETS				
NON-CURRENT ASSETS				
FINANCIAL FIXED ASSETS				
Investments in consolidated subsidiaries	3	476 236	212 608	109 211
Loans to ultimate parent company		746 070	-	-
Other non-current assets		168	-	-
TOTAL FINANCIAL FIXED ASSETS		**1 222 474**	**212 608**	**109 211**
TOTAL NON-CURRENT ASSETS		**1 222 474**	**212 608**	**109 211**
CURRENT ASSETS				
Amounts due from parent company	4	-	12 000	-
Amounts due from group companies	5	5 951	-	-
Current tax assets		5 789	-	-
Current tax assets for uncertain tax positions		3 056	2 187	-
Other receivables and prepayments		114	-	2
Cash and cash equivalents		2	-	2
TOTAL CURRENT ASSETS		**14 913**	**14 187**	**4**
TOTAL ASSETS		**1 237 387**	**226 795**	**109 215**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	4	3 025	3 025	3 025
Share premium reserve	4	12 000	12 000	-
Legal reserves	4	135	-	-
Cumulative gains / (losses) on defined benefit plans	4	(41)	-	-
Other reserves	4	13 749	(7 019)	5 219
Profit for the period	4	2 514	20 741	5 868
TOTAL EQUITY		**31 382**	**28 747**	**14 112**
NON-CURRENT LIABILITIES				
Loans and other financial liabilities		746 525	-	-
Loans from ultimate parent company		265 317	74 907	-
Employee benefits		653	-	-
TOTAL NON-CURRENT LIABILITIES		**1 012 495**	**74 907**	**-**
CURRENT LIABILITIES				
Amounts due to group companies	6	188 225	120 961	81 984
Current tax liabilities		-	2 180	267
Current tax liabilities for uncertain tax positions		-	-	12 852
Other liabilities and accruals		5 285	-	-
TOTAL CURRENT LIABILITIES		**193 510**	**123 141**	**95 103**
TOTAL LIABILITIES		**1 206 005**	**198 048**	**95 103**
TOTAL EQUITY AND LIABILITIES		**1 237 387**	**226 795**	**109 215**

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3.3. Notes to the financial statements

SGS Nederland Holding B.V. ('the Company') is the parent company of the SGS Netherlands Group which owns and finances, either directly or indirectly, its subsidiaries. The head office is located in Spijkenisse, the Netherlands in which the actual business activities take place.

1. SIGNIFICANT ACCOUNTING POLICIES

The company's financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code.
In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the company financial statements of SGS Nederland Holding B.V. should be read in conjunction with the consolidated financial statements.

All amounts are presented in thousands of Euro's (EUR thousand), unless stated otherwise.

INVESTMENTS IN CONSOLIDATED SUBSIDIARIES

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the company or its intermediate holding entities. They are derecognised from the date that control ceases.

Investments in consolidated subsidiaries are accounted for using the equity method. Under the equity method, investments in consolidated subsidiaries are initially recognised at cost and the carrying amount is increased or decreased to recognise the company's share of profit or loss and movements in other comprehensive income of the consolidated subsidiary after the date of acquisition. Dividends received or receivable from consolidated subsidiaries are recognised as a reduction in the carrying amount of the investment. The company's investments in consolidated subsidiaries include goodwill identified on acquisition.

When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the income statement.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognised in equity.

2. CHANGE IN ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2021 are the first the SGS Netherlands Group ("the Group") has prepared in accordance with IFRS. For the periods up to and including the year ended 31 December 2020, the Group prepared its financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code ('Dutch GAAP').

Investments in consolidated subsidiaries are accounted for using the equity method. Under the equity method, investments in consolidated subsidiaries are initially recognised at cost and the carrying amount is increased or decreased to recognise the company's share of profit or loss and movements in other comprehensive income of the consolidated subsidiary after the date of acquisition. For the periods up to and including the year ended 31 December 2020, the equity method accounting was based on Dutch GAAP and for the year ended 31 December 2021, the equity method accounting is based on IFRS.

RECLASSIFICATIONS OTHER THAN CHANGE IN ACCOUNTING POLICIES

The reconciliation of the income statement and the statement of financial position includes also reclassifications other than those related to change in accounting policy of the net asset value of investments of consolidated subsidiaries. In the notes to the reconciliation of the income statement and the statement of financial position it is clearly stated when a reclassification relate to the change in accounting policy or not.

RECONCILIATION OF THE INCOME STATEMENT

For the year ended 31 December 2020

(EUR thousand)	Notes	Before change in accounting policies	Reclassification and remeasurements	After change in accounting policies
Other operating expenses		(2)	(1)	(3)
TOTAL OTHER EXPENSES		**(2)**	**(1)**	**(3)**
Financial income		-	-	-
Financial expenses		(470)	-	(470)
PROFIT BEFORE TAXES		**(472)**	**(1)**	**(473)**
Taxes		(7 276)	-	(7 276)
Income from investments in consolidated subsidiaries	2.1	24 171	4 319	28 490
Net profit after taxation		**16 423**	**4 318**	**20 741**

RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION

As per 1 January 2020

(EUR thousand)	Notes	Before change in accounting policies	Reclassification and remeasurements	After change in accounting policies
ASSETS				
NON-CURRENT ASSETS				
FINANCIAL FIXED ASSETS				
Investments in consolidated subsidiaries	2.1	110 742	(1 531)	109 211
TOTAL FINANCIAL FIXED ASSETS		**110 742**	**(1 531)**	**109 211**
TOTAL NON-CURRENT ASSETS		**110 742**	**(1 531)**	**109 211**
CURRENT ASSETS				
Other receivables and prepayments		2	-	2
Cash and cash equivalents		2	-	2
TOTAL CURRENT ASSETS		**4**	**-**	**4**
TOTAL ASSETS		**110 746**	**(1 531)**	**109 215**
EQUITY AND LIABILITIES				
EQUITY				
Share capital		3 025	-	3 025
Other reserves		6 750	(1 531)	5 219
Profit for the period		5 868	-	5 868
TOTAL EQUITY		**15 643**	**(1 531)**	**14 112**
PROVISIONS				
Provision for uncertain tax positions	2.2	12 852	(12 852)	-
TOTAL PROVISIONS		**12 852**	**(12 852)**	**-**
CURRENT LIABILITIES				
Amounts due to group companies		81 984	-	81 984
Current tax liabilities		267	-	267
Current tax liabilities for uncertain tax positions	2.2	-	12 852	12 852
TOTAL CURRENT LIABILITIES		**82 251**	**12 852**	**95 103**
TOTAL LIABILITIES		**95 103**	**-**	**95 103**
TOTAL EQUITY AND LIABILITIES		**110 746**	**(1 531)**	**109 215**

RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION

As per 31 December 2020

(EUR thousand)	Notes	Before change in accounting policies	Reclassification and remeasurements	After change in accounting policies
ASSETS				
NON-CURRENT ASSETS				
FINANCIAL FIXED ASSETS				
Investments in consolidated subsidiaries	2.1	209 820	2 788	212 608
TOTAL FINANCIAL FIXED ASSETS		**209 820**	**2 788**	**212 608**
TOTAL NON-CURRENT ASSETS		**209 820**	**2 788**	**212 608**
CURRENT ASSETS				
Amounts due from parent company		12 000	-	12 000
Current tax assets for uncertain tax positions		2 187	-	2 187
TOTAL CURRENT ASSETS		**14 187**	**-**	**14 187**
TOTAL ASSETS		**224 007**	**2 788**	**226 795**
EQUITY AND LIABILITIES				
EQUITY				
Share capital		3 025	-	3 025
Share premium reserve		12 000	-	12 000
Other reserves		(5 489)	(1 530)	(7 019)
Profit for the period		16 423	4 318	20 741
TOTAL EQUITY		**25 959**	**2 788**	**28 747**
NON-CURRENT LIABILITIES				
Loans from ultimate parent company		74 907	-	74 907
TOTAL NON-CURRENT LIABILITIES		**74 907**	**-**	**74 907**
CURRENT LIABILITIES				
Amounts due to group companies		120 961	-	120 961
Current tax liabilities		2 180	-	2 180
TOTAL CURRENT LIABILITIES		**123 141**	**-**	**123 141**
TOTAL LIABILITIES		**198 048**	**-**	**198 048**
TOTAL EQUITY AND LIABILITIES		**224 007**	**2 788**	**226 795**

NOTES TO THE RECONCILIATION OF THE INCOME STATEMENT AND THE STATEMENT OF FINANCIAL POSITION

2.1 Investments in consolidated subsidiaries

In the 2020 financial statements, the determination of equity method value of the investment in consolidated subsidiaries was based on Dutch GAAP. As a result of the first-time adoption to IFRS in the consolidated financial statements, the determination of the equity method value of the investment in consolidated subsidiaries changed to IFRS according to the accounting policies in the consolidated financial statements. The impact on the equity method value of the investment in consolidated subsidiaries amounts to EUR (1 530) thousand as per 1 January 2020 and EUR 2 788 thousand as per 31 January 2020. The impact on income from investments in consolidated subsidiaries amounts to EUR 4 318 thousand.

2.2 Uncertain tax positions

In the 2020 financial statements, a provision for uncertain tax positions (31 December 2020: prepayment) is recognised. Under the accounting policies included in the consolidated financial statements, this uncertain tax positions is classified as a current tax liability for uncertain tax positions (31 December 2020: current tax asset for uncertain tax positions). The reclassification concerns a correction of a prior period error relating to the 2020 financial statements and did not relate to the change in accounting policy. The prior period error did not have any impact on the profit for the period and capital and reserves.

3. INVESTMENTS IN CONSOLIDATED SUBSIDIARIES

(EUR thousand)	2021	2020
Balance as at 1 January	**212 608**	**109 211**
Acquisition	83 513	74 907
Merger	166 840	-
Income from investments in consolidated subsidiaries	13 275	28 490
Balance as at 31 December	**476 236**	**212 608**

As per 30 April 2021, SGS Nederland Holding B.V. acquired Brightsight B.V. and its subsidiaries for EUR 77 805 thousand.

As per 30 April 2021, SGS Nederland Holding B.V. acquired SGS Subholding B.V. from SGS SA for EUR 5 707 thousand equal to the book value. Subsequently, SGS Subholding B.V. is merged into SGS Nederland Holding B.V. The impact on the investment value in consolidated subsidiaries amounts to EUR (5 671) thousand.

As per 1 January 2021, SGS Analytics Holdings (Netherlands) B.V. is merged into SGS Nederland Holding B.V. The impact of the merger on the investment value in consolidated subsidiaries amounts to EUR 172 511 thousand. This relates to a loan from SGS SA of EUR 117 719 thousand and amounts due to group company SGS Environmental Analytics B.V. of EUR 54 792 thousand which are both transferred from SGS Analytics Holdings (Netherlands) B.V. to SGS Nederland Holding B.V.

In 2020, SGS Nederland Holding B.V. acquired the four Dutch entities of the A&S division of Synlab for EUR 74 907 thousand (net of debt).

SGS Nederland Holding B.V. held direct participating interest in the following companies as per 31 December 2021:

Company name	Place	Participating interest
SGS Nederland B.V.	Spijkenisse	100%
Rotterdam Claims Prevention & Recovery Bureau B.V.	Spijkenisse	100%
SGS Subholding B.V. (merged into SGS Nederland Holding B.V.)	Spijkenisse	100%
SGS Analytics Holdings (Netherlands) B.V. (merged into SGS Nederland Holding B.V.)	Rotterdam	100%
SGS Analytics Holding B.V. (merged into SGS Analytics Holdings (Netherlands) B.V.)	Rotterdam	100%
SGS Food Analytics B.V.	's Hertogenbosch	100%
SGS Environmental Analytics B.V.	Rotterdam	100%
Brightsight B.V.	Delft	100%
SGS Asset Management B.V.	Spijkenisse	100%

4. TOTAL EQUITY

(EUR thousand)	Share capital	Share premium reserve	Legal reserves	Cumulative gains/ (losses) on defined benefit plans [1]	Other reserves	Profit for the period	Total
BALANCE AS AT 1 JANUARY 2020	**3 025**	**-**	**-**	**-**	**5 219**	**5 868**	**14 112**
Profit for the period	-	-	-	-	-	20 741	20 741
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	*20 741*	*20 741*
Transfer to / (from) other reserves	-	-	-	-	5 868	(5 868)	-
Dividends paid	-	-	-	-	(18 106)	-	(18 106)
Share premium contribution	-	12 000	-	-	-	-	12 000
BALANCE AS AT 31 DECEMBER 2020	**3 025**	**12 000**	**-**	**-**	**(7 019)**	**20 741**	**28 747**
BALANCE AS AT 1 JANUARY 2021	**3 025**	**12 000**	**-**	**-**	**(7 019)**	**20 741**	**28 747**
Profit for the period	-	-	-	-	-	2 514	2 514
Other comprehensive income for the period	-	-	-	121	-	-	121
Total comprehensive income for the period	-	-	-	*121*	-	*2 514*	*2 635*
Transfer to / (from) other reserves	-	-	135	(162)	20 768	(20 741)	-
Dividends paid	-	-	-	-	-	-	-
Share premium contribution	-	-	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2021	**3 025**	**12 000**	**135**	**(41)**	**13 749**	**2 514**	**31 382**

1. Net of tax

SHARE CAPITAL
The authorized capital of the Company is EUR 15 000 thousand, which are divided in 30 000 equal ordinary shares. Of these shares, 6 050 are ordinary shares issued and fully paid up, total nominal value EUR 3 025 thousand.

SHARE PREMIUM RESERVE
The direct shareholder of SGS Nederland Holding B.V., which is SGS Société Générale de Surveillance SA, decided to contribute per 31 December 2020 a share premium of EUR 12 000 thousand. This amount to be received as per 31 December 2020 has been presented as a receivable from shareholder. On 13 January 2021 this amount has been received by SGS Nederland Holding B.V. through bank.

LEGAL RESERVE
The legal reserve relates to capitalized development costs of EUR 135 thousand arising from the acquisition of Brightsight.

CUMULATIVE GAINS / (LOSSES) ON DEFINED BENEFIT PLANS
The Company recognise gains and losses of EUR 121 thousand net of tax arising on defined benefit pension plans in other comprehensive income. The transfer of EUR 162 thousand from other reserves to cumulative gains / (losses) on defined benefit pension plans relates to the acquisition and subsequently merger of SGS Subholding B.V. into SGS Nederland Holding B.V.

PROFIT FOR THE PERIOD
The Board of Managing Director's proposal to the General Meeting of Shareholders is to add the result of 2021 to the other reserves.

5. AMOUNTS DUE FROM GROUP COMPANIES

The amounts due from group companies concerns current receivables arising from operational transactions. The amounts due from group companies did not have any contractual stipulations. The receivables fall due in less than one year. The fair value of the receivables approximates the book value, due to their short-term character.

6. AMOUNTS DUE TO GROUP COMPANIES

	31 DECEMBER		1 JANUARY
(EUR thousand)	2021	2020	2020
Current payables arising from operational transactions	400	-	-
Short term borrowings from group companies	61 693	-	-
Cash pool accounts	126 132	120 961	81 984
TOTAL	**188 225**	**120 961**	**81 984**

The short term borrowings of EUR 61 693 thousand relates to SGS Food Analytics B.V. and SGS Environmental Analytics B.V. and are expected to be settled within the cash pool in 2022 following the proposed merger of these entities into SGS Nederland B.V.

The Company relies on intercompany financing for its activities by using a cash pool with SGS SGS Société Générale de Surveillance SA / Group Management SA. The interest rates applied on the cash pool accounts for both 2021 and 2020 amounts to 0.50% for debit amounts and 0.00% for credit amounts.

The amounts due to group companies did not have any contractual stipulations other than stated above. The payables fall due in less than one year. The fair value of the payables approximates the book value, due to their short-term character.

7. INDEPENDENT AUDITOR FEES

In 2021, an amount of EUR 296 thousand (2020: EUR 230 thousand) was recognised for the external independent auditor fees for SGS Netherlands Group of which EUR 100 thousand is allocated to SGS Nederland Holding B.V. These costs were charged by PricewaterhouseCoopers Accountants N.V. (2020: Deloitte Accountants B.V.) and relate to the audit for the group and statutory purposes. No other audit procedures services, tax services or other non-audit services are performed and charged by PricewaterhouseCoopers Accountants N.V. and related network firms. In 2020, EUR 29 thousand was recognised for tax advisory services by other Deloitte network firms.

8. EMPLOYEES

SGS Nederland Holding B.V. did not have any employees during 2021 and 2020.

9. CONTINGENT ASSETS AND LIABILITIES

DECLARATION OF LIABILITY

For the group companies stated below the Company (SGS Nederland Holding B.V.) has issued and filed a notice of liability within the meaning of article 2:403 of the Dutch Civil Code. Therefore, the legal entity is jointly and severally liable for liabilities arising from the legal acts of those group companies.

- SGS Nederland B.V., Spijkenisse
- Rotterdam Claims Prevention & Recovery Bureau B.V., Spijkenisse
- SGS Intron B.V., Sittard
- SGS Intron Certificatie B.V., Culemborg
- SGS Search Laboratorium B.V., Heeswijk Dinther
- SGS Search Ingenieursbureau B.V., Heeswijk Dinther
- SGS Food Analytics B.V., Rotterdam
- SGS Environmental Analytics B.V., Oosterhout
- Brightsight B.V., Delft

FISCAL UNITY

SGS Nederland Holding B.V. is head of the fiscal unity for corporate income tax purposes and VAT (new in 2021). As such the company is jointly and severally liable for any tax liabilities of the fiscal unity. Refer to the disclosure in the consolidated financial statements.

CREDIT FACILITY

SGS Nederland Holding B.V. has a credit facility of EUR 3 000 thousand at the Belfius Bank, which is not used per 31 December 2021.

10. SUBSEQUENT EVENTS

The EMTN program is extended as per April 2022 for another year with an increased program size of EUR 2 billion. The Company did not issue new corporate bonds until now.

There are no material subsequent events, that would have changed the judgment and analysis by management of the financial condition of the Company at 31 December 2021, or the result for 2021.

11. APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Managing Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Managing Directors on 15 September 2022.

4. Other information

4.1. Appropriation of result according to Articles of Association

In accordance with article 25 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders.