



SGS



Enabling a better,
safer and more
interconnected
world

SGS 2022 Full Year Results

Revenue

CHF 6.6 BN

+6.8%¹ +5.8% organic* +3.7%³

Adjusted Operating Income*

CHF 1 023 MIO

+0.1%¹

Profit for the Period

CHF 630 MIO

(3.8)%

Adjusted Operating Income Margin*

15.4%

(1.0)pp²

Basic Earnings Per Share

CHF 78.86

(3.7)%

Free Cash Flow*

CHF 507 MIO

(20.2)%

Proposed Dividend

CHF 80

Return on Invested Capital*

18.6%

(1.0)pp²

1. Constant currency (CCY)*.

2. Percentage points.

3. Historical currency.

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.



People



Planet



Performance

Financial Highlights

(CHF million)	2022	2021	Change in %	2021 CCY ²	Change in CCY ² %
Revenue	6 642	6 405	3.7	6 222	6.8
Operating income (EBIT)	898	977	(8.1)	948	(5.3)
Operating income margin	13.5%	15.3%		15.2%	
Adjusted operating income*	1 023	1 055	(3.0)	1 022	0.1
Adjusted operating income margin*	15.4%	16.5%		16.4%	
EBITDA*	1 419	1 476	(3.9)	1 432	(0.9)
Adjusted EBITDA*	1 489	1 515	(1.7)	1 468	1.4
Profit for the period	630	655	(3.8)		
Profit attributable to equity holders of SGS SA	588	613	(4.1)		
Adjusted profit attributable to equity holders of SGS SA*	689	670	2.8		
Basic EPS (CHF)	78.86	81.91	(3.7)		
Diluted EPS (CHF)	78.67	81.79	(3.8)		
Adjusted basic EPS (CHF)*	92.46	89.46	3.4		
Cash flow from operating activities	1 030	1 169	(11.9)		
Free cash flow*	507	635	(20.2)		
Return on invested capital*	18.6%	19.6%			
Net debt*	(2 219)	(1 691)			
Weighted average number of shares ('000)	7 452	7 488			
Average FTE¹	96 759	93 297	3.7		

1. Full Time Equivalent (FTE) employees.

2. Constant currency (CCY)*.

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Successfully navigating the challenges of 2022

"Today's results are in line with the guidance set at our November Investor Days. They are the outcome of our team's ability to navigate this challenging environment while continuing to deliver the excellence of service expected by our customers throughout the year.

The approval of our net-zero targets by Science Based Target initiative (SBTi) reflects our strategic commitment to improving our impact on the planet. Our actions as a company and the sustainability-related solutions that support our customers are a unique advantage for SGS, supporting our leading TIC industry position." Frankie Ng, CEO of SGS

Operational highlights

- Almost 20% of revenue has been migrated to new digital labs with next generation LIMS, on our target for 30% in 2023 and 70% in 2025.
- Strong organic growth was achieved across our global network. It was particularly good in Asia and the Americas, despite the Covid-related impact in China; excluding China all major North East Asian affiliates grew in double or high-single digits.
- We strengthened our market position in Connectivity & Products, and in certain Knowledge markets through focused resource and capital allocation.

Enabling a better, safer and more interconnected world

- Over 47% of Group revenue now is part of our Sustainability Solutions Framework with consistent momentum in services under Health & Nutrition and Industries & Environment.
- Our approval for 1.5°C and net-zero targets for SBTi sets the benchmark in sustainability for the TIC industry and reduces our impact on the planet. Our industry leading position in the Dow Jones Sustainability Index and our AAA rating in Morgan Stanley Capital International's ESG Ratings assessment further reflects our commitment to sustainability.
- New vehicle emissions policy, investing significantly more in energy efficiency in buildings and ESG initiatives for supply chain management and our commercial teams are moving us towards our sustainability goals.

Financial discipline and agility

- The structural optimization plan, at a one-off cost of CHF 35 million, will deliver over CHF 50 million recurring savings from 2023.
- Continued strong investment into our network expansion with net capex as a percentage of Group revenue at 4.8% and seven acquisitions. In particular, our acquisition of proderm GmbH adds competence in cosmetics and personal care testing, significantly reinforcing our leading global position.
- We issued two bonds with a total value of CHF 500 million. All our long-term debt is fixed at an average interest rate of 0.8%.
- CHF 250 million share buyback for cancellation as part of our flexible capital allocation strategy.

A resilient financial performance

Total revenue reached CHF 6.6 billion, up 3.7% (6.8% at constant currency*), with mid to high-single digit growth achieved across all divisions. Organic revenue* increased by 5.8%, supported by pricing initiatives and volume increase throughout the SGS network.

Adjusted operating income*, on a constant currency basis, is broadly stable at CHF 1 023 million in 2022 compared to CHF 1 022 million in prior year. Operational leverage was temporarily offset by the impact of Covid in China, supply chain disruption and acceleration of inflationary pressure.

Adjusted operating income margin* of 15.4% compares to 16.5% in prior year (16.4% at constant currency*).

Operating income of CHF 898 million compares to CHF 977 million in prior year. It was also impacted by restructuring measures, the decision to cease two key upstream projects in Libya following absence of cash collection, and strengthening of the Swiss Franc.

Net financial expenses slightly decreased from CHF 53 million in prior year to CHF 51 million in 2022.

Effective tax rate (ETR) improved from 29% in prior year to 26% in 2022, reflecting a normalization of non-deductible expenses.

Profit attributable to equity holders of CHF 588 million compares to CHF 613 million in prior year, a reduction of (4.1)% over prior year.

Basic earnings per share of CHF 78.86 compares to CHF 81.91 in prior year. On an adjusted* basis, earnings per share increased by 3.4% to CHF 92.46.

Free cash flow (FCF)* of CHF 507 million compares to CHF 635 million in prior year. Cash flow was impacted by higher net working capital* to support the strong revenue growth. Consequently, operating net working capital balance was close to 0% as a percentage of revenue compared to (2.4)% in prior year. In addition, **Cash flow from operating activities** decreased from CHF 1 169 million in prior year to CHF 1 030 million in 2022 for the same reason.

Investment activities: Net capital expenditure was CHF 321 million, compared to CHF 331 million in prior year. The Group completed seven acquisitions for a total consideration of CHF 64 million.

Financing activities: In 2022, the Group paid a dividend of CHF 599 million and issued two new bonds in August for an amount of CHF 500 million. A new share buyback program was completed for a total of CHF 250 million.

Return on invested capital (ROIC)* of 18.6% compares to 19.6% in prior year, mainly due to the higher net working capital requirement.

As at 31 December 2022, the Group **net debt*** increased from CHF 1 691 million in December 2021 to CHF 2 219 million.

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Business growth and adjusted operating income margin 2022

(CHF million)	Revenue	Growth at CCY ¹	Organic* growth at CCY ¹	Adjusted operating income*	Adjusted operating income margin*
Connectivity & Products	1 311	4.5%	3.9%	313	23.9%
Health & Nutrition	892	7.6%	4.1%	119	13.3%
Industries & Environment	2 157	5.4%	4.8%	224	10.4%
Natural Resources	1 583	9.3%	8.7%	225	14.2%
Knowledge	699	8.7%	8.7%	142	20.3%
Total	6 642	6.8%	5.8%	1 023	15.4%

1. Constant currency (CCY)*.

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Acquisitions

	Date	Location	Division	FTE
Gas Analysis Services	28 February 2022	Ireland	Industries & Environment	36
Ecotecnos	6 May 2022	Chile	Industries & Environment	27
AIEX	9 May 2022	France	Industries & Environment	24
Silver State Analytical Laboratories, Inc. and Excelchem Laboratories, Inc.	1 July 2022	United States	Industries & Environment	43
proderm GmbH	7 July 2022	Germany	Health & Nutrition	100
Penumbra Security, Inc.	31 August 2022	United States	Connectivity & Products	6
Industry Lab	3 November 2022	Romania	Health & Nutrition	19

Disposals

	Date	Location	Division	FTE
Drilling business in USA	12 August 2022	United States	Industries & Environment	20

Successfully navigating the challenges of 2022 continued

Mid-term 2020-2023 targets

People	Planet	Performance
Ensuring diversity Nurture diversity and inclusion based on merit by ensuring equal opportunity to all employees and evolving our gender diversity to 30% women in leadership at CEO-3 positions and above	Reducing our CO₂ emissions Support the transition to a low-carbon world by meeting our Science-based Target of reducing our CO ₂ emissions per revenue by 35% ¹	High-single digit constant currency revenue Compound Annual Growth Rate (CAGR) Driven by mid-single digit organic* growth per annum and a focus on M&A
World Class Services (WCS) Promote a culture of operational safety, efficiency and excellence through our WCS program: 20% of our WCS labs (2020 perimeter) reaching WCS Bronze award level	Sustainability Solutions Support our customers on their journey to sustainability by increasing the proportion of revenue generated by our sustainability solutions to above 50%	> 10% adjusted operating income* CAGR (a)
Supporting a safe workplace Reduce our Total Recordable Incident Rate (TRIR) by 20% ² and Lost Time Incident Rate (LTIR) by 10% ²	Integrity principles Reduce the impact that our supply chain has on society by committing our strategic suppliers to support our integrity principles	Strong Economic Value Added discipline (EVA)
Positive impact on communities Increase by 10% ³ our positive impact on our communities through employee volunteering, focusing on vulnerable groups including those affected by pandemics	Energy efficiency Increasing annually the number of energy efficiency measures in our 100 most energy intensive owned buildings	Maintain or grow the dividend per share

1. Against a 2014 baseline.

2. Against a 2018 baseline.

3. Against a 2019 baseline.

(a) Adjusted operating income* 2020-2023 CAGR target

While we expect an improved adjusted operating income* and margin* in 2023, this target is more challenging given progress in 2022 and our disciplined approach to M&A.

Outlook 2023

- Mid-single digit organic growth
- Improved adjusted operating income* and margin*
- Strong cash conversion
- Maintain best-in-class organic return on invested capital*
- Accelerate investment into our strategic focus areas with M&A as a key differentiator
- At least maintain the dividend

Board changes

On 29 March 2022, Phyllis Cheung was elected as a member of the Board of Directors, bringing 30 years of experience in the consumer industry. In her most recent role as CEO of McDonald's China, Ms. Cheung successfully doubled the number of restaurants in China and led the company's digital transformation to elevate the customer dining experience through omni-channel digital platforms.

Distribution to shareholders

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 28 March 2023) the approval of a dividend of CHF 80 per share.

Significant shareholders

As at 31 December 2022, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 19.11% (December 2021: 19.11%) and BlackRock Inc. held 5.18% (December 2021: below 5%) of the share capital and voting rights of the company. At the same date, the Group held 1.68% of the share capital of the company (December 2021: 0.04%).



Calvin Grieder
 Chair of the Board of Directors
 26 January 2023



Frankie Ng
 Chief Executive Officer

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Our divisions

Connectivity & Products

(CHF million)	2022	2021	Change in %	2021 CCY ¹	Change in CCY ¹ %
Revenue	1 311	1 288	1.8	1 255	4.5
Adjusted operating income*	313	316	(0.9)	304	3.0
Margin %*	23.9	24.5		24.2	

Acquisitions

- Penumbra Security, Inc.

Connectivity & Products revenue grew by 4.5% at constant currency (organic growth was 3.9%) to CHF 1 311 million. Performance was impacted by Covid in China and supply chain disruption.

Connectivity organic growth was above the divisional average driven by a strong performance in electromagnetic compatibility, product safety, wireless, reliability, functional safety and cybersecurity. This was partially offset by the impact of Covid on restricted substance testing in China in Q2 and December.

Softlines increased organically, well above divisional average. The disruption in China was offset by sample management across the network. The Middle East and South East Asia and Pacific increased market share with existing customers supported by the development of new chemical management solutions.

Hardlines declined organically due to the impact of supply chain disruption.

Trade Facilitation organic growth was strong, driven by antifraud services in Africa and continuous development of eCustoms. The war in Ukraine impacted our transit and brokerage activities in Europe, while product conformity assessment grew moderately.

The **adjusted operating income margin** decreased to 23.9% from 24.2% in prior year (at constant currency). A strong underlying performance was overshadowed by Covid and supply chain disruption.

Health & Nutrition

(CHF million)	2022	2021	Change in %	2021 CCY ¹	Change in CCY ¹ %
Revenue	892	861	3.6	829	7.6
Adjusted operating income*	119	149	(20.1)	142	(16.2)
Margin %*	13.3	17.3		17.1	

Acquisitions

- proderm GmbH
- Industry Lab

Health & Nutrition revenue grew by 7.6% at constant currency (organic growth was 4.1%) to CHF 892 million supported by acquisitions. Solid organic growth was achieved despite a significant reduction in Covid vaccine-related work.

Food grew organically above the divisional average supported by growth across the network.

Crop Science declined organically, impacted by the slowdown in environmental impact studies in Europe and lower seed testing volumes.

Health Science has replaced much of Covid vaccine-related work, however organic growth declined slightly. Underlying growth was strong, notably in clinical research and bioanalytical testing, and acquisitions added to reported growth.

Cosmetics & Hygiene grew in line with the divisional organic average, driven by growing clinical and panel activity, while reported growth was supported by recent acquisitions including proderm GmbH.

The **adjusted operating income margin** decreased to 13.3% from 17.1% in prior year (at constant currency). Profitability was mainly affected by the end of Covid vaccine-related work, disruption in China and continued investment in our global lab network. This was partially offset by price increases.

1. Constant currency (CCY) – Definition in APM.

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Our divisions continued

Industries & Environment

(CHF million)	2022	2021	Change in %	2021 CCY ¹	Change in CCY ¹ %
Revenue	2 157	2 120	1.7	2 047	5.4
Adjusted operating income*	224	240	(6.7)	232	(3.4)
Margin %*	10.4	11.3		11.3	

Acquisitions

- Gas Analysis Services
- Ecotecnos
- AIEX
- Silver State Analytical Laboratories, Inc. and Excelchem Laboratories, Inc.

Disposal

- Drilling business in USA

Industries & Environment revenue increased by 5.4% at constant currency (organic growth was 4.8%) to CHF 2 157 million.

Field Services and Inspection grew above the divisional average driven by a good performance in environmental field and marine services.

Technical Assessment and Advisory grew organically in double digits. Growth accelerated in H2 and benefited from new projects in Latin America, Middle East and South East Asia and Pacific.

Industrial and Public Health & Safety grew organically above the divisional average. This was driven by momentum in safety services in Europe and strong growth in the North East Asian industrial laboratory network.

Environmental Testing grew organically below the divisional average. Double-digit growth in North and Latin America was partly offset by slower European market growth.

Public Mandates organic growth slightly declined due to lower volumes and certain contract losses in Africa, partly compensated by double-digit growth in vehicle compliance services in Latin America.

Specialty Services grew below the divisional average, including a strong contribution from recently acquired Gas Analysis Services.

The **adjusted operating income margin** decreased to 10.4% from 11.3% in prior year (at constant currency) mainly due to Covid-related restrictions in China, the ramp up of new contracts and collection delays from certain governments and related projects. This was partially offset by the positive performance of our recent acquisitions.

Natural Resources

(CHF million)	2022	2021	Change in %	2021 CCY ¹	Change in CCY ¹ %
Revenue	1 583	1 473	7.5	1 448	9.3
Adjusted operating income*	225	210	7.1	209	7.7
Margin %*	14.2	14.3		14.4	

Natural Resources revenue increased by 9.3% at constant currency (organic growth was 8.7%) to CHF 1 583 million driven by the continued momentum in minerals and a recovery in oil and gas in some regions.

Trade and Inspection organic growth was strong, primarily driven by good momentum in minerals and in oil and gas commodities.

Laboratory Testing grew in double digits organically. Strong momentum in mining exploration drove geochemistry volumes and pricing across the network. Contract wins and renewals in Latin America, South East Asia Pacific and Africa further consolidated our leadership position in onsite laboratories. In addition, double-digit organic growth in oil and gas analytical services was supported by outsourcing contracts in Europe, North America and Central Asia. The acquisition of Sulphur Experts Inc. in December 2021 added to overall growth.

Metallurgy and Consulting grew in double digits organically driven by strategic service expansion in the critical and battery metals field and project wins in North and Latin America.

Market Intelligence also grew in double digits organically supported by the replication of digital services across the Natural Resources supply chain.

The **adjusted operating income margin** was broadly stable at 14.2%. Strong operating leverage in minerals was offset by changes in portfolio mix in oil and gas and agricultural commodities.

1. Constant currency (CCY) – Definition in APM.

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Knowledge

(CHF million)	2022	2021	Change in %	2021 CCY ¹	Change in CCY ¹ %
Revenue	699	663	5.4	643	8.7
Adjusted operating income*	142	140	1.4	135	5.2
Margin %*	20.3	21.1		21.0	

Knowledge revenue grew organically by 8.7% at constant currency to CHF 699 million with solid growth across all strategic business units and in all geographies.

Management System Certification organic growth was strong, ahead of the market. Food certification delivered strong growth across all geographies, while medical devices and information security services grew in double digits.

Customized Audits grew organically below the divisional average. Second party audit work was impacted by restrictions in China. This was compensated by double-digit growth from social audits, across all geographies, and ESG services.

Consulting grew at a materially higher rate than the divisional organic average. This was primarily driven by the very strong performance of SGS Maine Pointe, which benefited from strong demand for supply chain optimization and performance improvement services.

Academy organic growth was slightly below the divisional average driven by the resumption of training programs and a return to classroom-based training, especially in Asia.

The **adjusted operating income margin** decreased to 20.3% from 21.0% in prior year (at constant currency). Easing travel restrictions and a return to onsite audits resulted in increased travel costs, while the full impact of price increases will be in 2023.

1. Constant currency (CCY) – Definition in APM.

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.



Condensed Consolidated Financial Statements

Condensed Consolidated Income Statement

For the period ended 31 December 2022

(CHF million)	Notes	2022	2021
Revenue	4	6 642	6 405
Salaries and wages		(3 331)	(3 180)
Subcontractors' expenses		(399)	(385)
Depreciation, amortization and impairment		(521)	(499)
Other operating expenses		(1 493)	(1 364)
Operating income (EBIT)	4	898	977
Financial income		20	16
Financial expenses		(71)	(69)
Share of profit of associates and joint ventures		2	–
Profit before taxes		849	924
Taxes		(219)	(269)
Profit for the period		630	655
<i>Profit attributable to:</i>			
Equity holders of SGS SA		588	613
Non-controlling interests		42	42
Basic earnings per share (in CHF)	5	78.86	81.91
Diluted earnings per share (in CHF)	5	78.67	81.79

Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 December 2022

(CHF million)	2022	2021
Actuarial (losses)/gains on defined benefit plans	(20)	57
Income tax on actuarial (losses)/gains	5	(6)
Items that will not be subsequently reclassified to income statement	(15)	51
Exchange differences	(148)	(32)
Items that may be subsequently reclassified to income statement	(148)	(32)
Other comprehensive (loss)/income for the period	(163)	19
Profit for the period	630	655
Total comprehensive income for the period	467	674
<i>Attributable to:</i>		
Equity holders of SGS SA	430	629
Non-controlling interests	37	45

Condensed Consolidated Financial Statements

continued

Condensed Consolidated Balance Sheet

For the period ended 31 December 2022

(CHF million)	2022	2021
Assets		
Non-current assets		
Property, plant and equipment	907	925
Right-of-use assets	577	605
Goodwill	1 755	1 778
Other intangible assets	350	382
Investments in joint ventures, associates and other companies	20	26
Deferred tax assets	153	164
Other non-current assets	125	173
Total non-current assets	3 887	4 053
Current assets		
Inventories	59	59
Unbilled revenues and work in progress	210	175
Trade receivables	988	928
Other receivables and prepayments	223	204
Current tax assets	132	108
Cash and cash equivalents	1 623	1 480
Total current assets	3 235	2 954
Total assets	7 122	7 007
Equity and liabilities		
Capital and reserves		
Share capital	7	7
Reserves	954	1 118
Treasury shares	(279)	(8)
Equity attributable to equity holders of SGS SA	682	1 117
Non-controlling interests	81	85
Total equity	763	1 202
Non-current liabilities		
Loans and other financial liabilities	2 833	2 889
Lease liabilities	442	481
Deferred tax liabilities	79	92
Defined benefit obligations	47	84
Provisions	96	90
Total non-current liabilities	3 497	3 636
Current liabilities		
Trade and other payables	671	687
Contract liabilities	228	221
Current tax liabilities	165	169
Loans and other financial liabilities	1 009	282
Lease liabilities	162	155
Provisions	58	60
Other creditors and accruals	569	595
Total current liabilities	2 862	2 169
Total liabilities	6 359	5 805
Total equity and liabilities	7 122	7 007

Condensed Consolidated Statement of Changes in Equity

For the period ended 31 December 2022

(CHF million)	Share capital	Treasury shares	Capital reserve	Cumulative translation adjustments	Cumulative (losses)/gains on defined benefit plans net of tax	Retained earnings and Group reserves	Attributable to:		
							Equity holders of SGS SA	Non-controlling interests	Total equity
Balance at 1 January 2021	8	(230)	160	(1 307)	(241)	2 670	1 060	74	1 134
Profit for the period	–	–	–	–	–	613	613	42	655
Other comprehensive income for the period	–	–	–	(35)	51	–	16	3	19
Total comprehensive income for the period	–	–	–	(35)	51	613	629	45	674
Dividends paid	–	–	–	–	–	(599)	(599)	(41)	(640)
Share-based payments	–	–	12	–	–	–	12	–	12
Movement in non-controlling interests	–	–	–	–	–	14	14	7	21
Movement on treasury shares	(1)	222	(42)	–	–	(178)	1	–	1
Balance at 31 December 2021	7	(8)	130	(1 342)	(190)	2 520	1 117	85	1 202
Balance at 1 January 2022	7	(8)	130	(1 342)	(190)	2 520	1 117	85	1 202
Profit for the period	–	–	–	–	–	588	588	42	630
Other comprehensive income for the period	–	–	–	(143)	(15)	–	(158)	(5)	(163)
Total comprehensive income for the period	–	–	–	(143)	(15)	588	430	37	467
Dividends paid	–	–	–	–	–	(599)	(599)	(43)	(642)
Share-based payments	–	–	18	–	–	–	18	–	18
Movement in non-controlling interests	–	–	–	–	–	(8)	(8)	2	(6)
Movement on treasury shares	–	(271)	(4)	–	–	(1)	(276)	–	(276)
Balance at 31 December 2022	7	(279)	144	(1 485)	(205)	2 500	682	81	763

Condensed Consolidated Financial Statements

continued

Condensed Consolidated Cash Flow Statement

For the period ended 31 December 2022

(CHF million)	2022	2021
Profit for the period	630	655
Non-cash and non-operating items	812	828
(Increase) in working capital	(162)	(44)
Taxes paid	(250)	(270)
Cash flow from operating activities	1 030	1 169
Purchase of property, plant and equipment and other intangible assets	(329)	(336)
Disposal of property, plant and equipment and other intangible assets	8	5
Acquisition of businesses	(67)	(214)
Proceeds from disposal of businesses	2	–
Cash paid on other non-current assets	(3)	(2)
Proceeds received from investments in joint ventures, associates and other companies	1	1
Interest received	19	17
Proceeds from marketable securities	–	9
Cash flow used by investing activities	(369)	(520)
Dividends paid to equity holders of SGS SA	(599)	(599)
Dividends paid to non-controlling interests	(43)	(41)
Transaction with non-controlling interests	(9)	(12)
Cash paid on treasury shares	(268)	–
Proceeds from corporate bonds	500	824
Payment of corporate bonds	(251)	(276)
Interest paid	(64)	(66)
Payment of lease liabilities	(183)	(179)
Proceeds from borrowings	469	–
Payment of borrowings	–	(555)
Cash flow used by financing activities	(448)	(904)
Currency translation	(70)	(31)
Increase/(decrease) in cash and cash equivalents	143	(286)
Cash and cash equivalents at beginning of year	1 480	1 766
Increase/(decrease) in cash and cash equivalents	143	(286)
Cash and cash equivalents at end of the period	1 623	1 480

Notes to the Condensed Consolidated Financial Statements

1. Activities of the Group

SGS SA and its subsidiaries (the "Group") operate around the world under the name SGS. The head office of the Group is located in Geneva, Switzerland. SGS is the global leader in testing, inspection and certification (TIC) services supporting international trade in agriculture, minerals, petroleum and consumer products. It also provides these services to governments, international institutions and customers engaged in the industrial, environmental and life sciences sectors.

2. Basis of preparation and significant events

Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS).

Covid-19 pandemic and geopolitical instability

Covid-19 and recent geopolitical events have impacted the economy and financial markets. Many industries are facing challenges, including supply-chain disruption, inflation, deteriorating credit and liquidity concerns. Most notably, the Group's operational performance was temporarily affected by Covid-related measures in China, while its exposure to Russia and Ukraine is limited.

Consequently, these condensed consolidated financial statements were prepared with particular attention to (i) the impairment of non-current assets, (ii) the appropriateness of the allowance for trade receivables, unbilled revenue and work in progress, (iii) the level of provision for risks, as well as (iv) accounting for government grants.

3. Changes to the Group's accounting policies

The accounting policies used in the preparation and presentation of the Group's condensed financial statements are consistent with those used in the Group's consolidated financial statements.

Several new amendments and interpretations were adopted effective 1 January 2022 but have no material impact on the Group's consolidated financial statements.

4. Analysis of operating income

(CHF million)

	2022	2021
Adjusted operating income*	1 023	1 055
Amortization and impairment of acquired intangibles	(37)	(39)
Restructuring costs	(46)	(15)
Transaction and integration costs	(13)	(24)
Other non-recurring items	(29)	–
Operating income	898	977

2022

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Transaction and integration costs	Other non-recurring items	Operating income by business
Connectivity & Products	1 311	313	(5)	(12)	(1)	–	295
Health & Nutrition	892	119	(9)	(6)	(4)	–	100
Industries & Environment	2 157	224	(19)	(15)	(6)	(29)	155
Natural Resources	1 583	225	(1)	(10)	(1)	–	213
Knowledge	699	142	(3)	(3)	(1)	–	135
Total	6 642	1 023	(37)	(46)	(13)	(29)	898

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Notes to the Condensed Consolidated Financial Statements

continued

2021

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Transaction and integration costs	Operating income by business
Connectivity & Products	1 288	316	(5)	(2)	(1)	308
Health & Nutrition	861	149	(7)	(2)	(9)	131
Industries & Environment	2 120	240	(21)	(5)	(11)	203
Natural Resources	1 473	210	–	(6)	(1)	203
Knowledge	663	140	(6)	–	(2)	132
Total	6 405	1 055	(39)	(15)	(24)	977

All segment revenues reported above are from external customers. The adjusted operating income* represents the profit earned by each segment. This is the main measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segmental performance.

Restructuring costs

The Group incurred a pre-tax restructuring charge of CHF 46 million (2021: CHF 15 million). Total restructuring costs comprised personnel reorganization of CHF 26 million (2021: CHF 13 million) as well as fixed asset impairment of CHF 2 million (2021: CHF nil) and other charges of CHF 18 million (2021: CHF 2 million).

Other non-recurring items

The Group reported as non-recurring items a charge of CHF 29 million in 2022, related to the decision to cease two key upstream projects in Libya. This decision is driven by absence of cash collection for services rendered in 2022, resulting in an impairment of fixed assets for CHF 16 million in addition to incurred personnel costs for CHF 3 million and other charges for CHF 10 million.

5. Earnings per share

	2022	2021
Profit attributable to equity holders of SGS SA (CHF million)	588	613
Weighted average number of shares ('000)	7 452	7 488
Basic earnings per share (CHF)	78.86	81.91

	2022	2021
Profit attributable to equity holders of SGS SA (CHF million)	588	613
Diluted weighted average number of shares ('000)	7 470	7 500
Diluted earnings per share (CHF)	78.67	81.79

6. Exchange rates

The most significant currencies for the Group were translated at the following exchange rates into Swiss Francs.

	Statement of financial position period-end rates		Income statement period average rates	
	2022	2021	2022	2021
Australia AUD 100	62.70	66.59	66.33	68.67
Canada CAD 100	68.20	71.65	73.40	72.93
Chile CLP 100	0.11	0.11	0.11	0.12
China CNY 100	13.29	14.40	14.20	14.17
Eurozone EUR 100	98.47	103.78	100.52	108.16
Korea KRW 100	0.07	0.08	0.07	0.08
United Kingdom GBP 100	111.47	123.57	118.01	125.72
Russia RUB 100	1.31	1.24	1.43	1.24
Taiwan TWD 100	3.01	3.32	3.21	3.27
USA USD 100	92.43	91.72	95.44	91.42

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

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Stock exchange listing

SIX Swiss Exchange, SGSN

Stock exchange trading

SIX Swiss Exchange

Common stock symbols

Bloomberg: Registered Share: SGSN.SW
Reuters: Registered Share: SGSN.S
Telekurs: Registered Share: SGSN
ISIN: Registered Share: CH0002497458
Swiss security number: 249745

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2023 half year results

Monday, 24 July 2023

Annual General Meeting of Shareholders

Tuesday, 28 March 2023
Geneva, Switzerland

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