Financial statements

1. SGS Group

1.1. Consolidated Income Statement

For the years ended 31 December

(CHF million)	Notes	2023	2022
Sales	4	**6 622**	**6 642**
Salaries and wages		–3 316	–3 331
Subcontractors' expenses		–400	–399
Depreciation, amortization and impairment	12 to 15	–545	–521
Gain on business disposals	3	7	–
Other operating expenses	7	–1 511	–1 493
Operating income (EBIT)[1]	4	**857**	**898**
Financial income	8	29	20
Financial expenses	9	–86	–71
Share of profit of associates and joint ventures		2	2
Profit before taxes		**802**	**849**
Taxes	10	–205	–219
Profit for the period		**597**	**630**
Profit attributable to:			
Equity holders of SGS SA		553	588
Non-controlling interests		44	42
Basic earnings per share (in CHF)[2]	11	**3.00**	**3.15**
Diluted earnings per share (in CHF)[2]	11	**2.99**	**3.15**

1. Refer to note 4 for analysis of non-recurring items.
2. 2022 restated for comparability following share split on 12 April 2023 – refer to note 11 and to the Alternative Performance Measures – Appendix to the 2023 full year results.

1.2. Consolidated Statement of Comprehensive Income

For the years ended 31 December

(CHF million)	Notes	2023	2022
Actuarial gains/(losses) on defined benefit plans	25	50	–20
Income tax on actuarial gains/(losses)	10	–8	5
Items that will not be subsequently reclassified to income statement		**42**	**–15**
Exchange differences		–238	–148
Items that may be subsequently reclassified to income statement		**–238**	**–148**
Other comprehensive (loss) for the period		**–196**	**–163**
Profit for the period		597	630
Total comprehensive income for the period		**401**	**467**
Attributable to:			
Equity holders of SGS SA		364	430
Non-controlling interests		37	37

1.3. Consolidated Statement of Financial Position

At 31 December

(CHF million)	Notes	**2023**	2022
Assets			
Non-current assets			
Property, plant and equipment	12	823	907
Right-of-use assets	13	506	577
Goodwill	14	1 636	1 755
Other intangible assets	15	275	350
Investments in joint ventures, associates and other companies		16	20
Deferred tax assets	10	185	153
Other non-current assets	16	191	125
Total non-current assets		**3 632**	**3 887**
Current assets			
Inventories		57	59
Unbilled sales and work in progress	5	223	210
Trade receivables	17	940	988
Other receivables and prepayments	18	213	223
Current tax assets		127	132
Cash and cash equivalents	19	1 569	1 623
Total current assets		**3 129**	**3 235**
Total assets		**6 761**	**7 122**
Equity and liabilities			
Capital and reserves			
Share capital	23	7	7
Reserves		723	954
Treasury shares		–271	–279
Equity attributable to equity holders of SGS SA		**459**	**682**
Non-controlling interests		69	81
Total equity		**528**	**763**
Non-current liabilities			
Loans and other financial liabilities	24	3 040	2 833
Lease liabilities	13	384	442
Deferred tax liabilities	10	73	79
Defined benefit obligations	25	66	47
Provisions	26	91	96
Total non-current liabilities		**3 654**	**3 497**
Current liabilities			
Trade and other payables	27	634	671
Contract liabilities	5	221	228
Current tax liabilities		176	165
Loans and other financial liabilities	24	841	1 009
Lease liabilities	13	143	162
Provisions	26	41	58
Other creditors and accruals		523	569
Total current liabilities		**2 579**	**2 862**
Total liabilities		**6 233**	**6 359**
Total equity and liabilities		**6 761**	**7 122**

1.4. Consolidated Statement of Cash Flows

For the years ended 31 December

(CHF million)	Notes	2023	2022
Profit for the period		597	630
Non-cash and non-operating items	20.1	824	812
(Increase) in working capital	20.2	–55	–162
Taxes paid		–243	–250
Cash flow from operating activities		**1 123**	**1 030**
Purchase of property, plant and equipment and other intangible assets		–298	–329
Disposal of property, plant and equipment and other intangible assets		15	8
Acquisition of businesses	21	–12	–67
Proceeds from disposal of businesses		22	2
Cash paid on other non-current assets		–1	–3
Proceeds received from investments in joint ventures, associates and other companies		8	1
Interest received		24	19
Cash flow used by investing activities		**–242**	**–369**
Dividends paid to equity holders of SGS SA		–590	–599
Dividends paid to non-controlling interests		–44	–43
Transaction with non-controlling interests	20.3	–34	–9
Cash paid on treasury shares		–10	–268
Proceeds from corporate bonds	20.3	500	500
Payment of corporate bonds	20.3	–501	–251
Interest paid		–82	–64
Payment of lease liabilities	20.3	–178	–183
Proceeds from borrowings	20.3	105	469
Payment of borrowings	20.3	–5	–
Cash flow used by financing activities		**–839**	**–448**
Currency translation		–96	–70
(Decrease)/increase in cash and cash equivalents		**–54**	**143**

Cash and cash equivalents at beginning of year		**1 623**	**1 480**
(Decrease)/increase in cash and cash equivalents		–54	143
Cash and cash equivalents at end of year	19	**1 569**	**1 623**

1.5. Consolidated Statement of Changes in Equity

For the years ended 31 December

(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 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**
Balance at 1 January 2023	**7**	**–279**	**144**	**–1 485**	**–205**	**2 500**	**682**	**81**	**763**
Profit for the period	–	–	–	–	–	553	553	44	597
Other comprehensive income for the period	–	–	–	–231	42	–	–189	–7	–196
Total comprehensive income for the period	**–**	**–**	**–**	**–231**	**42**	**553**	**364**	**37**	**401**
Dividends paid	–	–	–	–	–	–590	–590	–44	–634
Share-based payments	–	–	24	–	–	–	24	–	24
Movement in non-controlling interests	–	–	–	–	–	–25	–25	–5	–30
Movement on treasury shares	–	8	–4	–	–	–	4	–	4
Balance at 31 December 2023	**7**	**–271**	**164**	**–1 716**	**–163**	**2 438**	**459**	**69**	**528**

1.6. Notes to 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 inspection, verification, testing and certification 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 science sectors.

2. Significant accounting policies and exchange rates

Basis of preparation of the financial statements

The consolidated financial statements of the Group are stated in millions of Swiss Francs (CHF million). They are prepared from the financial statements of the individual companies within the Group with all significant companies having a year end of 31 December 2023.

The consolidated financial statements comply with the accounting and reporting requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and Swiss law.

The accounting conventions and accounting policies are the same as those applied in the 2022 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2023.

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.

Geopolitical instability

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.

Consequently, these 2023 consolidated financial statements were prepared with particular attention to the below specific areas:

- Impairment of non-current assets: the Group has recognized a CHF 40 million impairment loss on tangible and intangible assets (2022: 18 million)
- Impairment of Goodwill: CHF 18 million impairment was recognized (2022: nil)
- Appropriateness of expected credit loss allowance for trade receivables, unbilled sales 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
- Accounting for government grants: at 31 December 2023, the Group recognized CHF 9 million as deduction of salaries and wage expenses (2022: CHF 12 million)

Developments in international taxation

The Group is subject to income taxes in numerous jurisdictions and monitors developments which could affect the Group's tax liability. In particular, the Organisation for Economic Co-operation and Development (OECD) published the Global Anti-Base Erosion Model Rules (Pillar Two). The Pillar Two model framework introduced a global minimum tax rate concept of 15%, which is achieved through a system of top-up taxes in jurisdictions where tax rate would be lower.

As at 31 December 2023, Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group has performed an assessment of its potential exposure to Pillar Two income taxes, based on the most recent tax filings, country-by-country reporting and financial statements of its constituent entities. Based on this assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. There are a limited number of jurisdictions where the transitional safe harbor relief does not apply. In those jurisdictions, the Pillar Two effective tax rate is close to 15% and the Group does not expect a material impact.

In addition, in accordance with IAS 12 amendments published on 23 May 2023 and 27 June 2023, the Group applied the mandatory exception from accounting for deferred tax arising from Pillar Two as at 31 December 2023.

Stock-split

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04. As a result, for comparability purposes, the Group recalculated the basic and diluted earnings per share (EPS) as of December 2022 and discloses it in note 11.

Adoption of new and revised International Financial Reporting Standards and Interpretations

Several new amendments and interpretations were adopted effective 1 January 2023 but have no material impact on the Group's consolidated financial statements. There are no IFRS standards or interpretations which are not yet effective and which would be expected to have a material impact on the Group.

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 principal operating companies of the Group are listed on pages 155 to 157.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Initially they are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequently to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Associates

Associates are entities over which the Group has significant influence but no control or joint control over the financial and operating policies. The consolidated financial statements include the Group's share of the earnings of associates on an equity accounting basis from the date that significant influence commences until the date that significant influence ceases.

Joint ventures

A joint venture is a contractual arrangement over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement. The consolidated financial statements include the Group's share of the earnings and net assets on an equity accounting basis of joint ventures that it does not control, effective from the date that joint control commences until the date that joint control ceases.

Joint operations

A joint operation is an arrangement whereby the parties that have joint control have separable specific rights to the assets and the liabilities within the arrangement. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities (normally below 20% shareholding levels) are stated at fair value through profit and loss. Dividends received from these investments are included in financial income.

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 exchange rate at the average exchange rate for the year, or at the rate on the date of the transaction for significant items. 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.

Sales recognition

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for sales arising from contracts with customers. Under IFRS 15, sales are 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 sales based on two main models: services transferred at a point in time and services transferred over time.

- The majority of SGS' sales are 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 customer is invoiced and payment is due
- Services transferred over time mainly concern long-term contracts, where sales are recognized based on the measure of progress. 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 sales 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 invoices are usually issued per contractually agreed installments and prices. Payments are due upon invoicing

Segment information

The Group reports its operations by business segment, according to the nature of the services provided.

The Group operates in five business segments:

- Connectivity & Products (C&P): end-markets covered include Electrical and Electronic goods, Softlines, Hardlines and Trade Facilitation
- Health & Nutrition (H&N): end-markets covered include Food, Crop Science, Health Science and Cosmetics & Hygiene
- 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
- 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
- Business Assurance (prev. Knowledge): 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 sales, adjusted operating income and capital expenditures are the main criteria.

For the Group, the chief operating decision maker is the senior management, which is composed of the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

All segment sales reported are from external customers. Segment sales and operating income are attributed to countries based on the location in which the services are rendered.

Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Property, plant and equipment

Land is stated at historical cost and is not depreciated. Buildings and equipment are stated at historical cost less accumulated depreciation. 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 12–40 years
- Machinery and equipment 5–10 years
- Other tangible assets 5–10 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, 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 recognized under the acquisition method of accounting. These assets are allocated to a cash generating unit or a group of cash generating units (CGU) which are expected to benefit from the business combination. The recoverable amount of a CGU or the group of CGUs is determined through a value-in-use calculation.

If the value-in-use of the CGU or the group of CGUs 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 or the group of CGUs 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 or the group of 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 or groups of 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 or of the group of CGUs 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, licenses, trademarks and customer relationships are capitalized and amortized on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. The following useful lives are used in the calculation of amortization:

- Trademarks 5–20 years
- Customer relationships 2–20 years
- Computer software 3–5 years

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. 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.

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 fair value less cost of sale 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.

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 country risk, the credit risk profile, as well as available forward looking and 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 sales and work in progress
Unbilled sales are recognized for services completed but not yet invoiced and are valued at net selling price.

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. A margin is recognized based on actual costs incurred, provided that the project is expected to be profitable once completed. Similarly to receivables, an allowance for unbilled sales and 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.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment 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.

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.

The Group uses financial instruments to economically hedge interest rate risks relating to its corporate bonds. The changes in fair value of finance instruments are recognized in the income statement.

Liabilities related to put options granted to holders of non-controlling interests

Written put options in favor of holders of non-controlling interests give rise to the recognition of a financial liability at the present value of the expected cash outflow. The present value is determined by management's best estimate of the cash outflow required to settle the obligation on exercise of the option, discounted by the Group's cost of debt. The financial liability is initially recorded with the corresponding entry within equity and in the absence of specific guidance in IFRS, subsequent changes in the valuation of the liability shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

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

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. Defined benefit pension plans are based on an employee's years of service and remuneration earned during a predetermined period. Contributions to these plans are normally paid into funds, which are managed independently of the Group, except in rare cases where there is no legal obligation to fund.

In such cases, the liability is recorded in the Group's consolidated statement of financial position.

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.

Post-employment plans other than pensions

The Group operates some non-pension post-employment defined benefit schemes, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Equity compensation plans

The Group provides additional benefits to certain senior executives and employees through equity compensation plans. An expense is recognized in the income statement for shares and equity-linked instruments granted to senior executives and employees under these plans.

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 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, fund capital purchases and small and medium-sized acquisitions.

Treasury shares are intended to be used to cover the Group's employee equity participation plan, convertible bonds and/or cancellation of shares. Decisions to buy or sell are made on an individual transaction basis by management.

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.

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 where there is a legally enforceable right to 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.

Earnings per share
Basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit is also adjusted to reflect the after-tax impact of conversion.

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

Treasury shares
Treasury shares are reported as a deduction to equity. The original cost of treasury shares and the proceeds of any subsequent sale are recorded as movements in equity.

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 sales 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.

Valuation of trade receivables, unbilled sales 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 expected future cash flows from the CGU or group of CGUs that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows.

Estimations of employee post-employment benefits obligations

The Group maintains several defined benefit pension plans in accordance with local conditions and practices in the countries in which it operates. The related obligations recognized in the statement of financial position represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

In assessing how an uncertain tax treatment may affect the determination of the taxable profit (tax loss), the Group assumes that a taxation authority will examine amounts and have full knowledge of all related information.

If the Group concludes it is not probable that a taxation authority will accept a particular tax treatment, the Group reflects the effect of each uncertainty in determining the taxable profit (tax loss) by using one of the following methods:

- The single most likely amount
- The sum of probability-weighted amount in a range of possible outcomes

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, including estimated interest and penalties where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Legal and warranty claims on services rendered

The Group is subject to litigation and other claims. Management bases its judgment on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent, and evaluation of applicable insurance cover where appropriate. The process of estimation is complex, dealing with uncertainty, requiring the use of informed estimates, actuarial assessment, evaluation of the insurance cover where appropriate and the judgment of management. The timing of cash outflows from pending litigation and claims is uncertain since it depends, in the majority of cases, on the outcome of administrative and legal proceedings. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by a cross-functional representation of management. Any changes in these estimates are reflected in the income statement in the period in which the estimates change.

Judgments

In the process of applying the entity's accounting policies described above, management has made the following judgment that has a significant effect on the amounts recognized in the financial statements.

Lease termination of contracts with renewal and exit options

The Group determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, for some of its leases to lease the assets for additional terms. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

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	
			2023	2022	**2023**	2022
Australia	AUD	100	57.38	62.70	59.73	66.33
Canada	CAD	100	63.53	68.20	66.59	73.40
Chile	CLP	100	0.10	0.11	0.11	0.11
China	CNY	100	11.83	13.29	12.70	14.20
Eurozone	EUR	100	93.02	98.47	97.17	100.52
Korea	KRW	100	0.06	0.07	0.07	0.07
United Kingdom	GBP	100	107.16	111.47	111.69	118.01
Russia	RUB	100	0.94	1.31	1.07	1.43
Taiwan	TWD	100	2.74	3.01	2.89	3.21
USA	USD	100	84.11	92.43	89.87	95.44

3. Business combinations

The following business combinations occurred during 2023 and 2022:

Business combinations 2023

In 2023, the Group completed two business combinations for a total purchase price of CHF 9 million (note 21).

- 100% of Seafood Testing Business, from Asmecruz, a cooperative of mussels producers in Spain (effective 17 March 2023)
- 60% of Nutrasource, a company providing clinical trial management, full regulatory support, testing services as well as product development R&D in Canada and USA (effective 1 May 2023)

These companies were acquired for an amount of CHF 9 million and the total goodwill generated on these transactions amounted to CHF 9 million.

All the above transactions contributed a total of CHF 7 million in sales and CHF nil million in operating income in 2023. Had all acquisitions been effective 1 January 2023, the sales for the period from these acquisitions would have been CHF 11 million and the operating income would have been CHF 1 million.

None of the goodwill arising on these acquisitions is expected to be tax deductible.

Divestments 2023

In 2023, the Group completed three divestments, for a total consideration of CHF 22 million, resulting in a gain on disposal of CHF 7 million:

- Subsurface Consultancy business, in the Netherlands (effective 1 March 2023)
- Automotive Asset Assessment and Retail Network Services operations, in multiple countries (effective 1 July 2023)
- Powertrain Testing Operations, in North America (effective 1 October 2023)

On 18 December 2023, the Group announced the signing of an agreement to divest its crop science operations in several countries. The transaction will be effective in the course of 2024 upon realization of completion conditions and does not impact the 2023 consolidated financial results. Assets held for disposal are deemed immaterial.

Business combinations 2022

In 2022, the Group completed seven business combinations for a total purchase price of CHF 75 million (note 21).

- 100% of Gas Analysis Services (GAS), a company specialized in instrumentation and gas analysis testing in Ireland (effective 28 February 2022)
- 100% of Ecotecnos, a company providing sea monitoring and oceanography services in Chile (effective 6 May 2022)
- 100% of AIEX, a company providing technical and welding inspection services in the nuclear and marine industries in France (effective 9 May 2022)
- 100% of Silver State Analytical Laboratories and Excelchem Laboratories, companies providing quality analytical and microbiological testing and support services for clients in the environmental, water, utility, engineering, construction, food processing, chemical, mining, healthcare, resort and hospitality industries (effective 1 July 2022)
- 100% of proderm GmbH, a company conducting clinical studies from initial consultation to final reports in Germany (effective 7 July 2022)
- 100% of Penumbra Security, a recognized leader providing various types of information security conformance testing to government standards and regulatory compliance for multinational companies in the USA (effective 31 August 2022)
- 100% of Industry Lab, a company offering a comprehensive range of microbiological analysis services, from enumeration of indicator organisms to detection of foodborne pathogens, located in Romania (effective 3 November 2022)

These companies were acquired for an amount of CHF 75 million and the total goodwill generated on these transactions amounted to CHF 52 million.

All the above transactions contributed a total of CHF 20 million in sales and CHF 3 million in operating income in 2022. Had all acquisitions been effective 1 January 2022, the sales for the period from these acquisitions would have been CHF 32 million and the operating income would have been CHF 5 million.

On 7 July 2022, the Group has acquired proderm GmbH, a clinical research organization, specialized in advanced solutions for cosmetics and personal care as well as medical clinical studies. This acquisition further supports the group strategic expansion in cosmetics and hygiene. proderm GmbH has contributed CHF 6 million to the Group's sales and CHF 1 million to operating income in 2022. Had the company been acquired on 1 January 2022 the sales for the year would have been CHF 12 million and the operating income would have been CHF 2 million.

None of the goodwill arising on these acquisitions is expected to be tax deductible.

Divestment 2022

In 2022, the Group disposed of its US Drilling operations in the USA for a total consideration of CHF 2 million.

4. Information by business and geographical segment

The information presented is disclosed by business line and focuses on sales, operating income, capital expenditures and employee numbers because these are the performance measures used by the Chief Operating Decision Maker to assess segment performance.

Analysis of operating income

(CHF million)	2023	2022
Adjusted operating income[1]	**971**	**1 023**
Amortization and impairment of acquired intangibles	–55	–37
Restructuring costs	–21	–46
Goodwill impairment	–18	–
Gain on business disposals	7	–
Transaction and integration costs	–5	–13
Other non-recurring items	–22	–29
Operating income	**857**	**898**

1. Alternative Performance Measures – Appendix to the 2023 full year results.

Analysis of sales and operating income

2023

(CHF million)	Sales	Adjusted operating income[1]	Amortization and impairment of acquired intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Other non-recurring items	Operating income by business
Industries & Environment	2 190	248	–15	–11	–18	3	–2	–16	189
Natural Resources	1 583	228	–1	–6	–	–	–	–2	219
Connectivity & Products	1 246	262	–5	–1	–	4	–1	–2	257
Health & Nutrition	857	80	–31	–2	–	–	–2	–	45
Business Assurance (prev. Knowledge)	746	153	–3	–1	–	–	–	–2	147
Total	**6 622**	**971**	**–55**	**–21**	**–18**	**7**	**–5**	**–22**	**857**

1. Alternative Performance Measures – Appendix to the 2023 full year results.

2022

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

1. Alternative Performance Measures – Appendix to the 2023 full year results.

Restructuring costs

The Group incurred a pre-tax restructuring charge of CHF 21 million (2022: CHF 46 million). Total restructuring costs comprised personnel reorganization of CHF 15 million (2022: CHF 26 million) as well as fixed asset impairment of CHF 2 million (2022: CHF 2 million) and other charges of CHF 4 million (2022: CHF 18 million).

Other non-recurring items

The Group reported as non-recurring items a charge of CHF 22 million in 2023 (2022: CHF 29 million), including intangible impairment of CHF 16 million and other charges of CHF 6 million (2022: CHF 16 million of fixed assets impairment in addition to incurred personnel costs for CHF 3 million and other charges for CHF 10 million).

Sales from external customers by geographical area

(CHF million)	2023	%	2022	%
Europe/Africa/Middle East	2 937	44.4	2 944	44.3
Americas	1 406	21.2	1 364	20.5
Asia Pacific	2 279	34.4	2 334	35.2
Total	**6 622**	**100.0**	**6 642**	**100.0**

Sales in Switzerland from external customers for 2023 amounted to CHF 155 million (2022: CHF 164 million). No country represented more than 20% of sales from external customers in 2023 nor 2022.

Major customer information

In 2023 and 2022, no external customer represented 5% or more of the Group's total sales.

Specific non-current assets by geographical area

Specific non-current assets directly attributable to geographical segment mainly include property, land and equipment, right-of-use assets, goodwill and other intangible assets:

(CHF million)	2023	%	2022	%
Europe/Africa/Middle East	1 973	59.6	2 224	60.6
Americas	744	22.5	824	22.4
Asia Pacific	593	17.9	623	17.0
Total specific non-current assets	**3 310**	**100.0**	**3 671**	**100.0**

Specific non-current assets in Switzerland for 2023 amounted to CHF 155 million (2022: CHF 169 million). No country represented more than 20% of non-current assets in 2023 nor 2022.

Reconciliation with total non-current assets

(CHF million)	2023	2022
Specific non-current assets as above	3 310	3 671
Deferred tax assets	185	153
Retirement benefit assets	133	59
Non-current loans to third parties	4	4
Total	**3 632**	**3 887**

Capital additions[1] by business segment

(CHF million)	2023	%	2022	%
Industries & Environment	96	32.2	88	26.8
Natural Resources	70	23.5	75	22.8
Connectivity & Products	81	27.2	107	32.5
Health & Nutrition	44	14.8	52	15.8
Business Assurance (prev. Knowledge)	7	2.3	7	2.1
Total	**298**	**100.0**	**329**	**100.0**

1. Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Average number of employees by geographical area

(Average number of employees)	2023	2022
Europe/Africa/Middle East	39 986	39 906
Americas	20 702	19 370
Asia Pacific	37 857	37 483
Total	**98 545**	**96 759**
Number of employees at year end	99 589	98 152

5. Sales from contracts with customers

Group's sales from contracts with customers by timing of recognition

	2023		2022	
(CHF million)	**Services transferred at a point in time**	**Services transferred over time**	Services transferred at a point in time	Services transferred over time
Industries & Environment	71%	29%	71%	29%
Natural Resources	84%	16%	84%	16%
Connectivity & Products	86%	14%	86%	14%
Health & Nutrition	84%	16%	84%	16%
Business Assurance (prev. Knowledge)	89%	11%	90%	10%
Total	**81%**	**19%**	**81%**	**19%**

Assets and liabilities related to contracts with customers

(CHF million)	**2023**	2022
Unbilled sales and work in progress	223	210
Trade receivables	940	988
Contract liabilities	221	228

Sales evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2023, SGS has recognized sales of CHF 170 million related to contract liabilities at 31 December 2022. In 2022, the sales recognized from contract liabilities at 31 December 2021 amounted to CHF 159 million. Sales recognized from performance obligations satisfied in previous periods were immaterial in 2023 and 2022.

The remaining performance obligations (unsatisfied or partially satisfied) expected to be recognized for long-term contracts amount to CHF 978 million at 31 December 2023, out of which CHF 518 million are expected to be recognized in sales within one year, CHF 258 million between one year and two years and CHF 202 million after the next two years.

SGS 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 SGS may recognize sales from the satisfaction of the performance obligation in accordance with IFRS 15.B16. This paragraph permits as a practical expedient to exclude contracts where SGS has a right to payment for performance completed to date.

Assets recognized from costs to fulfill a contract in 2023 and 2022 were not significant, while amortization and impairment losses were nil.

6. Government grants

Government grants for the period amount to CHF 9 million (2022: CHF 12 million), presented as a deduction of salaries and wages expenses. The outstanding balance recognized in the statement of financial position amounted to CHF 1 million (2022: CHF 5 million).

7. Other operating expenses

(CHF million)	**2023**	2022
Consumables, repairs and maintenance	546	546
Travel costs	333	314
Rental expense, insurance, utilities and sundry supplies	166	168
External consultancy fees	116	115
IT expenses	135	116
Communication costs	48	53
Allowance for expected credit losses	11	22
Gain on disposal of property, plant and equipment	–3	–4
Miscellaneous operating expenses	159	163
Total	**1 511**	**1 493**

8. Financial income

(CHF million)	**2023**	2022
Interest income	20	11
Foreign exchange gains/(losses)	2	5
Other financial income	6	3
Net financial income on defined benefit plans	1	1
Total	**29**	**20**

9. Financial expenses

(CHF million)	**2023**	2022
Interest expense	70	43
Loss on derivatives at fair value	13	19
Other financial expenses	3	9
Total	**86**	**71**

10. Taxes

Major components of tax expense

(CHF million)	**2023**	2022
Current taxes	262	227
Deferred tax (credit) relating to the origination and reversal of temporary differences	–57	–8
Total	**205**	**219**

The Group has operations in various countries that have different tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. 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

(CHF million)	**2023**	2022
Profit before taxes	802	849
Tax at statutory rates applicable to the profits earned in the country concerned	**147**	**162**
Tax effect of non-deductible or non-taxable items	13	10
Tax effect on losses not currently treated as being recoverable in future years	18	17
Tax effect on losses previously considered irrecoverable, now expected to be recoverable	–	–3
Non-creditable foreign withholding taxes	41	37
Minimum taxes	5	5
Prior period adjustments	24	–10
Rate changes	1	–
Other[1]	–44	1
Tax charge	**205**	**219**

1. Other includes the tax impact of an internal legal reorganization and some write-offs.

Deferred tax after netting

(CHF million)	**2023**	2022
Deferred tax assets	185	153
Deferred tax liabilities	–73	–79
Total	**112**	**74**

Components of deferred income tax balances

	2023		2022	
(CHF million)	**Assets**	**Liabilities**	Assets	Liabilities
Right-of-use assets	–	109	–	122
Fixed assets	41	8	44	11
Trade receivable, unbilled sales and work in progress	21	8	25	8
Defined benefit obligation	6	22	7	14
Provisions and other[2]	105	16	56	11
Lease liabilities	111	–	126	–
Intangible assets	3	66	3	75
Tax losses carried forward	54	–	54	–
Deferred income taxes	**341**	**229**	**315**	**241**

2. Other includes the tax impact of an internal legal reorganization.

Net change in deferred tax assets/(liabilities)

(CHF million)	Total
Net deferred income tax asset (liability) at 1 January 2022	**72**
Acquisition of subsidiaries	–4
(Charged)/credited to the income statement	8
(Charged)/credited to other comprehensive income	5
Exchange differences and other	–7
Net deferred income tax asset (liability) at 31 December 2022	**74**
Acquisition of subsidiaries	–1
(Charged)/credited to the income statement	57
(Charged)/credited to other comprehensive income	–8
Exchange differences and other	–10
Net deferred income tax asset (liability) at 31 December 2023	**112**

The Group has unrecognized tax losses carried forward amounting to CHF 247 million (2022: CHF 194 million).

Unrecognized tax losses carryforwards at 31 December 2023

(CHF million)	
Expiring in the next 3 years	14
Expiring in 4-10 years	40
Available without limitation	193
Total unrecognized tax losses	**247**

At 31 December 2023, the unrecognized deferred tax assets amount to CHF 66 million (2022: CHF 57 million).

At 31 December 2023, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 212 million (2022: CHF 2 415 million) of undistributed earnings that may be subject to tax if remitted to the parent company. As set out in note 22, the nature of the Group's business requires keeping a significant part of the cash reserves in the operating units. The Group takes the view that a deferred tax liability is required when it is probable that unremitted earnings will be distributed in the foreseeable future.

11. Earnings per share and dividend per share

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

As a result, for comparability purposes, the Group recalculated the basic and diluted earnings per share (EPS) as of December 2022 as follows:

	2023	2022 Restated	2022 Published
Profit attributable to equity holders of SGS SA (CHF million)	553	588	588
Weighted average number of shares (million)	184	186	7
Basic earnings per share (CHF)	**3.00**	**3.15**	**78.86**

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares only includes the dilutive effect of the Group's equity compensation plans detailed in note 29. For the year ended 31 December 2023, the Group calculated 742 208 dilutive potential shares (2022 restated: 438 500 and 2022 published: 17 540):

	2023	2022 Restated	2022 Published
Profit attributable to equity holders of SGS SA (CHF million)	553	588	588
Diluted weighted average number of shares (million)	185	187	7
Diluted earnings per share (CHF)	**2.99**	**3.15**	**78.67**

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2024) the approval of an optional scrip dividend of CHF 3.20 per share, subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax- and cost-effective option for shareholders.

In 2022, the Board of Directors recommended the approval of a dividend of CHF 80 per share, equivalent to CHF 3.20 per share after the stock-split.

12. Property, plant and equipment

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2023				
Cost				
At 1 January	460	2 340	702	3 502
Additions	14	138	108	260
Disposals	–18	–79	–36	–133
Disposals from subsidiaries	–7	–31	–4	–42
Exchange differences and other	–22	–180	–111	–313
At 31 December	427	2 188	659	3 274
Accumulated depreciation and impairment				
At 1 January	269	1 837	489	2 595
Depreciation	16	173	50	239
Impairment	–	3	–	3
Disposals	–11	–78	–33	–122
Disposals from subsidiaries	–6	–25	–3	–34
Exchange differences and other	–17	–172	–41	–230
At 31 December	251	1 738	462	2 451
Net book value at 31 December 2023	**176**	**450**	**197**	**823**

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2022				
Cost				
At 1 January	463	2 327	719	3 509
Additions	11	154	126	291
Acquisition of subsidiaries	4	2	4	10
Disposals	–4	–98	–35	–137
Exchange differences and other	–14	–45	–112	–171
At 31 December	460	2 340	702	3 502
Accumulated depreciation and impairment				
At 1 January	267	1 826	491	2 584
Depreciation	17	184	52	253
Impairment	–	17	1	18
Acquisition of subsidiaries	–	1	2	3
Disposals	–3	–97	–33	–133
Exchange differences and other	–12	–94	–24	–130
At 31 December	269	1 837	489	2 595
Net book value at 31 December 2022	**191**	**503**	**213**	**907**

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware, as well as construction-in-progress assets amounting to CHF 47 million (2022: CHF 52 million).

At 31 December 2023, the Group had commitments of CHF 3 million (2022: CHF 6 million) for the acquisition of land, buildings and equipment.

13. Right-of-use assets and lease liabilities

(CHF million)	Right-of-use assets: Land & buildings	Right-of-use assets: Machinery & equipment	Right-of-use assets: Other tangible assets	Total	Lease liabilities
At 1 January	**502**	**69**	**6**	**577**	**604**
Additions	103	48	3	154	147
Acquisition	2	–	–	2	2
Depreciation expense	–135	–42	–3	–180	–
Interest expense	–	–	–	–	17
Payment of lease liabilities and interests	–	–	–	–	–193
Exchange difference and other	–41	–6	–	–47	–50
At 31 December 2023	**431**	**69**	**6**	**506**	**527**

Analyzed as:	**2023**
Current liabilities	143
Non-current liabilities	384
Total	**527**

(CHF million)	Right-of-use assets: Land & buildings	Right-of-use assets: Machinery & equipment	Right-of-use assets: Other tangible assets	Total	Lease liabilities
At 1 January	**528**	**71**	**6**	**605**	**636**
Additions	136	44	3	183	174
Acquisition	3	–	–	3	3
Depreciation expense	–139	–42	–3	–184	–
Interest expense	–	–	–	–	21
Payment of lease liabilities and interests	–	–	–	–	–199
Exchange difference and other	–26	–4	–	–30	–31
At 31 December 2022	**502**	**69**	**6**	**577**	**604**

Analyzed as:	2022
Current liabilities	162
Non-current liabilities	442
Total	**604**

Included in machinery & equipment are mainly vehicles for CHF 63 million (2022: CHF 68 million).

The following table summarizes the main foreign currencies of the lease liabilities.

(CHF million)	**2023**	2022
Euro (EUR)	219	241
US Dollar (USD)	71	93
Renminbi Yuan (CNY)	52	63
Taiwan Dollar (TWD)	21	24
Australian Dollar (AUD)	19	17
Canadian Dollar (CAD)	16	18
Indian Rupee (INR)	11	13
Korean Won (KRW)	9	12
British Pound Sterling (GBP)	7	8
Chilean Peso (CLP)	6	7
Swedish Krona (SEK)	6	4
Singapore Dollar (SGD)	5	6
New Zealand Dollar (NZD)	5	5
Mexican Peso (MXN)	4	5
Other	76	88
Total	**527**	**604**

(CHF million)	**2023**	2022
IFRS 16 Other quantitative information		
Expense relating to short-term leases	3	4
Expense relating to leases of low value assets	2	5
Total expense recognized in income statement	**5**	**9**

The Group leases mainly offices, laboratory spaces and vehicles. During the year ended 31 December 2023, an additional CHF 5 million (2022: CHF 9 million) was recognized as an expense in the income statement.

14. Goodwill

(CHF million)	**2023**	2022
Cost		
At 1 January	**1 755**	**1 778**
Additions	9	52
Consideration/fair value adjustments on prior years' acquisitions	–	1
Impairment	–18	–
Exchange differences	–110	–76
At end of the period	**1 636**	**1 755**

The cash generating units (CGU) and groups of CGUs allocation has been done in accordance with IAS 36, which defines a CGU as the lowest level of a group of assets generating cash inflows that are largely independent from other assets and groups of assets.

In the case of the following two business lines, the CGU covers the entire worldwide operations since customer activities executed by the local entities, the clients and customers that they serve and the drivers of cash inflows are largely interdependent on a worldwide basis across each business line:

- Connectivity & Products (C&P)
- Natural Resources (NR)

The Health & Nutrition (H&N) business line is split into two worldwide CGUs to reflect the global nature of customer activities and drivers of cash inflows in each sub-business unit: Nutrition, Health Science and Cosmetics & Hygiene.

The Industry & Environment (I&E) business line includes Vehicle Compliance and Upstream activities. To best reflect the interdependency of the cash inflows, Vehicle Compliance has been split into two distinct CGUs regrouping regulated services activities in Spain and in France since customers in this sector are country specific. Upstream services is assessed as one separate CGU regrouping the worldwide Upstream activities for which cash inflows are independent from the rest of the I&E activities.

For the remaining I&E activities (excluding Vehicle Compliance and Upstream services), business is driven primarily by regional or local customer activities, therefore cash inflows are largely independent from each other. Consequently, a CGU organization by region has been maintained, split regionally into four CGUs in line with the Group's regional reporting structure.

The Business Assurance (BA) (prev. Knowledge) business line is split into two CGUs, one regrouping the Technical Consultancy business in the USA for which cash inflows remain largely independent from the rest of the business line's activities and the other regrouping the remaining worldwide BA activities for which there are synergies across the Group's network, generating interdependent cash inflows.

Allocation of goodwill to CGUs or group of CGUs

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

(CHF million)	**2023**	2022
Industries & Environment[1]	833	904
Natural Resources	105	115
Connectivity & Products	155	166
Health & Nutrition[2]	452	471
Business Assurance (prev. Knowledge)[3]	91	99
Total	**1 636**	**1 755**

1. Within I&E, goodwill allocated to I&E Europe/Africa/Middle East CGU was CHF 437 million (2022: CHF 462 million).
2. Within H&N, goodwill allocated to Nutrition CGU was CHF 182 million (2022: CHF 184 million) and goodwill allocated to Health Science and Cosmetics & Hygiene CGU was CHF 270 million (2022: CHF 287 million).
3. Within BA, goodwill allocated to Technical consultancy USA CGU was CHF 74 million (2022: CHF 82 million).

Goodwill impairment reviews have been conducted for all goodwill balances allocated to the CGUs as described above.

For Vehicle Compliance Spain CGU, the recoverable amount, determined based upon a value-in-use calculation, was CHF 122 million and fell below the carrying amount by CHF 18 million, resulting in a goodwill impairment in 2023 for the same amount. This was mainly driven by discount rate increase (+1.9 percentage points, to 10.9%) and unfavorable market conditions.

For each of the remaining CGUs, the recoverable amount, determined based upon a value-in-use calculation, is higher than its carrying amount thus resulting in no additional goodwill impairment in 2023. Cash flow projections were used in this calculation, discounted at a pre-tax rate depending on the business activities and geographic profile of each of the respective CGUs.

Pre-tax discount rate used in 2023 for the main CGUs or group of CGUs impairment testing

	2023	2022
Industries & Environment[1]	8.4%-10.9%	7.6%-9.9%
Natural Resources	8.6%	8.4%
Connectivity & Products	8.9%	8.4%
Health & Nutrition[2]	8.5%	7.9%-8.0%
Business Assurance (prev. Knowledge)[3]	7.4%-8.8%	6.7%-8.2%

1. Within I&E, I&E Europe/Africa/Middle East pre-tax discount rate was 8.5% (2022: 7.8%).
2. Nutrition pre-tax discount rate was 8.5% (2022: 8.0%), while Health Science and Cosmetics & Hygiene pre-tax discount rate was 8.5% (2022: 7.9%).
3. Within BA, Technical consultancy USA pre-tax discount rate was 7.4% (2022: 6.7%).

The cash flow projections for the first five years were based upon financial plans, approved by the Group, for each CGU or group of CGUs. The overall assumptions used in the cash flow projections are consistent with the expected average growth rates of the segments served by the Group. For the subsequent years, the Group assumes a long-term growth rate in the range of 1%-1.7% (1% for CGUs where goodwill allocated is significant), in line with market long-term inflation rates projections (2022: range of 1%-2%, 1% for CGUs where goodwill allocated is significant), and stable operating margins depending on each CGU or group of CGUs.

Sensitivity to changes in assumption

Sensitivity analyses were conducted using the following key assumptions:

- Reducing the expected annual sales growth rates for the first five years by 2 percentage points
- Reducing the operating margin by 0.25 percentage points
- Increasing the discount rate assumption by 1 percentage point

For all impairment tests, changing the key assumptions retained in the scenario using the sensitivity analyses described above would not result in any impairment.

Vehicle Compliance Spain goodwill impairment test assumptions

The following key assumptions have been used in the impairment test for this CGU, for which goodwill amounted to CHF 92 million (2022: CHF 115 million):

- Pre-tax discount rate of 10.9% (2022: 9%)
- Expected average annual sales growth rate of 2.1% for the projected period 2024-2028 (2022: 3% for the projected period 2023-2027)
- Long-term growth rate of 1.7% after 2028 (2022: 2.0%)

15. Other intangible assets

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets: Internally generated	Computer software and other assets: Purchased	Total
2023					
Cost					
At 1 January	89	446	220	205	960
Additions	–	–	17	21	38
Acquisition of subsidiaries	–	4	–	–	4
Disposals	–	–3	–10	–21	–34
Disposals of subsidiaries	–	–17	–	–	–17
Exchange differences and other	–5	–24	8	–14	–35
At 31 December	84	406	235	191	916
Accumulated amortization and impairment					
At 1 January	68	199	176	167	610
Amortization	7	27	21	13	68
Impairment	–	21	14	2	37
Disposals	–	–3	–10	–21	–34
Disposals of subsidiaries	–	–14	–	–	–14
Exchange differences and other	–6	–13	–4	–3	–26
At 31 December	69	217	197	158	641
Net book value at 31 December 2023	**15**	**189**	**38**	**33**	**275**

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets: Internally generated	Computer software and other assets: Purchased	Total
2022					
Cost					
At 1 January	92	454	202	200	948
Additions	–	–	17	21	38
Acquisition of subsidiaries	–	17	–	1	18
Disposals	–	–2	–	–6	–8
Exchange differences and other	–3	–23	1	–11	–36
At 31 December	89	446	220	205	960
Accumulated amortization and impairment					
At 1 January	66	176	159	165	566
Amortization	5	32	18	11	66
Acquisition of subsidiaries	–	–	–	1	1
Disposals	–	–2	–	–6	–8
Exchange differences and other	–3	–7	–1	–4	–15
At 31 December	68	199	176	167	610
Net book value at 31 December 2022	**21**	**247**	**44**	**38**	**350**

16. Other non-current assets

(CHF million)	2023	2022
Non-current loans or amounts receivable from third parties	4	4
Retirement benefit asset	133	59
Other non-current assets	54	62
Total	**191**	**125**

Other non-current assets are measured at fair value through profit and loss except non-current loans or amounts receivable from third parties that are measured at amortized cost.

Depending on the nature of the balances, currency and date of maturity, interest rates on long-term balances or loans to third parties range between 0.0% and 14.0%.

In 2023, other non-current assets included deposits for guarantees and restricted cash of CHF 34 million (2022: CHF 38 million).

Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2023 and 2022, the fair value of the Group's other non-current assets approximates their carrying value.

17. Trade receivables

(CHF million)	2023	2022
Trade receivables	1 078	1 149
Allowance for expected credit losses	–138	–161
Total	**940**	**988**

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

(CHF million)	2023	2022
At 1 January	–161	–162
Acquisition of subsidiaries	–1	–1
(Increase) in allowance recognized in the income statement	–9	–16
Utilizations	16	10
Exchange differences	17	8
Total at 31 December	**–138**	**–161**

18. Other receivables and prepayments

(CHF million)	2023	2022
Accrued income, prepayments	83	86
Derivative assets	17	12
Other receivables	113	125
Total	**213**	**223**

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties. Other receivables consist mainly of sales taxes and other taxes recoverable as well as advances to suppliers.

19. Cash and cash equivalents

(CHF million)	2023	2022
Cash and short-term deposits	1 569	1 623
Total	**1 569**	**1 623**

20. Cash flow statement

20.1. Non-cash and non-operating items

(CHF million)	Notes	**2023**	2022
Depreciation of property, plant and equipment	12	239	253
Impairment of property, plant and equipment and other intangible assets	12 and 15	40	18
Depreciation/impairment right-of-use asset	13	180	184
Amortization of intangible assets	15	68	66
Impairment of goodwill	14	18	–
ECL[1] on trade receivables, unbilled sales and work in progress		11	22
Net financial expenses	8 and 9	57	51
(Decrease) in provisions and employee benefits		–6	–13
Share-based payment expenses		24	18
Gain on disposals	3	–7	–
Gain on disposals of property, land and equipment		–3	–4
Share of results from associates and other entities		–2	–2
Taxes	10	205	219
Non-cash and non-operating items		**824**	**812**

1. Expected Credit Losses.

20.2. (Increase)/decrease in working capital

(CHF million)	**2023**	2022
(Increase) in unbilled sales and inventories	–43	–53
(Increase) in trade receivables	–66	–125
Decrease/(increase) in other receivables and prepayments	7	–25
Increase in trade and other payables	33	7
Increase in other creditors and accruals	25	25
(Decrease)/increase in other provisions	–11	9
(Increase) in working capital	**–55**	**–162**

20.3. Changes in liabilities arising from financing and investing activities

		Cash impact		**Non cash impact**				
(CHF million)	**1 January**	**Financing cash flows**	**Investing cash flows**	**Equity movement**	**Acquisition and disposals**	**New leases**	**Other movements[1]**	**31 December**
2023								
Corporate bonds	3 310	–1	–	–	–	–	–40	3 269
Bank loans	469	100	–	–	5	–	–16	558
Put option on acquisition	29	–12	–	7	–	–	–	24
Lease liabilities	604	–178	–	–	2	147	–48	527
Other financial liabilities	26	–	–3	–	–	–	–1	22
Total	**4 438**	**–91**	**–3**	**7**	**7**	**147**	**–105**	**4 400**

1. Other movements mainly include currency effects.

		Cash impact	Non cash impact				
(CHF million)	1 January	Financing cash flows	Equity movement	Acquisition and disposals	New leases	Other movements[1]	31 December
2022							
Corporate bonds	3 100	249	–	–	–	–39	3 310
Bank loans	5	469	–	3	–	–8	469
Put option on acquisition	33	–4	1	–	–	–1	29
Lease liabilities	636	–183	–	3	174	–26	604
Other financial liabilities	26	–5	–	5	–	–	26
Total	**3 800**	**526**	**1**	**11**	**174**	**–74**	**4 438**

1. Other movements mainly include currency effects.

21. Acquisitions

Assets and liabilities arising from acquisitions

(CHF million)	**Total fair value on acquisitions December 2023**	Total fair value on acquisitions December 2022
Property, plant and equipment	–	7
Right-of-use assets	2	3
Intangible assets	4	17
Trade receivable	2	5
Other current assets	2	2
Cash and cash equivalents	–	6
Current liabilities	–3	–9
Non-current liabilities	–7	–8
Net assets acquired	**–**	**23**
Goodwill	9	52
Total purchase price	**9**	**75**
Acquired cash and cash equivalents	–	–6
Consideration payable	–	–5
Payment on prior year acquisitions	3	3
Net cash outflow on acquisitions	**12**	**67**

In compliance with IFRS 3, fair value on acquisition remains provisional for a 12-month period following the date of acquisition, during which the Group can finalize 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. Consideration payable relates mainly to environmental and commercial warranty clauses and the fair value of contingent future earn-out payments.

The Group incurred transaction-related costs of CHF 2 million (2022: CHF 5 million) related to external legal fees and due diligence expenses. These expenses are reported within other operating expenses in the consolidated income statement.

22. Financial risk management

Risk management policies and objectives

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

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

The 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.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies. The Audit Committee is assisted in its oversight role by Internal Audit.

Risk management activities

The Group uses foreign exchange contracts to manage the Group's exposure to fluctuations in foreign currency exchange rates. These activities are carried out in accordance with the Group's risk management policies and objectives in areas such as counterparty exposure and economic hedging practices. Counterparties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table summarizes foreign exchange contracts outstanding at year end. The notional amount of derivatives summarized below represents the gross amount of the contracts and includes transactions, which have not yet matured. Therefore the figures do not reflect the Group's net exposure at year end. The market value approximates the costs to settle the outstanding contracts. These market values should not be viewed in isolation but in relation to the market values of the underlying hedged transactions and the overall reduction in the Group's exposure to adverse fluctuations in foreign exchange rates.

Currently, the Group has certain exposure to interest and credit risks and no exposure to equity price risk.

(CHF million)	Notional amount 2023	Notional amount 2022	Market value 2023	Market value 2022
Foreign exchange forward contracts				
Currency:				
Australian Dollar (AUD)	–9	–15	–	–
Brazilian Real (BRL)	–5	–5	–	–1
Canadian Dollar (CAD)	–13	–5	–	–
Chilean Peso (CLP)	–33	–34	–1	–3
Chinese Renminbi (CNY)	–22	–22	1	–
Colombian Peso (COP)	–10	–4	–	–
Euro (EUR)	392	441	1	–
British Pound Sterling (GBP)	–114	–119	–	2
Hong Kong Dollar (HKD)	17	18	–	–
Indian Rupee (INR)	1	1	–	–
Japanese Yen (JPY)	–4	–3	–	–
Kenyan Shilling (KES)	–2	–	–	–
Korean Won (KRW)	1	3	–	–
New Zealand Dollar (NZD)	–6	–6	–	–
Philippines Peso (PHP)	–11	–13	–	–1
Polish Zloty (PLN)	–6	1	–	–
Turkish New Lira (TRY)	3	1	–	–
US Dollar (USD)	–307	–268	9	7
South African Rand (ZAR)	–4	–10	–	–
Other	–36	–38	–1	–1
Total	**–168**	**–77**	**9**	**3**

Credit risk management

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. It arises principally from the Group's commercial activities. Trade receivable, unbilled sales and work in progress are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits and approval procedures. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivable, unbilled sales and work in progress.

As at 31 December 2023, the Group has unbilled sales and work in progress of CHF 223 million (2022: CHF 210 million) which is net of an allowance for expected credit losses of CHF 20 million (2022: CHF 20 million).

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 country risk, the credit risk profile and available historical data. Similarly to receivables, an allowance for unbilled sales and work in progress is made using a provision matrix.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2023:

(CHF million)	**Expected credit loss range**	**Gross carrying amount**	**Expected credit loss**
0 – 90 days	0%-5%	866	3
91 – 120 days	10%-25%	46	9
121 – 180 days	20%-50%	39	14
181 – 240 days	35%-75%	20	11
241 – 300 days	50%-75%	14	9
301 – 360 days	75%-100%	9	8
> 360 days	100%	84	84
Total		**1 078**	**138**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2022:

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 – 90 days	0%-5%	910	2
91 – 120 days	10%-25%	47	10
121 – 180 days	20%-50%	47	19
181 – 240 days	35%-75%	25	15
241 – 300 days	50%-75%	14	10
301 – 360 days	75%-100%	10	9
> 360 days	100%	96	96
Total		**1 149**	**161**

As part of financial management activities, the Group enters into various types of transaction 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 Group does not expect any non-performance by these counterparties. The maximum credit risk to which the Group is theoretically exposed at 31 December 2023 is the carrying amount of financial assets including derivatives.

In addition, the Group has issued CHF 166 million (2022: CHF 181 million) financial guarantees to certain financial institutions that have provided credit facilities and foreign exchange lines to its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

Analysis of financial assets by class and category at 31 December 2023:

			Fair value					
	Amortized cost		**At fair value through Equity**		**At fair value through P&L**		**Total**	
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash-equivalents	1 569	1 569	–	–	–	–	1 569	1 569
Trade receivables	940	940	–	–	–	–	940	940
Other receivables[1]	123	123	–	–	–	–	123	123
Unbilled sales and work in progress	223	223	–	–	–	–	223	223
Loans to third parties – non-current	4	4	–	–	–	–	4	4
Derivatives	–	–	–	–	17	17	17	17
Total financial assets	**2 859**	**2 859**	**–**	**–**	**17**	**17**	**2 876**	**2 876**

1. Excluding VAT and other tax related items.

Analysis of financial assets by class and category at 31 December 2022:

			Fair value					
	Amortized cost		At fair value through Equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash-equivalents	1 623	1 623	–	–	–	–	1 623	1 623
Trade receivables	988	988	–	–	–	–	988	988
Other receivables[1]	132	132	–	–	–	–	132	132
Unbilled sales and work in progress	210	210	–	–	–	–	210	210
Loans to third parties – non-current	4	4	–	–	–	–	4	4
Derivatives	–	–	–	–	12	12	12	12
Total financial assets	**2 957**	**2 957**	**–**	**–**	**12**	**12**	**2 969**	**2 969**

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 (2023: CHF 17 million; 2022: CHF 12 million) 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 in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position, liquidity risk is limited. The Group has various committed and uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by class and category at 31 December 2023:

			Fair value					
	Amortized cost		At fair value through Equity		At fair value through P&L		Total	
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade payables	335	335	–	–	–	–	335	335
Other payables[1]	123	123	–	–	–	–	123	123
Loans and other financial liabilities	3 842	3 778	24	24	15	15	3 881	3 817
Lease liabilities	527	527	–	–	–	–	527	527
Total financial liabilities	**4 827**	**4 763**	**24**	**24**	**15**	**15**	**4 866**	**4 802**

1. Excluding VAT and other tax related items.

The corporate bonds qualify as fair value Level 1, which amounts to CHF 3 205 million (2022: CHF 3 124 million).

Other financial liabilities include CHF 24 million qualifying as fair value Level 3 (2022: CHF 29 million), which represents the estimated present value of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised.

Subsequent changes in the valuation of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

The remaining financial liabilities qualify as Level 2 determined in accordance with generally accepted pricing models.

Analysis of financial liabilities by class and category at 31 December 2022:

			Fair value					
	Amortized cost		At fair value through Equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	360	360	–	–	–	–	360	360
Other payables[1]	130	130	–	–	–	–	130	130
Loans and other financial liabilities	3 792	3 606	29	29	21	21	3 842	3 656
Lease liabilities	604	604	–	–	–	–	604	604
Total financial liabilities	**4 886**	**4 700**	**29**	**29**	**21**	**21**	**4 936**	**4 750**

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2023:

(CHF million)	**Trade payables**	**Other payables[1]**	**Gross settled derivative financial instruments outflows**	**Gross settled derivative financial instruments inflows**	**Loans and Other financial liabilities**	**Lease liabilities**	**Total**
On demand or within one year	335	123	1 141	–1 134	856	155	1 476
Within the second year	–	–	–	–	417	114	531
Within the third year	–	–	–	–	736	84	820
Within the fourth year	–	–	–	–	957	56	1 013
Within the fifth year	–	–	–	–	191	39	230
After five years	–	–	–	–	863	103	966

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2022:

(CHF million)	Trade payables	Other payables[1]	Gross settled derivative financial instruments outflows	Gross settled derivative financial instruments inflows	Loans and Other financial liabilities	Lease liabilities	Total
On demand or within one year	360	130	1 301	–1 299	1 014	173	1 679
Within the second year	–	–	–	–	283	125	408
Within the third year	–	–	–	–	409	89	498
Within the fourth year	–	–	–	–	716	64	780
Within the fifth year	–	–	–	–	747	45	792
After five years	–	–	–	–	771	135	906

1. Excluding VAT and other tax-related items.

The Group economically hedges its foreign exchange exposure on a net basis. The net position of the gross settled derivative financial instruments of CHF 7 million (2022: CHF 2 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2023.

Sensitivity analyses

The estimated changes in the value of net foreign currency positions are based on an instantaneous 5% weakening of the Swiss Franc against all other currencies from the level applicable at 31 December 2023 and 2022 with all other variables remaining constant.

Sensitivity analysis based on net hedged positions at 31 December 2023 and 2022:

	2023		2022	
(CHF million)	**Income statement impact income/(expense)**	**Equity impact increase/(decrease)**	Income statement impact income/(expense)	Equity impact increase/(decrease)
US Dollar (USD)	**3**	**–1**	4	–2
Euro (EUR)	**–1**	**–**	–2	–
CFA Franc BEAC (CFA)	**2**	**–**	2	–
Russian Ruble (RUB)	**–1**	**–**	–	–
Canadian Dollar (CAD)	**–**	**1**	–	2
U.A.E. Dirham (AED)	**–1**	**–**	–1	–

Interest rate risk management

The Group is exposed to fair value interest rate risk because the Group borrows funds at fixed interest rates. Where appropriate, the risk is managed by the Group using Interest Rate Swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

If interest rates were 100 basis points higher/lower, the profit for the year ended 31 December 2023 would increase/decrease by CHF 5 million (2022: CHF 5 million).

23. Share capital and treasury shares

	Shares in circulation	Treasury shares	Total shares issued	Total share capital (CHF million)
Balance at 1 January 2022	**7 491 672**	**3 360**	**7 495 032**	**7**
Treasury shares released into circulation	3 381	–3 381	–	–
Treasury shares purchased for equity compensation plans	–12 500	12 500	–	–
Treasury shares purchased for cancellation	–113 499	113 499	–	–
Balance at 31 December 2022	**7 369 054**	**125 978**	**7 495 032**	**7**
Treasury shares released into circulation	1 964	–1 964	–	–
Balance at 12 April 2023 before share split	**7 371 018**	**124 014**	**7 495 032**	**7**
Share split 25-1	176 904 432	2 976 336	179 880 768	–
Balance at 12 April 2023 after share split	**184 275 450**	**3 100 350**	**187 375 800**	**7**
Treasury shares released into circulation	35 665	–35 665	–	–
Balance at 31 December 2023	**184 311 115**	**3 064 685**	**187 375 800**	**7**

Issued share capital
On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

As at 31 December 2023, SGS SA has a share capital of CHF 7 495 032 (2022: CHF 7 495 032) fully paid. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares
On 31 December 2023, SGS SA held 3 064 685 treasury shares (2022 restated: 3 149 450 and 2022 published: 125 978 shares). The shares purchased for cancellation are directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2023, 84 765 treasury shares were sold or given in relation with the equity compensation plans.

Authorized and Conditional issue of share capital
The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000, divided into 27 500 000 registered shares of a par value of CHF 0.04 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee equity participation plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorized to issue. The right to subscribe to such conditional capital is reserved for beneficiaries of employee equity participation plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorized to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed ten years from the date of issuance of the equity-linked instruments.

24. Loans and other financial liabilities

(CHF million)	**2023**	2022
Bank loans and commercial paper	558	469
Corporate bonds	3 269	3 310
Put option on acquisition	24	29
Other financial liabilities	22	26
Derivatives	8	8
Total	**3 881**	**3 842**
Current	841	1 009
Non-current	3 040	2 833

In 2023, the Group continued to issue commercial paper out of its EUR 1 billion Euro Commercial Paper (ECP) program, for an amount of EUR 124 million (CHF 105 million) as at 31 December 2023.

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0.125% and 8.00% and on short-term loans from third parties range between 0.00% and 14.00%.

The loans from third parties exposed to fair value interest rate risk amounted to CHF 3 825 million (2022: CHF 3 778 million) and the loans from third parties exposed to cash flow interest rate risk amounted to CHF less than 0.7 million (2022: CHF less than 0.7 million).

SGS SA issued the following corporate bonds listed on the SIX Swiss Exchange:

Date of issue	Face value in CHF million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
27.02.2014	250	1.750	2024	101.019	100.000
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	225	0.750	2025	100.068	100.000
29.10.2018	175	1.250	2028	101.157	100.000
06.05.2020	325	0.950	2026	100.182	100.000
05.09.2022	150	1.250	2025	100.000	100.000
05.09.2022	350	1.700	2029	100.197	100.000
17.11.2023	240	2.000	2027	100.038	100.000
17.11.2023	260	2.300	2031	100.127	100.000

SGS Nederland Holding BV has issued the following corporate bond, which is guaranteed by SGS SA and which is listed on the Luxembourg Stock Exchange:

Date of issue	Face value in EUR million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
21.04.2021	750	0.125	2027	99.761	100.000

The currency composition of bank loans, corporate bonds and other financial liabilities is as follows:

(CHF million)	Bank loans and corporate bond 2023	Bank loans and corporate bond 2022	Put option and other financial liabilities 2023	Put option and other financial liabilities 2022
Swiss Franc (CHF)	2 573	2 574	12	12
Euro (EUR)	1 251	1 201	7	20
Singapore Dollar (SGD)	2	3	11	13
US Dollar (USD)	–	–	1	1
British Pound Sterling (GBP)	–	–	–	1
Canadian Dollar (CAD)	–	–	12	4
New Zealand Dollar (NZD)	–	–	3	3
Other	1	1	–	1
Total	**3 827**	**3 779**	**46**	**55**

25. Defined benefit obligations

The Group mainly operates defined benefit pension plans in Switzerland, the USA, the UK, the Netherlands, Germany, Italy, France, Belgium, South Korea and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities.

The Group also operates post-employment benefit plans, principally healthcare plans, in the USA and Switzerland. They represent a defined benefit obligation at 31 December 2023 of CHF 6 million (2022: CHF 5 million). The method of accounting and the frequency of valuation are similar to those used for defined benefit pension plans. Healthcare cost trend assumptions do not have a significant effect on the amounts recognized in the income statement.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to recover any deficit that arises.

The Group's material defined benefit plans are in Switzerland, the USA and the UK.

Switzerland

The Group jointly operates with the employees a retirement foundation in Switzerland. The assets and liabilities of the retirement foundation are held separately from the Group. The foundation board is equally composed of representatives of the employees and representatives of the employer. This foundation covers all the employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee and the Group contribute at a rate set out in the foundation rules based on a percentage of salary. Every year, the foundation decides the level of interest, if any, to apply to retirement accounts based on the agreed policy. At retirement, employees can elect either to withdraw all or part of the balance of their retirement account or to convert it into annuities at pre-defined conversion rates.

As the foundation board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees, no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contribution to the foundation.

According to IFRS, the foundation has to be classified as a defined benefit plan due to underlying benefit guarantees and has to be accounted for on this basis.

The weighted average duration of the expected benefit payment is approximately 12 years (2022: 12 years).

The Group expects to contribute CHF 5 million to this plan in 2024.

The Group also operates an employer fund. The assets are held separately from the Group. This foundation has unilateral power to provide benefits and consequently has no obligations. Therefore, this foundation has no pension liabilities.

United States of America

The Group operates a non-contributory defined benefit plan, which is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

The assets of the plan are held separately from the Group by the trustee-custodian and the plan's third-party pension administrator who disburses payments directly to retirees or beneficiaries under the plan. Both the trustee-custodian and the administrator ensure adherence to ERISA rules.

Funding valuations are calculated on an actuarial basis and contributions are made as necessary. The funding target is to provide the plan with sufficient assets to meet future plan obligations.

Effective 16 March 2004, non-exempt participants ceased accruing any additional benefits; only exempt employees of certain SGS business units in the USA are eligible for annual benefit accrual. In addition, the pension benefit was changed and is defined as a percentage of the current year's pensionable compensation; the cost of additional benefit accrual is evaluated annually. The Group reserves the right to make future changes to the benefit accrual structure of the plan.

Eligible employees become participants in the plan after the completion of one year of service and after reaching the age of 21. Participants become fully vested in the plan after five years of service.

The weighted average duration of the expected benefit payment is approximately 10 years (2022: 10 years).

The Group expects to contribute CHF nil million to this plan in 2024.

United Kingdom

The Group operates a defined benefit plan through a trust, with the assets of the plans held separately from the Group and trustees who ensure the plan's rules are strictly adhered to. This plan has been closed to new entrants since 2002 and, effective 31 October 2020, all remaining participants ceased accruing any additional benefits in the defined benefit plan. Employees are now offered membership in defined contribution plans operated by the Group.

Funding valuations of the defined benefit plans are carried out and agreed between the Group and the plan trustees at least once every three years. The funding target is for the plans to hold assets equal in value to the accrued benefits based on projected salaries. As part of the valuation process, if there is a shortfall against this target, then the Group and trustees will agree on deficit contributions to meet this deficit over a specified period.

The weighted average duration of the expected benefit payments from the combined plans is approximately 13 years (2022: 14 years).

The Group expects to contribute CHF nil million to this plan in 2024.

Other countries

The Group sponsors defined retirement benefits plans in other countries where the Group operates. No individual countries other than those described above are considered material and need to be separately disclosed. The Group expects to contribute CHF 6 million to those plans in 2024.

The assets and liabilities recognized in the statement of financial position at 31 December for defined benefit obligations and for post-employment benefit plans are as follows:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Fair value of plan assets	496	128	145	75	844
Present value of funded defined benefit obligation	–395	–111	–137	–84	–727
Funded/(unfunded) status	**101**	**17**	**8**	**–9**	**117**
Present value of unfunded defined benefit obligation	–5	–	–2	–41	–48
Unrecognized asset due to asset ceiling	–	–	–	–2	–2
Net asset/(liability) at 31 December	**96**	**17**	**6**	**–52**	**67**

(CHF million)	CH	UK	USA	Other	Total
2022					
Fair value of plan assets	494	134	156	77	861
Present value of funded defined benefit obligation	–357	–115	–150	–79	–701
Funded/(unfunded) status	**137**	**19**	**6**	**–2**	**160**
Present value of unfunded defined benefit obligation	–5	–	–3	–41	–49
Unrecognized asset due to asset ceiling	–98	–	–	–1	–99
Net asset/(liability) at 31 December	**34**	**19**	**3**	**–44**	**12**

The net asset of CHF 67 million (2022: net asset of CHF 12 million) includes CHF 133 million (2022: CHF 59 million) of pension fund assets recognized in the item other non-current assets in note 16 and CHF 66 million (2022: CHF 47 million) of pension fund liability recognized in the item Defined Benefit Obligation in statement of financial position.

Amounts recognized in the income statement:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Service cost expense	5	–	–	7	12
Net interest income on defined benefit plan	–1	–1	–1	2	–1
Administrative expenses	–	1	1	–	2
Total expense due to defined benefit obligation at 31 December	**4**	**–**	**–**	**9**	**13**
Expense charged in:					
Salaries and wages	5	1	1	7	14
Financial expenses	–1	–1	–1	2	–1
Total expense due to defined benefit obligation at 31 December	**4**	**–**	**–**	**9**	**13**

(CHF million)	CH	UK	USA	Other	Total
2022					
Service cost expense	8	–	1	6	15
Net interest income on defined benefit plan	–	–1	–	–	–1
Administrative expenses	–	1	1	–	2
Total expense due to defined benefit obligation at 31 December	**8**	**–**	**2**	**6**	**16**
Expense charged in:					
Salaries and wages	8	1	2	6	17
Financial expenses	–	–1	–	–	–1
Total expense due to defined benefit obligation at 31 December	**8**	**–**	**2**	**6**	**16**

Amounts recognized in the statement of other comprehensive income:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	–2	–	–	–2
Change in financial assumptions	31	3	2	6	42
Experience adjustments on benefit obligations	10	1	1	3	15
Actual return on plan assets excluding net interest expense	–1	–	–6	2	–5
Asset ceiling	–100	–	–	–	–100
Total recognized in the statement of other comprehensive income at 31 December	**–60**	**2**	**–3**	**11**	**–50**

(CHF million)	CH	UK	USA	Other	Total
2022					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	–	–	–1	–1
Change in financial assumptions	–87	–68	–43	–34	–232
Experience adjustments on benefit obligations	3	7	–1	3	12
Actual return on plan assets excluding net interest expense	–21	99	50	14	142
Asset ceiling	98	–	–	1	99
Total recognized in the statement of other comprehensive income at 31 December	**–7**	**38**	**6**	**–17**	**20**

Change in unrecognized asset due to the asset ceiling:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Unrecognized asset at 1 January	**98**	**–**	**–**	**1**	**99**
Interest on unrecognized asset recognized in P&L	2	–	–	1	3
Other changes in unrecognized asset due to the asset ceiling	–100	–	–	–	–100
Unrecognized asset at 31 December	**–**	**–**	**–**	**2**	**2**

(CHF million)	CH	UK	USA	Other	Total
2022					
Unrecognized asset at 1 January	**–**	**–**	**–**	**1**	**1**
Other changes in unrecognized asset due to the asset ceiling	98	–	–	–	98
Unrecognized asset at 31 December	**98**	**–**	**–**	**1**	**99**

In 2023, the Group recognized a CHF 2 million asset ceiling (2022: CHF 99 million). The movement in 2023 was mainly made of a CHF 100 million decrease (2022: CHF 98 million increase) for the SGS Swiss Pension Plan. The maximum economic benefit available in the SGS Swiss Pension Plan was determined applying the common approach prescribed by IFRIC 14, and reflects the present value of reductions in future contributions to the plan. In making this estimate, assumptions used for future service costs are consistent with those used to determine the defined benefit obligation as at 31 December 2023.

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

(CHF million)	CH	UK	USA	Other	Total
2023					
Net asset/(liability) at 1 January	**34**	**19**	**3**	**–44**	**12**
Expense recognized in the income statement	–4	–	–	–9	–13
Remeasurements recognized in other comprehensive income	60	–2	3	–11	50
Contributions paid by the Group	6	–	–	8	14
Employer benefit payments	–	–	–	2	2
Exchange differences	–	–	–	2	2
Net asset/(liability) at 31 December	**96**	**17**	**6**	**–52**	**67**

(CHF million)	CH	UK	USA	Other	Total
2022					
Net asset/(liability) at 1 January	**29**	**61**	**4**	**–74**	**20**
Expense recognized in the income statement	–8	–	–2	–6	–16
Remeasurements recognized in other comprehensive income	7	–38	–6	17	–20
Contributions paid by the Group	6	–	7	13	26
Employer benefit payments	–	–	–	3	3
Exchange differences	–	–4	–	3	–1
Net asset/(liability) at 31 December	**34**	**19**	**3**	**–44**	**12**

Change in the defined benefit obligation is as follows:

(CHF million)	CH	UK	USA	Other	Total
2023					
Opening present value of the defined benefit obligation	362	115	153	120	750
Current service cost	5	–	–	6	11
Interest cost	7	5	7	4	23
Plan participants' contributions	5	–	–	1	6
Past service cost	–	–	–	1	1
Actual net benefit payments	–20	–6	–10	–7	–43
(Gains)/losses due to changes in demographic assumptions	–	–2	–	–	–2
(Gains)/losses due to changes in financial assumptions	31	3	2	6	42
Experience differences	10	1	1	3	15
Exchange rate (gains)/losses	–	–5	–14	–9	–28
Defined benefit obligation at 31 December	**400**	**111**	**139**	**125**	**775**

(CHF million)	CH	UK	USA	Other	Total
2022					
Opening present value of the defined benefit obligation	456	194	197	159	1 006
Current service cost	8	–	1	6	15
Interest cost	1	4	6	2	13
Plan participants' contributions	5	–	–	1	6
Actual net benefit payments	–24	–7	–10	–9	–50
(Gains)/losses due to changes in demographic assumptions	–	–	–	–1	–1
(Gains)/losses due to changes in financial assumptions	–87	–68	–43	–34	–232
Experience differences	3	7	–1	3	12
Exchange rate (gains)/losses	–	–15	3	–7	–19
Defined benefit obligation at 31 December	**362**	**115**	**153**	**120**	**750**

Change in fair value of plan assets is as follows:

(CHF million)	CH	UK	USA	Other	Total
2023					
Opening fair value of plan assets	494	134	156	77	861
Interest income on plan assets	10	6	8	3	27
Return on plan assets excluding amounts included in net interest income	1	–	6	–2	5
Actual employer contributions	6	–	–	10	16
Actual plan participants' contributions	5	–	–	1	6
Actual net benefit payments	–20	–6	–10	–7	–43
Actual admin expenses paid	–	–1	–1	–	–2
Exchange differences	–	–5	–14	–7	–26
Fair value of plan assets at 31 December	**496**	**128**	**145**	**75**	**844**

(CHF million)	CH	UK	USA	Other	Total
2022					
Opening fair value of plan assets	485	255	201	85	1 026
Interest income on plan assets	1	5	6	2	14
Return on plan assets excluding amounts included in net interest income	21	–99	–50	–14	–142
Actual employer contributions	6	–	7	16	29
Actual plan participants' contributions	5	–	–	1	6
Actual net benefit payments	–24	–7	–10	–9	–50
Actual admin expenses paid	–	–1	–1	–	–2
Exchange differences	–	–19	3	–4	–20
Fair value of plan assets at 31 December	**494**	**134**	**156**	**77**	**861**

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 32 million (2022: loss of CHF 128 million).

The major categories of plan assets at the balance sheet date are as follows:

(CHF million)	CH	UK	USA	Other	Total
2023					
Cash and cash equivalents	16	14	–	12	42
Equity securities	138	24	–	–	162
Debt securities	78	88	145	2	313
Assets held by insurance company	3	–	–	22	25
Properties	226	–	–	–	226
Investment funds	32	–	–	–	32
Other	3	2	–	39	44
Total plan assets at 31 December	**496**	**128**	**145**	**75**	**844**

(CHF million)	CH	UK	USA	Other	Total
2022					
Cash and cash equivalents	26	12	–	18	56
Equity securities	136	15	17	–	168
Debt securities	68	106	138	1	313
Assets held by insurance company	3	–	–	21	24
Properties	217	–	–	–	217
Investment funds	44	–	–	–	44
Other	–	1	1	37	39
Total plan assets at 31 December	**494**	**134**	**156**	**77**	**861**

In 2023 and 2022, the Group did not occupy any property that was included in the plan assets.

Properties are rented at fair market rental rates. There are no SGS SA shares or any other financial securities used by the Group included in the plan assets.

The plan assets are primarily held within instruments with quoted market prices in an active market, with the exception of the property and insurance policy holdings.

The investment strategy in Switzerland is to invest, within the statutory and legal requirements, in a diversified portfolio with the aim of generating long-term returns, which will enable the Board of the foundation to grow the accounts of the members of the pension fund, whilst taking on the lowest possible risk in order to do so.

In the USA, the pension plan target policy is determined by both quantitatively and qualitatively assessing the risk tolerance level and return requirements of the plan as determined by the Investment Committee. In 2023 the investment portfolio asset was shifted to 100% Liability Driven Investment as the company decided to freeze the plan effective 31 December 2022. In the UK, the Trustees review the investment strategy of the scheme and the plan on a regular basis in order to ensure that they remain appropriate. The last review for both the scheme and plan was recently undertaken and is in the process of being implemented.

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 2023 and 2022 are as follows:

(Weighted average %)	**CH**	**UK**	**USA**	**Other**
2023				
Discount rate	1.4	4.5	5.1	4.2
Mortality assumption	LPP 2020, CMI 2019 1.25%	SPA03M103%/ F99% CMI_2022 1.25%	PRI 2012 MP 2021	–
Salary progression rate	1.7	2.5	–	3.1
Future increase for pension in payments	–	3.0	–	0.4
Healthcare cost trend assumed for the next year	–	–	6.4	–
Ultimate trend rate	–	–	4.5	–
Year that the rate reaches the ultimate trend rate			**2030**	

(Weighted average %)	CH	UK	USA	Other
2022				
Discount rate	2.1	4.7	5.2	3.9
Mortality assumption	LPP 2020, CMI 2019 1.25%	SNA03M104%/ F94% CMI 2021 1.25%	PRI 2012 MP 2021	–
Salary progression rate	1.7	2.5	3.3	3.1
Future increase for pension in payments	–	3.0	–	0.4
Healthcare cost trend assumed for the next year	–	–	6.7	–
Ultimate trend rate	–	–	4.5	–
Year that the rate reaches the ultimate trend rate			**2030**	

The weighted average rate for each assumption used to measure the benefits obligation is also shown. The assumptions used to determine the end-of-year benefits obligation are also used to calculate the following year's cost.

In Switzerland, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 26 million; a 0.5% increase in assumed salary would increase the obligation by CHF 1 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 10 million.

In the USA, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 6 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 2 million.

In the UK, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 7 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 3 million.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assume no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

The amount recognized as an expense in respect of defined contribution plans during 2023 was CHF 80 million (2022: CHF 81 million).

26. Provisions

(CHF million)	Legal and warranty claims on services rendered	Demobilization and reorganization	Other provisions	Total
At 1 January 2023	**39**	**60**	**55**	**154**
Charge to income statement	15	27	11	53
Release to income statement	–6	–5	–9	–20
Payments	–10	–28	–6	–44
Exchange differences	–2	–7	–2	–11
At 31 December 2023	**36**	**47**	**49**	**132**

Analyzed as:	**2023**	2022
Current liabilities	41	58
Non-current liabilities	91	96
Total	**132**	**154**

A number of group companies are subject to litigation and other claims arising out of the normal conduct of their business that can be best viewed as claims on services rendered. The claim provision represents the sum of estimates of amounts payable on identified claims and of losses incurred but not yet reported. They therefore reflect estimates of the future payments required to settle both reported and unreported claims. In the opinion of management, based on all currently available information, the provisions adequately reflect the Group's exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, results of operations or cash flows.

Demobilization and reorganization provisions relate to present legal or constructive obligations of the Group towards third parties, such as termination payments to employees upon leaving the Group, which in some jurisdictions are a legal obligation. For specific long-term contracts, typically with two to five years' duration, the Group is required to dismantle infrastructure and terminate the services of personnel upon completion of the contract. These demobilization costs are provided for during the life of the contract. Experience has shown that these contracts may be either extended or terminated earlier than expected.

Other provisions include present legal or constructive obligations towards tax authorities for indirect tax exposure as well as other provisions towards third parties.

27. Trade and other payables

(CHF million)	**2023**	2022
Trade payables	335	360
Other payables	299	311
Total	**634**	**671**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2023 and 2022, the fair value of the Group's trade accounts and other payables approximates the carrying value.

28. Contingent liabilities

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. Management does not expect that the outcome of any of these legal proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Guarantees and performance bonds

(CHF million)	**2023**	2022
Guarantees	186	461
Performance bonds	191	189
Total	**377**	**650**

The Group has issued unconditional guarantees of CHF 186 million (2022: CHF 461 million), as well as performance bonds and bid bonds of CHF 191 million (2022: CHF 189 million) to commercial customers on behalf of its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

29. Equity compensation plans

Selected employees of the SGS Group are eligible to participate in equity compensation plans.

i) Grants to members of the Board of Directors

In 2023, a total of 6 859 restricted shares were granted to members of the Board of Directors, in settlement of part of their remuneration for the Annual General Meeting 2023 to 2024 mandate. The restricted shares are blocked for a period of three years from the grant date, until May 2026. The value at grant date of the restricted shares granted was CHF 564 839 (defined as the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting 2023).

ii) Grants to members of the Operations Council

In 2023, a total of 105 045 Performance Share Units (PSUs) under the long-term incentive plan 2023-2025 were granted to members of the Operations Council. The PSUs vest after a three-year performance period 2023-2025, in March 2026, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 8 727 139.

More information on the long-term incentive plan for the members of the Operations Council is disclosed in the SGS Remuneration report.

In 2023, a total of 26 921 Restricted Shares were granted to members of the Operations Council, in settlement of 50% of the annual incentive related to the 2022 performance. The Restricted Shares are blocked for a period of three years from the grant date, until May 2026. The value at grant date of the Restricted Shares granted, being defined as the average closing price of the share during a 20-day period following the payment of the dividends after the 2023 Annual general Meeting, was CHF 2 216 944.

50% of the Annual Incentive related to the 2023 performance will be settled in Restricted Shares. The grant of the Restricted Shares will be done after the 2024 Annual General Meeting; the total number of Restricted Shares to be granted will be calculated dividing 50% of the annual Incentive amount by the average closing price of the share during a 20-day period following the payment of the dividends after the 2024 Annual General Meeting, rounded up to the nearest integer. The Restricted Shares will be blocked for a period of three years from the grant date, until May 2027.

More information on the short-term incentive for the members of the Operations Council in disclosed in the SGS Remuneration report.

iii) Grants to other employees

In 2023, a total of 184 464 performance share units (PSUs) under the long-term incentive plan 2023-2025 were granted to selected senior managers. The PSUs vest after a three-year performance period 2023-2025, in March 2026, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 15 325 269.

In 2023, a total of 89 475 restricted share units (RSUs) were granted to selected key employees under the restricted share units plan 2023. The RSUs vest three years after the grant date. The value at grant date of the RSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 7 433 583.

Performance share unit (PSU) and restricted share unit (RSU) plans

Description	Vesting period from	Units outstanding at 31 December 2022	Granted	Forfeited	Vested	**Units outstanding at 31 December 2023**
SGS-PSU-21	February 24	376 800	–	–20 880	–795	355 125
SGS-PSU-22	February 25	219 900	–	–12 805	–345	206 750
SGS-PSU-23	March 26	–	289 509	–2 948	–	286 561
SGS-RSU-20	April 23	48 700	–	–225	–48 475	–
SGS-RSU-21	April 24	42 225	–	–2 600	–300	39 325
SGS-RSU-22	April 25	70 750	–	–3 500	–900	66 350
SGS-RSU-23	April 26	–	89 475	–2 355	–170	86 950
Total		**758 375**	**378 984**	**–45 313**	**–50 985**	**1 041 061**

The Group does not issue new shares to grant employees in relation to the equity-based compensation plans but uses treasury shares, acquired through share buyback programs.

In total, as of 31 December 2023, the equity overhang, defined as the total number of unvested share units (1 041 061 units) divided by the total number of outstanding shares (187 375 800 shares) amounted to 0.56%.

The Company's burn rate, defined as the number of equities (shares, restricted shares and share units) granted in 2023 (412 764 units) divided by the total number of outstanding shares, was 0.22%.

The Group recognized during the year a total expense of CHF 27 million (2022: CHF 20 million) in relation to equity compensation plans.

Shares available (required) for future plans:

	Total
At 1 January 2022	**–18 323**
Repurchased shares	12 500
Granted SGS-RSU-22 plan	–2 915
Granted SGS-PSU-22 plan	–8 907
Shares for PSU forfeited	991
Shares for RSU forfeited	461
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	–1 663
At 31 December 2022	**–17 856**
At 31 December 2022 restated after stock-split	**–446 400**
Granted SGS-RSU-23 plan	–89 475
Granted SGS-PSU-23 plan	–289 509
Shares for PSU forfeited	36 633
Shares for RSU forfeited	8 680
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	–33 780
At 31 December 2023	**–813 851**

At 31 December the Group had the following shares available to satisfy various programs:

	2023 Total	2022 Total Restated	2022 Total Published
Number of shares held	227 210	311 975	12 479
Shares allocated for 2020 RSU plan	–	–48 700	–1 948
Shares allocated for 2021 RSU plan	–39 325	–42 225	–1 689
Shares allocated for 2021 PSU plan	–355 125	–376 800	–15 072
Shares allocated for 2022 RSU plan	–66 350	–70 750	–2 830
Shares allocated for 2022 PSU plan	–206 750	–219 900	–8 796
Shares allocated for 2023 RSU plan	–86 950	–	–
Shares allocated for 2023 PSU plan	–286 561	–	–
Shares required for future equity compensation plans at 31 December	**–813 851**	**–446 400**	**–17 856**

30. Related-party transactions

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

Compensation to Directors and members of the Operations Council

The remuneration of Directors and members of the Operations Council during the year was as follows:

(CHF million)	**2023**	2022
Short-term benefits	15	15
Post-employment benefits	1	1
Share-based payments[1]	12	12
Total	**28**	**28**

1. 2023 represents the value at grant of restricted share units and performance share units granted in 2023 while 2022 represents the value at grant of restricted share units and performance share units granted in 2022.

The remuneration of Directors and members of the Operations Council is determined by the Nomination and Remuneration Committee. Additional information is disclosed in the SGS Remuneration report.

During 2023 and 2022, no member of the Board of Directors or of the Operations Council had a personal interest in any business transactions of the Group.

The Operations Council (including senior management) participates in the equity compensation plans as disclosed in note 29.

The total compensation, including social charges, received by the Board of Directors amounted to CHF 2 820 000 (2022: CHF 2 797 000).

The total compensation (cash and shares/options), including social charges, received by the Operations Council (including senior management) amounted to CHF 24 678 000 (2022: CHF 24 474 000).

Loans to members of governing bodies

As at 31 December 2023, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from previous year).

Transactions with other related parties

In 2023 and in 2022, the Group did not perform any activity generating sales for the other related parties.

During 2023 and 2022, neither related trade receivable balances unpaid nor expense in respect of any bad or doubtful debts due from these related parties were recognized.

31. Significant shareholders

As at 31 December 2023, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 19.31% (December 2022: 19.11%) and BlackRock Inc. held 5.18% (December 2022: 5.18%) and UBS Fund Management (Switzerland) AG held 3.03% (December 2022: below 3%) of the share capital and voting rights of the Company. At the same date, the Group held 1.64% of the share capital of the Company (December 2022: 1.68%).

32. Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 21 February 2024, and will be submitted for approval on 26 March 2024 during the Annual General Meeting. There are no subsequent events to be reported in these consolidated financial statements.

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SGS SA and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2023, the consolidated statement of financial position as at 31 December 2023, the consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 94 to 133 and pages 155 to 157) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

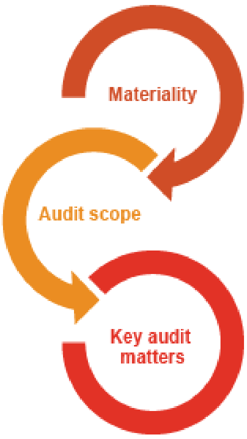
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 42 million

We concluded full scope audit work at 21 reporting units and audits of specific balances were performed on a further 16 reporting units. Our audit scope addressed over 68% of the Group's sales.

As key audit matters the following areas of focus have been identified:

- Testing the Vehicle Compliance Spain CGU for impairment
- Unbilled sales and work in progress (WIP)
- Taxation

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 42 million
Benchmark applied	Three-years average profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. The three-years average reflects current market volatility. Moreover, profit before tax is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Due to the nature of its business and its organisation, the Group has a decentralised structure and operates in 116 countries in three main regions (Asia Pacific, Europe/Africa/Middle East and Americas). We instructed audit teams in 17 countries to perform a full scope audit and audit teams in another 14 countries to perform an audit of specific balances (principally sales, account receivable, work in progress and unbilled sales). These teams audit the respective account balances as well as classes of transactions and report to us on their audit results in response to the audit instructions we sent to them.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Testing the Vehicle Compliance Spain CGU for impairment

Key audit matter	How our audit addressed the key audit matter
The Group's share of goodwill allocated to the Vehicle Compliance Spain CGU (cash generating unit) amounts to CHF 92 million as at 31 December 2023. We identified the valuation and recoverability of goodwill and other intangible assets allocated to the Vehicle Compliance Spain CGU as a key audit matter because technical assumptions used in the determination of the CGUs recoverable amount are highly sensitive to the current	We obtained the Group's impairment test for the Vehicle Spain Compliance CGU and, in particular: • We assessed the appropriateness of the impairment testing methodology; • We reconciled the five-year projections to the financial forecasts that were approved by management;

economic situation. At the same time, the business is highly dependent on the renewal of concessions in the coming years. The discounted cash flow model is based on the value-in-use methodology and on a five-year plan. The valuation and assessment in connection with the impairment testing of the goodwill of Vehicle Compliance Spain CGU were of particular importance. As a result of this analysis, the goodwill of the CGU was written down by CHF 18 million. Management's judgement is required to determine the assumptions relating to the future business results, the long-term growth rate after the forecast period and the discount rate applied to the forecasted cash flows. Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and note 14 – Goodwill in the notes to the consolidated financial statements.	• We challenged management to substantiate the key assumptions used in the cash flow projections of the Vehicle Compliance Spain CGU's business during the forecasted period; • We obtained comfort over the appropriateness of cash flow assumptions by corroborating them with external market data; • We tested, with the support of PwC's valuation experts, the reasonableness of the long-term growth rate after the forecast period and the discount rate; • We tested the mathematical accuracy of the model; • We assessed the quality of the cash flow projections by comparing the actual results of the CGU to the prior year's budget to identify in retrospect whether any of the assumptions might have been too optimistic; • We evaluated the Group's sensitivity analysis of key assumptions to ascertain the effect of changes in those assumptions on the value-in-use; • We assessed the adequacy of the disclosures included in note 14 related to goodwill. On the basis of the procedures performed, we consider that the conclusions drawn by management regarding the impairment test of the Vehicle Compliance Spain CGU was reasonable.

Unbilled sales and work in progress (WIP)

Key audit matter	How our audit addressed the key audit matter
The amounts on the balance sheet related to unbilled sales and work in progress total CHF 223 million. Unbilled sales are recognised for services completed but not yet invoiced and is measured at the net selling price. WIP is recognised for partially completed performance obligations under a contract. The measure of progress is based on observable output or input methods. A proportion of the expected margin on completion is recognised based on the actual costs incurred in proportion to total expected costs, provided that the project is expected to be profitable once completed. The assessment of the degree of progress and the estimated margin requires judgement by management. Given the significance and relevance of their impact on the consolidated financial statements and because the progress and the expected margin on completion must be estimated at the end of each reporting period, we deemed the measurement of unbilled sales and work in progress to be a key audit matter. Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and to note 5 – Sales from contracts with customers in the notes to the consolidated financial statements.	We reviewed SGS's sales recognition policy and obtained an understanding of how unbilled sales and WIP are accounted for. Our audit approach consisted of the following procedures, in particular: • We assessed the design and implementation of the key controls relating to the monitoring of unbilled sales and WIP balances. • We selected samples of unbilled sales and WIP balances and traced them to underlying contracts and invoices with customers. • We obtained comfort over the degree of progress from discussions with project managers and performed reconciliations to actual numbers recognised in the financial statements in selected cases. • We selected samples of unbilled sales and WIP balances recorded at the previous period-end and compared them to subsequent invoices and cash received from clients in order to evaluate the reliability of management's estimation process. • We analysed the aging of the open balances and assessed the appropriateness of provisions recognised in accordance with the Group's provision grid.

	• For entities with significant unbilled or WIP balances not subject to our Group audit, we performed central audit procedures. On the basis of the procedures performed, we consider management's estimates and disclosures regarding unbilled sales and work in progress balances to be reasonable.

Taxation

Key audit matter	How our audit addressed the key audit matter
The Group is subject to taxation in many jurisdictions and management makes judgements about the incidence and magnitude of tax liabilities that are subject to the future outcome of assessments by the relevant tax authorities. Accordingly, the calculation of tax expense and the related liability are subject to inherent uncertainty. To make these judgements, the Group has a structured process whereby management systematically monitors and assesses the existence, development and settlement of tax risks in each of its jurisdictions. The Group's main tax risks are i) that the tax authorities might not accept the transfer prices applied and ii) potential adverse results of ongoing tax audits. In accordance with its methodology, provisions for uncertain tax positions are calculated and included within current tax liabilities (CHF 176 million as at 31 December2023). Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and to note 10 – Taxes in the notes to the consolidated financial statements.	Our audit approach consisted of the following procedures, in particular: • We assessed the existence of tax exposures by means of inquiry with local and Group management. • We discussed management's process to assess the risk of tax liabilities in the different jurisdictions as a result of potential challenges to the tax positions, and tested the measurement and timing of recognition of the provision when applicable. • With the support of PwC's internal tax experts, we examined the documentation outlining the matters in dispute or at risk and the benchmarks relied upon for transfer pricing, and used our knowledge of the tax laws and other similar taxation matters to assess the available evidence, management's judgmental processes and the provisions. On the basis of the procedures performed, we conclude that management's tax estimates were reasonable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet	Louise Rolland
Licensed audit expert Auditor in charge	Licensed audit expert

Geneva, 21 February 2024

2. SGS SA

2.1. Income Statement

For the years ended 31 December

(CHF million)	Notes	**2023**	2022
Operating income			
Dividends from subsidiaries		646	696
Total operating income		**646**	**696**
Operating expenses			
Other operating expenses		–6	–4
Total operating expenses		**–6**	**–4**
Operating result		**640**	**692**
Financial income	6	98	48
Exchange gain, net		1	30
Financial expenses	6	–79	–51
Liquidation of subsidiaries, net		–	–
Financial result		**20**	**27**
Extraordinary losses	7	–26	–67
Profit before taxes		**634**	**652**
Taxes		–	3
Withholding taxes		–8	–6
Profit for the year		**626**	**649**

2.2. Statement of Financial Position at 31 December

(Before appropriation of available retained earnings)

(CHF million)	Notes	**2023**	2022
Assets			
Current assets			
Cash and cash equivalents		419	424
Derivative assets		18	12
Amounts due from subsidiaries		449	434
Other receivables and prepayments		6	4
Total current assets		**892**	**874**
Non-current assets			
Loans to subsidiaries		1 667	1 666
Other financial assets		4	5
Other assets		2	2
Investments in subsidiaries		2 003	2 008
Total non-current assets		**3 676**	**3 681**
Total assets		**4 568**	**4 555**
Shareholder's equity and liabilities			
Current liabilities			
Bank overdraft		8	9
Derivative liabilities		14	9
Trade and other payables		1	10
Amounts due to subsidiaries		625	590
Corporate bonds	3	250	500
Deferred income and accrued expenses		12	12
Total current liabilities		**910**	**1 130**
Non-current liabilities			
Amounts due to subsidiaries		570	623
Corporate bonds	3	2 325	2 075
Total non-current liabilities		**2 895**	**2 698**
Shareholder's equity			
Share capital	4 to 5	7	7
Legal reserve	4 to 5	34	34
Retained earnings	4 to 5	951	907
Treasury shares for share buyback	4 to 5	–250	–250
Reserve for treasury shares held by a subsidiary	4 to 5	21	29
Total shareholder's equity		**763**	**727**
Total shareholder's equity and liabilities		**4 568**	**4 555**

2.3. Notes

SGS SA ('the Company') is the ultimate parent company of the SGS Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The head office is located in Geneva, Switzerland.

The average number of employees is less than 10 people for this company (2022: less than 10).

1. Significant accounting policies

The financial statements are prepared in accordance with the accounting principles required by the provisions of commercial accounting as set out in the Swiss Code of Obligations.

Investments in subsidiaries

Investments in subsidiaries are valued individually at acquisition cost less an adjustment for impairment where appropriate.

Foreign currencies

Balance sheet items denominated in foreign currencies are converted into Swiss Francs at year-end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate.

Foreign currency transactions are translated using the actual exchange rates prevailing during the year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Derivatives

SGS SA uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment 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.

Dividends from subsidiaries

Dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of profit in the year to which they relate or for which they are proposed by the Board of Directors.

As a result, dividends are recognized in income in the year in which they are received, on a cash basis. Dividends are recorded in the currency defined for each affiliate and converted at spot rate in the income statement.

Bonds

Bonds are recorded at nominal value.

2. Subsidiaries

The list of principal Group subsidiaries appears in the annual report on pages 155 to 157.

In 2020, SGS SA acquired 80% of the capital of Ryobi Geotechnique Pte Ltd in Singapore. The share purchase agreement includes an option to acquire the remaining 20% of Ryobi Geotechnique Pte Ltd in 2025.

3. Corporate bonds

SGS SA made the following bond issuances:

Date of issue	Face value in CHF Million	Coupon in %	Year of Maturity	Issue price in %	Redemption price in %
27.02.2014	250	1.750	2024	101.019	100.000
Short-term bonds	**250**				
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	225	0.750	2025	100.068	100.000
29.10.2018	175	1.250	2028	101.157	100.000
06.05.2020	325	0.950	2026	100.182	100.000
05.09.2022	150	1.250	2025	100.000	100.000
05.09.2022	350	1.700	2029	100.197	100.000
17.11.2023	240	2.000	2027	100.038	100.000
17.11.2023	260	2.300	2031	100.127	100.000
Long-term bonds	**2 325**				

As at 31 December 2023, one bond in the above table is classified as short-term liabilities as the due date is less than a year.

On 17 November 2023, SGS SA issued two bonds, one CHF 240 million bond with a 2.000% coupon and one CHF 260 million bond with a 2.300% coupon.

The Company has listed all bonds on the SIX Swiss Exchange.

4. Total equity

(CHF million)	Share capital	Legal reserve	Reserve for treasury shares held by a subsidiary	Treasury shares for share buyback	Retained earnings	Total
Balance at 1 January 2022	**7**	**34**	**8**	**–**	**878**	**927**
Dividends paid	–	–	–	–	–599	–599
Increase in the reserve for own shares	–	–	21	–	–21	–
Share buyback program	–	–	–	–250	–	–250
Profit for the year	–	–	–	–	649	649
Balance at 31 December 2022	**7**	**34**	**29**	**–250**	**907**	**727**
Dividends paid	–	–	–	–	–590	–590
Decrease in the reserve for own shares	–	–	–8	–	8	–
Profit for the year	–	–	–	–	626	626
Balance at 31 December 2023	**7**	**34**	**21**	**–250**	**951**	**763**

5. Share capital

	Shares in circulation	Treasury shares	Total shares issued	Total share capital CHF (million)
Balance at 1 January 2022	**7 491 672**	**3 360**	**7 495 032**	**7**
Treasury shares released into circulation	3 381	–3 381	–	–
Treasury shares purchased for equity compensation plans	–12 500	12 500	–	–
Treasury shares purchased for cancellation	–113 499	113 499	–	–
Balance at 31 December 2022	**7 369 054**	**125 978**	**7 495 032**	**7**
Treasury shares released into circulation	1 964	–1 964	–	–
Balance at 12 April 2023 before share split	**7 371 018**	**124 014**	**7 495 032**	**7**
Share split 25-1	176 904 432	2 976 336	179 880 768	–
Balance at 12 April 2023 after share split	**184 275 450**	**3 100 350**	**187 375 800**	**7**
Treasury shares released into circulation	35 665	–35 665	–	–
Balance at 31 December 2023	**184 311 115**	**3 064 685**	**187 375 800**	**7**

Issued share capital
On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

As at 31 December 2023, SGS SA has a share capital of CHF 7 495 032 (2022: CHF 7 495 032) fully paid-in and divided into 187 375 800 (2022: 7 495 032) registered shares of a par value of CHF 0.04 (2022: CHF 1). All shares, other than treasury shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares
On 31 December 2023, SGS SA held 3 064 685 treasury shares, thereof 2 837 475 directly and 227 210 through an affiliate company.

In 2023, 84 765 shares were released into circulation.

On 31 December 2022, SGS SA held 125 978 treasury shares, thereof 113 499 directly and 12 479 through an affiliate company.

On 21 June 2022, SGS SA announced a CHF 250 million share buyback program for the purpose of capital reduction. The program ended on 21 December 2022 and 113 499 shares were repurchased for a total amount of CHF 250 million at an average purchase price of CHF 2 203 per share.

In 2022, 12 500 shares have been repurchased through an affiliate company for covering future equity compensation plans, whilst 3 381 shares were released into circulation.

6. Financial income and financial expenses

(CHF million)	2023	2022
Financial income		
Interest income 3rd party	5	1
Interest income Group	93	47
Financial income	**98**	**48**
Financial expenses		
Interest expenses 3rd party	–31	–21
Interest expenses Group	–41	–14
Other financial expenses	–7	–16
Financial expenses	**–79**	**–51**

7. Extraordinary losses

The extraordinary loss is composed of impairment respectively on investments in subsidiaries of CHF –27 million (2022: CHF –52 million) and on loan to subsidiaries of CHF 1 million (2022: CHF –15 million).

8. Guarantees and comfort letters

(CHF million)	2023 issued	2023 utilized	2022 issued	2022 utilized
Guarantees	3 105	1 467	2 511	1 563
Performance bonds	68	38	55	55
Total	**3 173**	**1 505**	**2 566**	**1 618**

The Company has unconditionally guaranteed or provided comfort to financial institutions providing credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds to commercial customers on behalf of its subsidiaries.

The Company is part of a VAT Group comprising itself and other group companies in Switzerland.

9. Remuneration

9.1. Remuneration policy and principles

This section appears in the SGS Remuneration report paragraph 2 in the annual report on pages 69 to 70.

9.2. Remuneration model

This section appears in the SGS Remuneration report paragraph 3 in the annual report on pages 71 to 78.

9.3. Remuneration awarded to the Board of Directors

This section appears in the SGS Remuneration report paragraph 4 in the annual report on pages 79 to 81.

9.4. Remuneration awarded to the Operations Council members

This section appears in the SGS Remuneration report paragraph 5 in the annual report on pages 82 to 89.

10. Shares and options held by members of governing bodies

10.1. Shares and options held by members of the Board of Directors

The following table shows the shares held by members of the Board of Directors as at 31 December 2023:

Name	Shares
C. Grieder	**14 128**
S.R. du Pasquier	**2 257**
J. Riedl	**607**
P. Cheung	**1 082**
K. Sorenson	**3 207**
I. Gallienne	**1 082**
S. Atiya	**3 382**
T. Hartmann	**1 082**
J. Vergis	**1 082**

The following table shows the shares held by members of the Board of Directors as at 31 December 2022:

Name	Shares[1]
C. Grieder	485
S.R. du Pasquier	66
P. Desmarais	56
P. Cheung	19
K. Sorenson	104
I. Gallienne	20
S. Atiya	111
T. Hartmann	19
J. Vergis	19

10.2. Shares and options held by senior management

The following table shows the shares and restricted shares held by senior management as at 31 December 2023:

Name	Corporate responsibility	Restricted shares	Shares
F. Ng	Chief Executive Officer	**14 726**	**95 000**
G. Picaud	Chief Financial Officer (from 1 December 2023)	**–**	**500**
O. Merkt	General Counsel and Chief Compliance Officer	**3 001**	**8 750**

The following table shows the shares and restricted shares held by senior management as at 31 December 2022:

Name	Corporate responsibility	Restricted shares[1]	Shares[1]
F. Ng	Chief Executive Officer	648	3 556
D. de Daniel	Chief Financial Officer	406	1 165
O. Merkt	General Counsel and Chief Compliance Officer	144	287

1. Prior to share split implemented on 12 April 2023.

Details of the various plans are explained in the SGS Remuneration report.

11. Significant shareholders

As at 31 December 2023, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 19.31% (December 2022: 19.11%), BlackRock Inc. held 5.18% (December 2022: 5.18%) and UBS Fund Management (Switzerland) AG held 3.03% (December 2022: below 3%) of the share capital and voting rights of the Company.

At the same date, the SGS Group held 1.64% of the share capital of the Company (December 2022: 1.68%).

Proposal of the Board of Directors for the appropriation of available retained earnings

(CHF)	**2023**	2022
Profit for the year	625 502 400	649 821 069
Balance brought forward from previous year	657 434 309	877 874 780
Dividend paid[2]	–589 608 000	–599 419 601
Share buyback program	–	–250 000 741
(Transfer to) / Reversal from the reserve for treasury shares	7 846 448	–20 841 198
Total retained earnings available for appropriation	**701 175 157**	**657 434 309**

2. No dividend is paid on own shares held directly or indirectly by SGS SA.

Distribution to shareholders

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2024) the approval of an optional scrip dividend of CHF 3.20 per share (CHF 590 million), subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax and cost-effective option for shareholders.

Depending on the choices of the shareholders the above total amount of retained earnings will be reduced:

- By CHF 3.20 for each share for which a cash dividend is paid (no dividends are paid on treasury shares)
- By CHF 0.04 for each dividend share

The remaining amount will constitute the balance being carried forward.

Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 21 February 2024 and will be submitted for approval by the Annual General Meeting to be held on 26 March 2024.

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SGS SA (the Company), which comprise statement of financial position as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements presented on pages 140 to 146, comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 42 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 42 million
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark, because, in our view, it is the benchmark against which the performance of the Company, which has limited operating activities and which mainly holds investments in subsidiaries and intra-group loans, is most commonly measured, and it is a generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2023, SGS SA's investments in subsidiaries amount to CHF 2,003 million. Given the significance of this amount in the financial statements and because of the judgement used by management in determining its value, we consider the valuation of investments in subsidiaries a key audit matter. The Company measures individually the investment in each subsidiary. The Company conducts an annual risk assessment based on several impairment indicators to identify investments with an impairment risk. For those investments in subsidiaries with a higher identified risk of impairment, the recoverable amount is determined based on a five-year discounted cashflow forecast. The main judgements applied by management relate to revenue and margin growth throughout the period of the five-year plan, the long-term growth rate beyond the detailed forecast period and the discount rate. An impairment is recognised if the recoverable amount of an individual investment is lower than the associated carrying value.	We obtained the Company's work on the valuation of investments in subsidiaries, and we performed the following procedures: • We obtained an understanding of management's process and controls relating to the valuation of investments in subsidiaries. • We tested the mathematical accuracy of the calculations and reconciled the balances to the financial statements. • We challenged the appropriateness of management's process to identify impairment indicators by comparing the triggers used to common indicators such as historical profitability and capacity to pay dividends. • We also performed testing by calculating revenue and operating profit multipliers based on the market capitalisation of the Group and comparing those to the respective multiples of the individual investments in subsidiaries. For those investments in subsidiaries with a higher identified risk of impairment, we critically assessed the reasonableness of the underlying key assumptions and judgements applied by performing the following procedures in particular: • We assessed the quality of the five-year cashflow forecast projections by comparing forecasted revenue and margin growth to historical and market trends as well as by holding discussions with group management

Key audit matter	How our audit addressed the key audit matter
The results of management's impairment testing indicated that some investments in subsidiaries were impaired. As a result, management recognised an impairment in the amount of CHF 27 million. Refer to note 1 – Significant accounting policies	to assess their intention and ability to execute the strategic initiatives. • We evaluated, with the support of PwC's valuation specialists, the reasonableness of the discount rate and long-term growth rate applied to those future cash flows. We consider management's approach as an acceptable and reasonable basis for the valuation of the investments in subsidiaries.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Geneva, 21 February 2024

Guillaume Nayet	Louise Rolland
Licensed audit expert Auditor in charge	Licensed audit expert

3. Historical data

3.1. SGS Group – Five-Year Statistical Data Consolidated Income Statements

For the years ended 31 December

(CHF million)	**2023**	2022	2021	2020	2019
Sales	**6 622**	**6 642**	**6 405**	**5 604**	**6 600**
Salaries and wages	–3 316	–3 331	–3 180	–2 797	–3 357
Subcontractors’ expenses	–400	–399	–385	–352	–386
Depreciation, amortization and impairment	–545	–521	–499	–517	–548
Gain on business disposal	7	–	–	63	268
Other operating expenses	–1 511	–1 493	–1 364	–1 206	–1 495
Operating income (EBIT)	**857**	**898**	**977**	**795**	**1 082**
Financial income	29	20	16	12	18
Financial expenses	–86	–71	–69	–66	–79
Share of profit of associates and joint ventures	2	2	–	1	–4
Profit before taxes	**802**	**849**	**924**	**742**	**1 017**
Taxes	–205	–219	–269	–237	–315
Profit for the year	**597**	**630**	**655**	**505**	**702**
Profit attributable to:					
Equity holders of SGS SA	553	588	613	480	660
Non-controlling interests	44	42	42	25	42
Operating income margins in %	**13**	**14**	**15**	**14**	**16**
Average number of employees	**98 545**	**96 759**	**93 297**	**89 098**	**94 494**

3.2. SGS Group – Five-Year Statistical Data Consolidated Statements of Financial Position

At 31 December

(CHF million)	**2023**	2022	2021	2020	2019
Property, plant and equipment	823	907	925	872	926
Right-of-use assets	506	577	605	590	611
Goodwill	1 636	1 755	1 778	1 651	1 281
Other intangible assets	275	350	382	333	187
Investments in joint-ventures, associates and other	16	20	26	34	35
Deferred tax assets	185	153	164	161	174
Other non current-assets	191	125	173	154	149
Total non-current assets	**3 632**	**3 887**	**4 053**	**3 795**	**3 363**
Inventories	57	59	59	57	45
Unbilled sales and work in progress	223	210	175	160	195
Trade receivables	940	988	928	856	953
Other receivables and prepayments	213	223	204	188	219
Current tax assets	127	132	108	77	77
Marketable securities	–	–	–	9	9
Cash and cash equivalents	1 569	1 623	1 480	1 766	1 466
Total current assets	**3 129**	**3 235**	**2 954**	**3 113**	**2 964**
Total assets	**6 761**	**7 122**	**7 007**	**6 908**	**6 327**
Share capital	7	7	7	8	8
Reserves	723	954	1 118	1 282	1 536
Treasury shares	–271	–279	–8	–230	–30
Equity attributable to equity holders of SGS SA	**459**	**682**	**1 117**	**1 060**	**1 514**
Non-controlling interests	69	81	85	74	81
Total equity	**528**	**763**	**1 202**	**1 134**	**1 595**
Loans and other financial liabilities	3 040	2 833	2 889	2 390	2 199
Lease liabilities	384	442	481	470	490
Deferred tax liabilities	73	79	92	53	23
Defined benefit obligations	66	47	84	136	151
Provisions	91	96	90	88	91
Total non-current liabilities	**3 654**	**3 497**	**3 636**	**3 137**	**2 954**
Trade and other payables	634	671	687	658	638
Contract liabilities	221	228	221	189	155
Current tax liabilities	176	165	169	140	145
Loans and other financial liabilities	841	1 009	282	863	38
Lease liabilities	143	162	155	151	154
Provisions	41	58	60	85	74
Other creditors and accruals	523	569	595	551	574
Total current liabilities	**2 579**	**2 862**	**2 169**	**2 637**	**1 778**
Total liabilities	**6 233**	**6 359**	**5 805**	**5 774**	**4 732**
Total equity and liabilities	**6 761**	**7 122**	**7 007**	**6 908**	**6 327**

3.3. SGS Group – Five-Year Statistical Share Data

(CHF unless indicated otherwise)	**2023**	2022	2021	2020	2019
Share information					
Registered shares					
Number of shares issued	187 375 800	7 495 032	7 495 032	7 565 732	7 565 732
Number of shares with dividend rights	184 311 115	7 369 054	7 491 672	7 469 238	7 552 390
Price					
High	94	3 076	3 059	2 843	2 689
Low	72	2 002	2 595	1 974	2 213
Year-end	73	2 150	3 047	2 670	2 651
Par value	0.04	1	1	1	1
Key figures by shares					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	2.49	92.56	149.20	141.91	200.37
Basic earnings per share[1]	3.00	78.86	81.91	64.05	87.45
Dividend per share ordinary	3.20	80.00	80.00	80.00	80.00
Total dividend per share	3.20	80.00	80.00	80.00	80.00
Dividends (CHF million)					
Ordinary[2]	590	590	599	598	604
Total	**590**	**590**	**599**	**598**	**604**

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 11 of SGS Group Results.
2. The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2024) the approval of an optional scrip dividend of CHF 3.20 per share, subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax- and cost-effective option for shareholders.

3.4. SGS Group share information

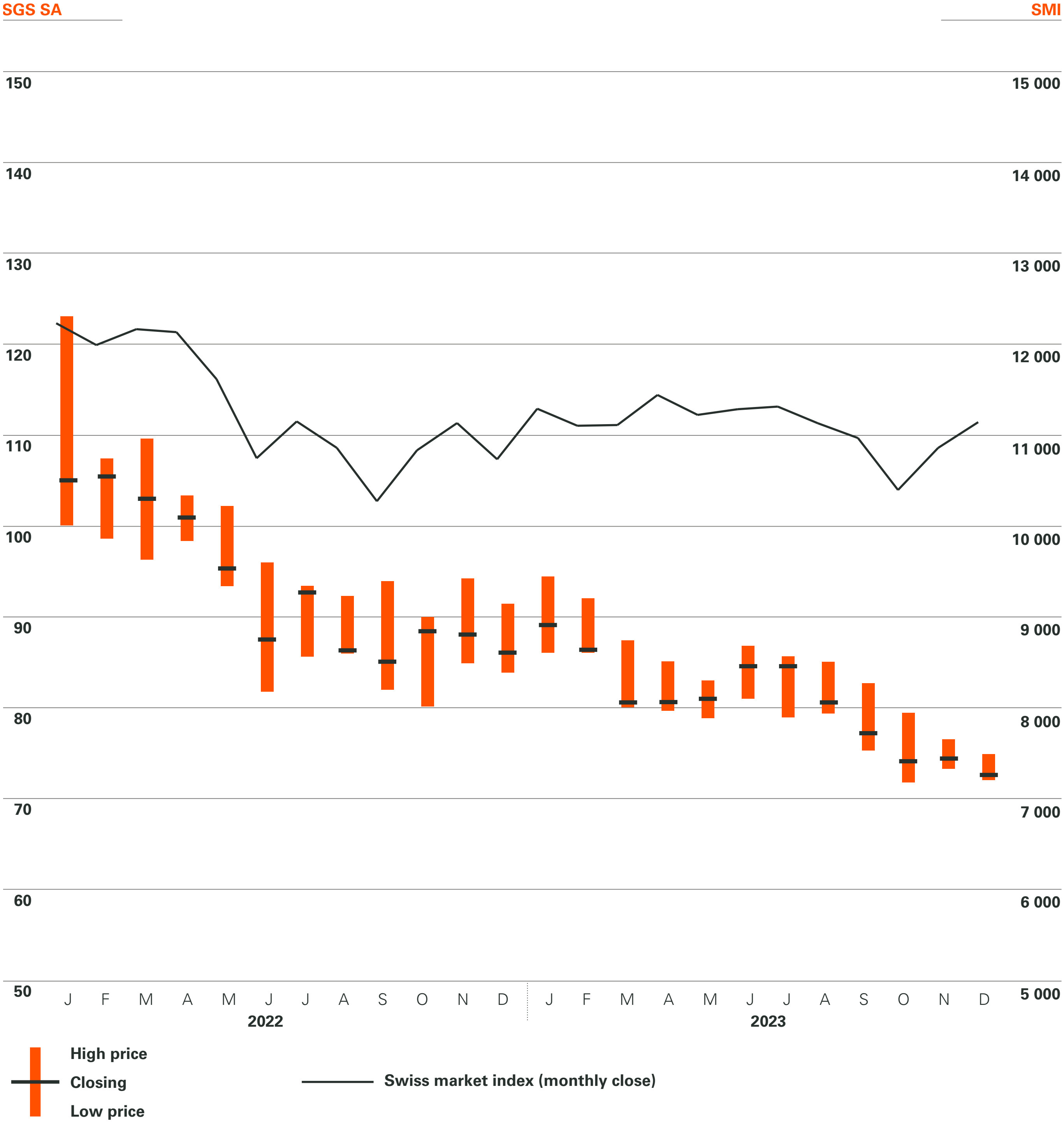
Share transfer

SGS SA has no restrictions as to share ownership, except that registered shares acquired in a fiduciary capacity by third parties may not be registered in the shareholders' register, unless a special authorization has been granted by the Board of Directors.

Market capitalization

At the end of 2023 market capitalization was approximately CHF 13 370 million (2022: CHF 16 114 million). Shares are quoted on the SIX Swiss Exchange.

3.5. Closing prices for SGS and the Swiss market index (SMI) 2022-2023



4. Material operating companies and ultimate parent

The disclosure of legal entities is limited to entities whose contribution to the Group sales in 2023 represent at least 1% of the consolidated sales, but includes, in addition, the main operating legal entity in every country where the Group has permanent operations, even when such legal entities represent less than 1% of the Group consolidated sales. This definition of materiality excludes dormant companies, pure sub-holding companies or entities used solely for the detention of assets.

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Albania	SGS Albania, Tirana	ALL	15 100 000	100	D
Algeria	SGS Qualitest Algérie SpA, Alger	DZD	50 000 000	100	D
Angola	SGS Serviços Angola SA, Luanda	USD	30 000	49	I
Argentina	SGS Argentina SA, Buenos Aires	ARS	1 139 599 536	100	D
Australia	SGS Australia Pty. Ltd., Bentley	AUD	200 000	100	I
Austria	SGS Austria Controll-Co. Ges.m.b.H., Vienna	EUR	185 000	100	D
Azerbaijan	SGS Azerbaijan LLC	USD	100 000	100	D
Bangladesh	SGS Bangladesh Limited, Dhaka	BDT	10 000 000	100	D
Belarus	SGS Minsk Ltd., Minsk	USD	20 000	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	35 995 380	100	D
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS do Brasil LTDA, São Paulo	BRL	648 683 068	100	D
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	5 010 000	100	D
Burkina Faso	SGS Burkina SA, Ouagadougou	XOF	601 080 000	100	D
Cambodia	SGS (Cambodia) Ltd., Phnom Penh	KHR	4 000 000 000	100	D
Cameroon	SGS Cameroun SA, Douala	XAF	10 000 000	98.9	D
Canada	SGS Canada Inc., Mississauga	CAD	20 900 000	100	D
Central African Republic	SGS Centrafrique SA, Bangui	XAF	10 000 000	100	D
Chile	SGS Minerals S.A., Santiago de Chile	CLP	29 725 583 703	100	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Beijing	USD	3 966 667	85	I
China	SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd., Shanghaï	CNY	180 000 000	85	I
Colombia	SGS Colombia SAS, Bogota	COP	135 546 166 036	100	D
Congo	SGS Congo SA, Pointe-Noire	XAF	1 510 000 000	100	D
Croatia	SGS Adriatica d.o.o., Zagreb	HRK	1 300 000	100	I
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 707 000	100	I
Denmark	SGS Analytics Denmark A/S, Nørresundby	DKK	506 000	100	I
Democratic Republic of Congo	SGS Minerals RDC SARL, Lubumbashi	CDF	46 144 617	49	D
Ecuador	Consorcio SGS – Revisiones Técnicas	USD	25 000	100	I
Egypt	SGS Egypt Ltd., Cairo	EGP	1 500 000	100	D
Estonia	SGS Estonia Ltd., Tallinn	EUR	42 174	100	I
Ethiopia	SGS Ethiopia Private Limited	ETB	15 000	100	D
Finland	SGS Fimko Oy, Helsingfors	EUR	260 000	100	I
France	SGS France SAS, Arcueil	EUR	3 172 613	100	I
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 000	100	I
Ghana	SGS Laboratory Services Ghana LTD, Accra	GHS	13 501 602	100	D
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Greece	SGS Greece SA, Marousi	EUR	301 731	100	D
Guam	SGS Guam Inc., Guam	USD	25 000	100	D
Guatemala	SGS Central America SA, Guatemala-City	GTQ	14 568 000	100	D
Guinea-Conakry	SGS Mineral Services (Guinée) Sàrl Unipersonnelle, Conakry	GNF	50 000 000	100	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Hong Kong	SGS Hong Kong Limited, Hong Kong	HKD	200 000	100	D
Hungary	SGS Hungária Kft., Budapest	HUF	518 000 000	100	I
India	SGS India Private Ltd., Mumbai	INR	960 000	100	D
Indonesia	P.T. SGS Indonesia, Jakarta	USD	872 936	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	99.99	D
Ireland	SGS Ireland Limited, Dublin	EUR	5 000	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	D
Ivory Coast	Société Ivoirienne de Contrôles Techniques Automobiles et Industriels SA, Abidjan	XOF	200 000 000	95	D
Japan	SGS Japan Inc., Yokohama	JPY	100 000 000	100	D
Jordan	SGS (Jordan) Private Shareholding Company, Amman	JOD	100 000	50	D
Kazakhstan	SGS Kazakhstan Limited, Almaty	KZT	228 146 527	100	D
Kenya	SGS Kenya Limited, Mombasa	KES	3 000 000	100	D
Korea (Republic of)	SGS Korea Co. Ltd., Seoul	KRW	15 617 540 000	100	D
Kuwait	SGS Kuwait W.L.L, Kuwait City	KWD	50 000	49	D
Kyrgyzstan	SGS Bishkek LLC, Bishkek	KGS	3 463 000	100	D
Lao (People's Democratic Republic)	SGS (Lao) Sole Co., Ltd., Vientiane	LAK	2 444 700 000	100	D
Latvia	SGS Latvija Limited, Riga	EUR	118 382	100	I
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.97	D
Liberia	SGS Liberia Inc, Monrovia	LRD	100	100	D
Lithuania	SGS Klaipeda Ltd., Klaipeda	EUR	711 576	100	I
Luxembourg	SGS Luxembourg, Windhof	EUR	38 000	100	I
Madagascar	Malagasy Community Network Services SA, Antananarivo	MGA	10 000 000	70	D
Malaysia	Petrotechnical Inspection (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	750 000	100	D
Mali	SGS Mali Sàrlu, Kayes	XOF	300 000 000	100	D
Mauritius	SGS (Mauritius) LTD, Phoenix	MUR	100 000	100	D
Mexico	SGS de Mexico, SA de C.V., Mexico	MXN	281 370 828	100	D
Moldova	SGS (Moldova) SA, Chisinau	MDL	488 050	100	D
Mongolia	SGS-IMME Mongolia LLC, Ulaanbaatar	MNT	8 066 764 376	55	I
Morocco	SGS Maroc SA, Casablanca	MAD	17 982 000	100	D
Mozambique	SGS MCNET Moçambique Limitada, Maputo	MZN	343 716 458	100	I
Myanmar	SGS (Myanmar) Limited, Yangon	MMK	300 000	100	D
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	12 022 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	49	D
Norway	SGS Analytics Norway AS, Hamar	NOK	1 250 000	100	I
Oman	SGS Inspection and Testing Services SPC, Oman	OMR	800 000	100	D
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	SGS Panama Control Services Inc., Panama	USD	7 899 339	100	D
Papua-New-Guinea	SGS PNG Pty. Limited, Port Moresby	PGK	2	100	I
Paraguay	SGS Paraguay SA, Asunción	PYG	1 962 000 000	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	43 813 182	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	27 167 800	100	D
Portugal	SGS Portugal – Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Qatar	SGS Qatar WLL, Doha	QAR	200 000	49	D
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	AO SGS Vostok Limited, Moscow	RUB	18 000 000	100	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
Senegal	SGS Sénégal SA, Dakar	XAF	35 000 000	100	D
Serbia	SGS Beograd d.o.o., Beograd	EUR	66 161	100	I
Sierra Leone	SGS (SL) Ltd., Freetown	SLL	200 000	100	D
Singapore	SGS Testing and Control Services Singapore Pte Ltd., Singapore	SGD	20 100 000	100	D
Slovakia	SGS Slovakia spol.s.r.o., Kosice	EUR	19 917	100	I
Slovenia	SGS Slovenija d.o.o. – Podjetje za kontrol blaga, Koper	EUR	10 432	100	I
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	452 000 500	100	I
Spain	SGS Tecnos, SA, Sociedad Unipersonal, Madrid	EUR	92 072 034	100	I
Sri Lanka	SGS Lanka (Private) Limited, Colombo	LKR	9 000 000	100	D
Sweden	SGS Analytics Sweden AB, Linköping	SEK	1 018 250	100	I
Switzerland	SGS Société de Surveillance SA, Geneva	CHF	100 000	100	D
Switzerland	SGS SA, Geneva	CHF	7 495 032		Ultimate parent company
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	African Assay Laboratories (Tanzania) Ltd, Dar Es Salaam	TZS	2 000	100	I
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.99	D
Togo	SGS Togo SA, Lomé	XOF	10 000 000	100	D
Trinidad and Tobago	SGS Trinidad Ltd, San Fernando	USD	1 000	100	D
Tunisia	SGS Tunisie SA, Tunis	TND	50 000	50	D
Türkiye	SGS Supervise Gözetme Etud Kontrol Servisleri Anonim Sirketi, Istanbul	TRY	6 550 000	100	I
Turkmenistan	SGS Turkmen Ltd., Ashgabat	USD	50 000	100	D
Uganda	SGS Uganda Limited, Kampala	UGX	5 000 000	100	D
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	D
United Arab Emirates	SGS Gulf Limited Dubai Airport Free Zone Branch	–	–	–	–
United States	SGS North America Inc., Wilmington	USD	73 701 996	100	I
Uruguay	SGS Uruguay Limitada, Montevideo	UYU	1 500	100	D
Uzbekistan	SGS Tashkent Ltd., Tashkent	USD	50 000	100	D
Vietnam	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D
Zambia	SGS Inspections Services Ltd., Lusaka	ZMK	16 944 000	100	I