2023 half year results

Ad hoc announcement pursuant to article 53 LR
Geneva, 24 July 2023

Strong organic growth momentum in H1

Financial results

- Total revenue of CHF 3.3 billion was up 0.9%, equivalent to 8.5% at constant currency*, leading to an upgrade of our FY 2023 organic growth guidance
- Organic revenue* growth was 8.1% driven by double-digit growth in Natural Resources and Knowledge, and strong growth in Connectivity & Products and Industries & Environment. From a regional perspective, double-digit growth was achieved in Asia and Americas, while growth in Europe was strong despite challenging market conditions
- Adjusted operating income* increased by 11.3% to CHF 462 million in constant currency*, a 40bps margin improvement to 14.1%
- Operating income of CHF 423 million was stable compared to prior year and up 10.7% in constant currency*
- Cash flow from operating activities increased by 40.3% to CHF 369 million
- A significant FX headwind impacted revenue and adjusted operating income by 7.0% and 9.4% (representing a negative margin impact of 40 bps) respectively due to the recent strength of the Swiss Franc against the majority of other currencies

Outlook 2023

- Mid to high single-digit organic growth*
- Improved adjusted operating income* and margin* at constant currency
- Leading TIC underlying ROIC*
- Strong free cash flow*
- Stable dividend

Our sustainability performance

- 47.4% revenue now generated by sustainability solutions, under our internal sustainability solutions framework
- TIC industry leader of the DJSI, AAA rating from the MSCI, a low risk rating from Sustainalytics and prime distinction rating from ISS
- 40% more energy efficiency projects

"We are very pleased with our robust performance in H1. This reflects the strength of our business model and efficient execution by our global network which has delivered significant cash flow generation. Strong momentum is expected to continue into H2.

"The expansion in our focus areas of Connectivity, Knowledge and Health & Nutrition is accelerating our growth, while investing in our 'platform for growth' is securing our long-term returns. Global supply chains are evolving, which requires more risk evaluation, more regulation and significant public and private investment. All of these factors support the long-term growth prospects of SGS".

Frankie Ng, CEO of SGS

* Refer to Alternative Performance Measures – Appendix of this report.

Financial review

(CHF million)	June 2023	June 2022	Change in %	June 2022 CCY[2]	Change in CCY[2] %
Revenue	**3 284**	**3 255**	**0.9**	**3 027**	**8.5**
Organic revenue* growth %	8.1%				
Operating income (EBIT)	**423**	**423**	**0.0**	**382**	**10.7**
Operating income margin	12.9%	13.0%		12.6%	
Adjusted operating income*	**462**	**458**	**0.9**	**415**	**11.3**
Adjusted operating income margin*	14.1%	14.1%		13.7%	
EBITDA*	**670**	**678**	**(1.2)**	**621**	**7.9**
Adjusted EBITDA*	690	694	(0.6)	636	8.5
Profit for the period	**291**	**294**	**(1.0)**		
Profit attributable to equity holders of SGS SA	272	276	(1.4)		
Adjusted profit attributable to equity holders of SGS SA*	302	303	(0.3)		
Basic EPS (CHF)[3]	**1.47**	**1.47**	**0.0**		
Diluted EPS (CHF)[3]	1.47	1.47	0.0		
Adjusted basic EPS (CHF)[3,*]	1.64	1.61	1.9		
Cash flow from operating activities	**369**	**263**	**40.3**		
Free cash flow*	**130**	**11**	**x11.8**		
Return on invested capital*	**17.7%**	**18.4%**			
Weighted average number of shares[3] (million)	**184**	**187**			
Average FTE[1]	**97 797**	**95 889**	**2.0**		

- **Total revenue** of CHF 3.3 billion, up 0.9% (8.5% at constant currency)*. Organic revenue* growth of 8.1% of which more than half was generated by continued pricing initiatives.
- **Adjusted operating income***, increased by 11.3% to CHF 462 million compared to CHF 415 million in prior year at constant currency*.
- **Adjusted operating income margin*** improved by 40 bps to 14.1% compared to 13.7% in prior year at constant currency*, benefiting from year on year normalization in China and increased productivity in other countries.
- **Operating income** was flat at CHF 423 million. Incremental operating income from activity growth was offset by a significant FX headwind of 9.4%.
- **Net financial expenses** increased to CHF 32 million in 2023 from CHF 20 million in prior year essentially due to short-term higher interest rates and higher debt.
- **Effective tax rate (ETR)** of 26% in H1 2023 reflecting a normalization of non-tax-deductible expenses.
- **Profit attributable to equity holders**, significantly impacted by FX, achieved CHF 272 million compared to CHF 276 million in prior year.
- **Basic earnings per share** of CHF 1.47 in line with prior year[3]. On an adjusted* basis, earnings per share increased by 1.9% to CHF 1.64.
- **Free cash flow (FCF)*** of CHF 130 million compared to CHF 11 million in prior year, driven by an improved net working capital.
- **Investment activities**: Net capital expenditure was CHF 140 million, compared to CHF 150 million in prior year. The Group completed two acquisitions for a total consideration of CHF 8 million.
- **Financing activities**: In 2023, the Group paid a dividend of CHF 590 million.
- **Return on invested capital (ROIC)***, calculated with profit generated over the last twelve months, slightly decreased from 18.4% to 17.7%, due to H2 2022 profit being lower than H2 2021.
- Group **net debt*** at 30 June 2023 increased from CHF 2 219 million in December 2022 to CHF 2 772 million, impacted by our dividend payment.

1. Full Time Equivalent (FTE) employees.
2. Constant currency (CCY)*.
3. 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 purpose, the Group recalculated the weighted average number of shares as well as the basic and diluted earnings per share (EPS) as of June 2022 – refer to note 8 and Alternative Performance Measures*.

* Refer to Alternative Performance Measures – Appendix of this report.

Other highlights

Platform for growth

- 27% of lab revenue has been migrated to the new digital labs concept, on track to exceed our target of 30% in 2023, which is expected to generate sustainable productivity improvements in our global lab network.
- Our digital builders organization, which accelerates the development of new digital services and digitalizes our processes to improve operating efficiency, has developed four minimum viable products moving to scalable solutions and one that is going live.
- We increased our market share in two of our strategic focus areas of Connectivity & Products and Knowledge through focused resource and capital allocation.
- We continue to significantly invest in our network expansion with net capex as a percentage of Group revenue at 4.3%.

Sustainability solutions; enabling a better, safer and more interconnected world for our customers

- Sustainability Assurance solutions, while still at an emerging stage of development, is now the fastest growing segment in SGS Knowledge, with strong double-digit growth reported for sustainable report assurance. Demand for ESG Certification and Gap Analysis is also rapidly accelerating, particularly in Western Europe and Asia.
- We grew in double digits in Latin America and Europe for carbon assessments, which is a major focus area for SGS. We are in the process of obtaining accreditations to operate as a validation and verification body in certain voluntary carbon markets schemes.
- We have focused our new metallurgical and consulting services on supporting our mining industry clients to evolve their extraction processes to be more sustainable. This helps them to deliver on their sustainability commitments by optimizing energy and water utilization, and reducing waste.

Mid-term targets 2020-2023 targets

People	Planet	Performance
Ensuring diversity Nurture diversity and inclusion based on merit by ensuring equal opportunity to all employees and evolving our gender diversity to 30% women in leadership at CEO-3 positions and above	**Reducing our CO_2 emissions** Support the transition to a low-carbon world by meeting our science-based target of reducing our CO_2 emissions[1] by 46.2% for scope 1 and 2 and 28% for scope 3	**High single-digit constant currency revenue Compound Annual Growth Rate (CAGR)** Driven by mid-single-digit organic* growth per annum and a focus on M&A
World Class Service (WCS) Promote a culture of operational safety, efficiency and excellence through our WCS program: 20% of our WCS labs (2020 perimeter) reaching WCS Bronze award level	**Sustainability Solutions** Support our customers on their journey to sustainability by increasing the proportion of revenue generated by our sustainability solutions to above 50%	**> 10% adjusted operating income* CAGR (a)**
Supporting a safe workplace Reduce our Total Recordable Incident Rate (TRIR) by 20%[1] and Lost Time Incident Rate (LTIR) by 10%[1]	**Integrity principles** Reduce the impact that our supply chain has on society by committing our strategic suppliers to support our integrity principles	**Strong Economic Value Added (EVA) discipline**
Positive impact on communities Increase by 10%[2] our positive impact on our communities through employee volunteering, focusing on vulnerable groups including those affected by pandemics	**Energy efficiency** Increasing annually the number of energy efficiency measures in our 100 most energy intensive owned buildings	**Maintain the dividend per share**

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

While this target is less likely to be achieved given progress in 2022 and our disciplined approach to M&A, we expect to deliver high single-digit CAGR at constant currency.

1. Against a 2018 baseline. 2. Against a 2019 baseline.
* Refer to Alternative Performance Measures – Appendix of this report.

Board changes

On 28 March 2023, Jens Riedl was elected as a member of the Board of Directors, bringing 25 years of experience in the business and professional services sectors, both as consultant and investor. His areas of expertise include testing, inspection and certification (TIC), environmental, social and corporate governance (ESG), transportation and logistics, and industrial sectors, such as automotive, building materials and engineered products.

Paul Desmarais Jr. did not stand for re-election. He was a great asset to the Board, bringing his knowledge in the field of oil and gas commodities. Throughout his tenure, he has played a vital role in shaping the future of SGS. His commitment and passion over the past nine years will be sorely missed. SGS would like to thank him for his support and direction.

Subsequent events

On 2 March 2023, the Group announced the disposal of Automotive Asset Assessment and Retail Network Services operations to Macadam Europe NV, specialist in end-of-lease assessments for leasing companies and original equipment manufacturers, in Belgium. The sale was completed on 1 July 2023 and will be reflected in our second-half consolidated financial results.

Significant shareholders

As at 30 June 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%) 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%).

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Divisional review

Business growth and adjusted operating income margin H1 2023

(CHF million)	Revenue	Growth at CCY[1]	Organic* growth at CCY[1]	Adjusted operating income*	Adjusted operating income margin*
Connectivity & Products	631	6.9%	6.7%	130	20.6%
Health & Nutrition	431	4.6%	2.7%	41	9.5%
Industries & Environment	1 076	7.6%	7.3%	110	10.2%
Natural Resources	789	10.7%	10.7%	113	14.3%
Knowledge	357	14.4%	14.4%	68	19.0%
Total	**3 284**	**8.5%**	**8.1%**	**462**	**14.1%**

Acquisitions

	Date	Location	Division	FTE
Seafood Testing Business from Asmecruz	17 March 2023	Spain	Health & Nutrition	2
Nutrasource	1 May 2023	Canada and USA	Health & Nutrition	69

Disposals

	Date	Location	Division	FTE
Subsurface Consultancy	1 March 2023	Netherlands	Industries & Environment	13
Automotive Asset Assessment and Retail Network Services Operations[2]	1 July 2023	Multiple countries	Industries & Environment	214

1. Constant currency (CCY)*.
2. On 2 March 2023, the Group announced the disposal of Automotive Asset Assessment and Retail Network Services operations to Macadam Europe NV, specialist in end of lease assessment for leasing companies and original equipment manufacturers, in Belgium. The sale was completed on 1 July 2023 and will be reflected in our second-half consolidated financial results.

* Refer to Alternative Performance Measures – Appendix of this report.

Connectivity & Products

(CHF million)	June 2023	June 2022	Change in %	June 2022 CCY[1]	Change in CCY[1] %
Revenue	631	642	(1.7)	590	6.9
Organic revenue* growth %	6.7				
Adjusted operating income*	130	149	(12.8)	135	(3.7)
Margin %*	20.6	23.2		22.9	

Revenue growth at constant currency was driven by all strategic business units and mainly in North East Asia, Eastern Europe and the Middle East. Performance was supported by investment in capacity and normalization in China following the re-opening of the economy.

Connectivity grew organically in high single-digits fueled by a strong performance in electromagnetic compatibility, product safety, reliability, cybersecurity and automotive connectivity. This was partially offset by lower volumes in wireless testing in Korea and China.

Softlines delivered strong organic revenue growth, benefiting from market share gains in North East Asia, Eastern Europe and the Middle East, as well as the successful rollout of our new suite of sustainability solutions.

Strong organic growth in **Hardlines** was supported by the normalization of supply chains, high volumes in North East Asia and strong growth in the automotive testing market.

Trade Facilitation Services grew below the divisional average due to lower transit levels in Europe, offset by strong growth in Product Conformity Assessment (PCA) and a good performance in Antifraud services, particularly in Africa and Western Europe.

The **adjusted operating income margin** decrease was mainly attributable to the positive impact of collections in Trade Facilitation Services in the comparable period, partly offset by China.

Innovation

- Softlines SGSMart CARES developed an innovative cloud-based digital platform to support brands and their suppliers with traceability of chemicals, wastewater data management, performance analysis and knowledge sharing.
- Full automation of testing processes in Connectivity from sample picking to certification through robotization and an enhanced IT platform.

Health & Nutrition

(CHF million)	June 2023	June 2022	Change in %	June 2022 CCY[1]	Change in CCY[1] %
Revenue	431	442	(2.5)	412	4.6
Organic revenue* growth %	2.7				
Adjusted operating income*	41	55	(25.5)	50	(18.0)
Margin %*	9.5	12.4		12.1	

Revenue growth at constant currency was achieved despite a temporary slowdown in new product development, largely due to a good performance of our core business activities, excluding Covid-related testing. Strong growth was achieved in the Americas and Asia while European growth was slower due to the ongoing macroeconomic uncertainties.

Food delivered high single-digit organic revenue growth driven by strong volumes across all regions, complemented by recent acquisitions including Nutrasource, Industry Lab and the seafood testing business from Asmecruz.

Crop Science organic revenue was broadly stable. Low contract research volumes at the end of 2022 in Europe resulted in lower carry-over work in H1. This was partly offset by the Americas where both contract research and input testing remained strong.

Health Science organic revenue decreased slightly, impacted by the lack of funding for new drug development and volumes normalizing to pre-pandemic levels. Excluding Covid-related testing, organic growth was solid driven by analytical services and clinical research.

Cosmetics & Hygiene delivered moderate organic growth, supported by growing clinical activity and complemented by the contribution from recent acquisitions including proderm GmbH.

The **adjusted operating income margin** decreased mainly due to the conclusion of Covid-related testing in the comparable period last year, the temporary slowdown in new product development and inflationary pressure. This was partially offset by price increases.

Innovation

- In collaboration with a technology partner, we introduced an innovative digital solution using an advanced analytics engine that powers data-driven risk management and helps digitize self-check procedures in the food service industry. Combining digital technology with deep industry expertise, it offers an integrated approach to food safety management that enhances food quality and compliance by detecting and anticipating issues and negative trends.
- Health Science launched SGS PACE, a seamless combination of world-leading development, bioanalysis and clinical research through one point of contact. As a unique solution, it supports our clients by providing them with an expert-directed streamlined roadmap, from preclinical to clinical formulation and manufacturing to First in Human (FIH) and Proof of Concept (PoC), through a dedicated program manager.

1. Constant currency (CCY)*.
* Refer to Alternative Performance Measures – Appendix of this report.

Industries & Environment

(CHF million)	June 2023	June 2022	Change in %	June 2022 CCY[1]	Change in CCY[1] %
Revenue	1 076	1 070	0.6	1 000	7.6
Organic revenue* growth %	7.3				
Adjusted operating income*	110	92	19.6	85	29.4
Margin %*	10.2	8.6		8.5	

Revenue growth at constant currency was supported by improved demand for SGS services related to safety, energy transition, supply chains and environmental field services across all geographies, with double-digit growth in Latin America, North and South East Asia and Pacific.

Field Services and Inspection delivered double-digit organic growth mainly driven by strong volumes in conventional and renewable energy-related services as well as an expansion in our marine environmental field portfolio that is resulting in new customer wins.

Technical Assessment & Advisory grew organically below the divisional average. Strong growth in renewable energy projects was partly offset by slightly decreasing volumes in construction-related activities in Latin America.

Industrial and Public Health & Safety grew organically at a double-digit rate driven by year on year normalization of material testing in China and strong demand for safety-related services in the United States and Europe.

Solid organic growth in **Environmental Testing** was driven mainly by incremental volumes in Australia, Benelux, Canada and China.

Public Mandates grew organically in high single-digits mainly driven by additional volumes in vehicle compliance in Western Europe and price adjustments in Latin America.

Specialty Services moderate organic growth was below the divisional average due to strong performance in oil- and gas-related activities partly offset by the end of upstream operations in Libya.

The **adjusted operating income margin** improved due to volume and pricing increases, new contracts, the successful integration of recent acquisitions as well as cost optimization initiatives. Our focus on collections from government projects is ongoing.

Innovation

- We launched the Digital Building Platform, a data management solution targeting real estate owners, asset portfolio owners and managers aiming to consolidate all asset inspection, testing, auditing and real-time IoT generated data into a single dashboard. This will improve client asset regulatory compliance, identify Health & Safety risks and achieve better alignment to ESG ambitions.
- Marine Field Services launched MARINA, a global platform to seamlessly integrate client requests, data, and reports in a digital medium. This provides a complete overview of data from sampling, onsite testing to monitoring in more than 330 ports globally.

1. Constant currency (CCY)*.
* Refer to Alternative Performance Measures – Appendix of this report.

Natural Resources

(CHF million)	June 2023	June 2022	Change in %	June 2022 CCY[1]	Change in CCY[1] %
Revenue	789	766	3.0	713	10.7
Organic revenue* growth %	10.7				
Adjusted operating income*	113	98	15.3	87	29.9
Margin %*	14.3	12.8		12.2	

Revenue growth at constant currency increased in double digits driven by a strong minerals market, a global increase in demand for agricultural commodities and pricing initiatives. The majority of regions delivered double-digit revenue growth.

Trade and Inspection grew organically in double digits. Agriculture and mineral commodities performed strongly, while growth was lower in oil and gas. The market leadership position of SGS in the minerals commodities trade and inspection business was further enhanced with good growth across the network in both the traditional base metals and iron ore as well as increased demand for battery metals. The increased capacity at key locations for testing trade and inspection samples has also contributed to overall growth in this business unit.

Laboratory Testing organic revenue growth was in high single-digits. Commercial Geochemistry laboratories growth was supported by increasing market demand for critical and battery metals, partially offset by lower demand for oil and gas testing. New projects in the field analytical services and testing (FAST) further contributed to a diversified service portfolio. Our testing capability at the main oil and gas laboratories was increased to accommodate new testing requirements for transition fuels such as bio-products.

Metallurgy and Consulting grew organically in strong double-digits driven by new expansion projects in the critical and battery metals fields. SGS continues to be the preferred service provider for major projects in this space due to our technical expertise and complex project experience in supporting clients from initial project assessment to full production phase.

The **adjusted operating income margin** increased by 210 basis points at constant currency supported by improved efficiencies from the digital labs rollout and pricing initiatives.

Innovation

- Using Trakk technology, we have created SGS Secured Documents with automated blockchain registration. This enables the optimal level of security and traceability of our documents and will enable the integration of digital transactions in due course.
- We have successfully trialed modular automation in our sample preparation facilities in Canada as well as automation programs for portable x-ray fluorescent (XRF) analyzers in Australia with the objective to roll it out across other laboratories in network.

Knowledge

(CHF million)	June 2023	June 2022	Change in %	June 2022 CCY[1]	Change in CCY[1] %
Revenue	357	335	6.6	312	14.4
Organic revenue* growth %	14.4				
Adjusted operating income*	68	64	6.3	58	17.2
Margin %*	19.0	19.1		18.6	

Revenue growth at constant currency was supported by double-digit growth in all strategic business units globally.

Management System Certification grew in double digits organically slightly below the divisional average, further consolidating our market leadership position. Growth was driven by volume and price increases in all segments, particularly in medical devices, information security and food.

Customized Audits organic revenue growth increased at a materially higher rate than the divisional average benefiting from double-digit growth in supply chain audits, social audits and Environment, Social and Governance (ESG) assurance services.

Consulting organic revenue growth was above the divisional average driven by increased demand for aviation and consulting services, ongoing market expansion in Asia as well as additional contract wins from SGS Maine Pointe.

Training Academy grew organically slightly below the divisional average driven by an increased demand in ESG and information technology-related training programs, as well as a return to classroom-based training.

The **adjusted operating income margin** rose benefiting from an increase in volume and pricing which drove strong top line growth despite the return to onsite audits and higher travel costs.

Innovation

- Knowledge signed its first contract to audit an AI Management System in anticipation of the release of the upcoming ISO/IEC 42001 standard.
- Knowledge completed the transformation of our digital customer experience with the launch of the International Customer Portal and the global rollout of a new customer relationship management (CRM) system, giving clients real-time visibility on the status of their audit programs and the ability to interact with SGS online.

1. Constant currency (CCY)*.
* Refer to Alternative Performance Measures – Appendix of this report.

Interim condensed consolidated financial statements

Condensed consolidated income statement

For the period ended 30 June 2023

(CHF million)	Notes	2023	2022
Revenue	4	**3 284**	**3 255**
Salaries and wages		(1 674)	(1 665)
Subcontractors' expenses		(195)	(193)
Depreciation, amortization and impairment		(247)	(255)
Other operating expenses		(745)	(719)
Operating income (EBIT)	4	**423**	**423**
Financial income		7	9
Financial expenses		(39)	(29)
Share of profit of associates and joint ventures		1	1
Profit before taxes		**392**	**404**
Taxes	6	(101)	(110)
Profit for the period		**291**	**294**
Profit attributable to:			
Equity holders of SGS SA		272	276
Non-controlling interests		19	18
Basic earnings per share (in CHF)[1]	8	**1.47**	**1.47**
Diluted earnings per share (in CHF)[1]	8	**1.47**	**1.47**

1. 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 purpose, the Group recalculated the weighted average number of shares as well as the basic and diluted earnings per share (EPS) as of June 2022 – refer to note 8 and Alternative Performance Measures (APM) – Appendix of this report.

Condensed consolidated statement of comprehensive income

For the period ended 30 June 2023

(CHF million)	Notes	2023	2022
Actuarial gains/(losses) on defined benefit plans	14	9	(22)
Income tax on actuarial gains/(losses)		(1)	5
Items that will not be subsequently reclassified to income statement		**8**	**(17)**
Exchange differences		(95)	(20)
Items that may be subsequently reclassified to income statement		**(95)**	**(20)**
Other comprehensive (loss) for the period		**(87)**	**(37)**
Profit for the period		291	294
Total comprehensive income for the period		**204**	**257**
Attributable to:			
Equity holders of SGS SA		190	240
Non-controlling interests		14	17

Condensed consolidated statement of financial position

For the period ended 30 June 2023

(CHF million)	Notes	June 2023	December 2022
Assets			
Non-current assets			
Property, plant and equipment		873	907
Right-of-use assets		545	577
Goodwill	9	1 745	1 755
Other intangible assets		340	350
Investments in joint ventures, associates and other companies		22	20
Deferred tax assets		166	153
Other non-current assets		133	125
Total non-current assets		**3 824**	**3 887**
Current assets			
Inventories		64	59
Unbilled revenues and work in progress		263	210
Trade receivables		963	988
Other receivables and prepayments		307	223
Current tax assets		134	132
Cash and cash equivalents		1 053	1 623
Total current assets		**2 784**	**3 235**
Total assets		**6 608**	**7 122**
Equity and liabilities			
Capital and reserves			
Share capital		7	7
Reserves		550	954
Treasury shares		(271)	(279)
Equity attributable to equity holders of SGS SA		**286**	**682**
Non-controlling interests		92	81
Total equity		**378**	**763**
Non-current liabilities			
Loans and other financial liabilities	13	2 582	2 833
Lease liabilities		413	442
Deferred tax liabilities		76	79
Defined benefit obligations		47	47
Provisions		96	96
Total non-current liabilities		**3 214**	**3 497**
Current liabilities			
Trade and other payables		670	671
Contract liabilities		231	228
Current tax liabilities		165	165
Loans and other financial liabilities	13	1 243	1 009
Lease liabilities		156	162
Provisions		52	58
Other creditors and accruals		499	569
Total current liabilities		**3 016**	**2 862**
Total liabilities		**6 230**	**6 359**
Total equity and liabilities		**6 608**	**7 122**

Condensed consolidated statement of changes in equity

For the period ended 30 June 2023

							Attributable to:		
(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	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	–	–	–	–	–	276	276	18	294
Other comprehensive income for the period	–	–	–	(19)	(17)	–	(36)	(1)	(37)
Total comprehensive income for the period	**–**	**–**	**–**	**(19)**	**(17)**	**276**	**240**	**17**	**257**
Dividends paid	–	–	–	–	–	(599)	(599)	(3)	(602)
Share-based payments	–	–	9	–	–	–	9	–	9
Movement in non-controlling interests	–	–	–	–	–	(6)	(6)	–	(6)
Movement on treasury shares	–	(56)	(4)	–	–	(1)	(61)	–	(61)
Balance at 30 June 2022	**7**	**(64)**	**135**	**(1 361)**	**(207)**	**2 190**	**700**	**99**	**799**
Balance at 1 January 2023	**7**	**(279)**	**144**	**(1 485)**	**(205)**	**2 500**	**682**	**81**	**763**
Profit for the period	–	–	–	–	–	272	272	19	291
Other comprehensive income for the period	–	–	–	(90)	8	–	(82)	(5)	(87)
Total comprehensive income for the period	**–**	**–**	**–**	**(90)**	**8**	**272**	**190**	**14**	**204**
Dividends paid	–	–	–	–	–	(590)	(590)	(4)	(594)
Share-based payments	–	–	11	–	–		11	–	11
Movement in non-controlling interests	–	–	–	–	–	(11)	(11)	1	(10)
Movement on treasury shares	–	8	(4)	–	–	–	4	–	4
Balance at 30 June 2023	**7**	**(271)**	**151**	**(1 575)**	**(197)**	**2 171**	**286**	**92**	**378**

Condensed consolidated cash flow statement

For the period ended 30 June 2023

(CHF million)	Notes	June 2023	June 2022
Profit for the period		291	294
Non-cash and non-operating items		399	405
(Increase) in working capital		(197)	(299)
Taxes paid		(124)	(137)
Cash flow from operating activities		**369**	**263**
Purchase of property, plant and equipment and other intangible assets		(143)	(156)
Disposal of property, plant and equipment and other intangible assets		3	6
Acquisition of businesses	10	(8)	(11)
Interest received		9	8
Cash flow used by investing activities		**(139)**	**(153)**
Dividends paid to equity holders of SGS SA		(590)	(599)
Dividends paid to non-controlling interests		(4)	(3)
Transaction with non-controlling interests		(12)	(9)
Cash paid on treasury shares		(10)	(51)
Payment of corporate bonds		(325)	(250)
Interest paid		(33)	(32)
Payment of lease liabilities		(90)	(92)
Proceeds from borrowings		332	592
Payment of borrowings		(29)	–
Cash flow used by financing activities		**(761)**	**(444)**
Currency translation		(39)	(28)
(Decrease) in cash and cash equivalents		**(570)**	**(362)**
Cash and cash equivalents at beginning of year		**1 623**	**1 480**
(Decrease) in cash and cash equivalents		(570)	(362)
Cash and cash equivalents at end of the period		**1 053**	**1 118**

Notes to the interim condensed consolidated financial statements

1. Activities of the Group

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

2. Basis of preparation and significant events

Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and should be read in conjunction with the consolidated financial statements of the Group for the year-end 31 December 2022 that were prepared in compliance with the International Financial Reporting Standards (IFRS).

Many countries and industries are facing challenges, including inflation, rising interests, deteriorating credit and liquidity concerns. These 2023 interim condensed consolidated financial statements were prepared with particular attention to (i) the impairment of non-current assets, (ii) the appropriateness of the allowances for trade receivables, unbilled revenue and work in progress, as well as (iii) the level of provision for risks. No material impacts were recognized in these interim condensed consolidated financial statements.

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 introduces 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. While the Group is currently assessing the implications of applying the Pillar Two model, it has applied the mandatory exception from accounting for deferred tax arising from Pillar Two, in accordance with IAS 12 amendments published on 23 May 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 purpose, the Group recalculated the basic and diluted earnings per share (EPS) as of June 2022 and discloses it in note 8.

3. Changes to the Group's accounting policies

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

Several new amendments and interpretations were adopted effective 1 January 2023 but have no material impact on the Group's interim condensed consolidated financial statements.

4. Analysis of operating income

(CHF million)	2023	2022
Adjusted operating income*	**462**	**458**
Amortization and impairment of acquired intangibles	(19)	(19)
Restructuring costs	(11)	(10)
Transaction and integration costs	(4)	(6)
Other non-recurring items	(5)	–
Operating income	**423**	**423**

June 2023

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Transaction and integration costs	Other non-recurring items	Operating income by business
Connectivity & Products	631	130	(2)	(1)	(1)	–	126
Health & Nutrition	431	41	(5)	(1)	(2)	–	33
Industries & Environment	1 076	110	(10)	(3)	(1)	(5)	91
Natural Resources	789	113	–	(5)	–	–	108
Knowledge	357	68	(2)	(1)	–	–	65
Total	**3 284**	**462**	**(19)**	**(11)**	**(4)**	**(5)**	**423**

* Refer to Alternative Performance Measures – Appendix of this report.

June 2022

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Transaction and integration costs	Operating income by business
Connectivity & Products	642	149	(3)	(1)	–	145
Health & Nutrition	442	55	(5)	(1)	(2)	47
Industries & Environment	1 070	92	(10)	(3)	(3)	76
Natural Resources	766	98	–	(4)	(1)	93
Knowledge	335	64	(1)	(1)	–	62
Total	**3 255**	**458**	**(19)**	**(10)**	**(6)**	**423**

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

5. Revenue from contracts with customers

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

	June 2023		June 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
Connectivity & Products	86%	14%	85%	15%
Health & Nutrition	84%	16%	84%	16%
Industries & Environment	71%	29%	71%	29%
Natural Resources	84%	16%	84%	16%
Knowledge	89%	11%	90%	10%
Total	**81%**	**19%**	**80%**	**20%**

6. Taxes

(CHF million)	June 2023	June 2022
Current taxes	125	136
Deferred tax (credit) relating to the origination and reversal of temporary differences	(24)	(26)
Total	**101**	**110**

(CHF million)	June 2023	June 2022
Profit before taxes	392	404
Tax at statutory rates applicable to the profits earned in the country concerned	**66**	**76**
Tax effect of non-deductible or non-taxable items	9	8
Tax effect on losses not currently treated as being recoverable in future years	2	1
Tax effect on losses previously considered irrecoverable, now expected to be recoverable	–	(2)
Non-creditable foreign withholding taxes	22	21
Minimum taxes	3	4
Prior period adjustments	(2)	1
Other	1	1
Tax charge	**101**	**110**

* Refer to Alternative Performance Measures – Appendix of this report.

7. Share capital and treasury shares

Shareholders approved a 25-1 share split which went into effect on 12 April 2023.

	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**	–
Treasury shares released into circulation	33 780	(33 780)	–	–
Balance at 30 June 2023	**184 309 230**	**3 066 570**	**187 375 800**	**7**

8. Earnings Per Share

	2023	2022 Restated	2022 Published
Profit attributable to equity holders of SGS SA (CHF million)	272	276	276
Weighted average number of shares (million)	184	187	7.5
Basic earnings per share (CHF)	**1.47**	**1.47**	**36.78**

	2023	2022 Restated	2022 Published
Profit attributable to equity holders of SGS SA (CHF million)	272	276	276
Diluted weighted average number of shares (million)	185	188	7.5
Diluted earnings per share (CHF)	**1.47**	**1.47**	**36.71**

9. Goodwill

(CHF million)	June 2023	June 2022
Cost		
At 1 January	**1 755**	**1 778**
Additions	8	14
Consideration / fair value adjustments on prior years' acquisitions	–	1
Exchange differences	(18)	(32)
At end of the period	**1 745**	**1 761**

The goodwill arising on acquisitions relates to the value of the underlying business and expected synergies as well as the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets. None of the goodwill arising on acquisitions completed as at 30 June 2023 is expected to be tax deductible.

10. Acquisitions

In H1 2023, the Group completed two acquisitions.

- 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 a total consideration of CHF 8 million and the total goodwill generated on these transactions amounted to CHF 8 million.

All the above transactions contributed a total of CHF 2 million in revenue and CHF nil million in operating income in H1 2023. Had all acquisitions been effective 1 January 2023, the revenue for the period from these acquisitions would have been CHF 4 million and the operating income would have been less than CHF 1 million.

	Date	Location	Division	FTE
Seafood Testing Business from Asmecruz	17 March 2023	Spain	Health & Nutrition	2
Nutrasource	1 May 2023	Canada and USA	Health & Nutrition	69

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 Group incurred transaction-related costs of CHF 4 million (2022: CHF 6 million) related to integration costs, external legal fees, due diligence expenses and the costs of maintaining an internal acquisition department. These expenses are reported within other operating expenses in the interim condensed consolidated income statement.

11. 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 revenues 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 receivables, unbilled revenue and work in progress.

As at 30 June 2023, unbilled revenue and work in progress amounted to CHF 263 million (December 2022: CHF 210 million) which is net of an allowance for expected credit losses of CHF 22 million (December 2022: CHF 20 million).

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 30 June 2023.

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 – 90 days	0%-5%	879	4
91 – 120 days	10%-25%	51	10
121 – 180 days	20%-50%	46	16
181 – 240 days	35%-75%	26	15
241 – 300 days	50%-75%	15	11
301 – 360 days	75%-100%	11	9
> 360 days	100%	101	101
Total		**1 129**	**166**

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**

12. Fair value measurement recognized in the balance sheet

There was no transfer between fair value level categories during the period. Derivative assets (2023: CHF 7 million; 2022: CHF 12 million) qualify as Level 2 fair value measurement category. 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.

The corporate bonds qualify as fair value Level 1, which amounts to CHF 2 821 million (2022: CHF 3 124 million).

Other financial liabilities include CHF 27 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 other financial liabilities qualify as Level 2, determined in accordance with generally accepted pricing models.

13. Loans and other financial liabilities

(CHF million)	June 2023	December 2022
Bank loans and commercial paper	777	469
Corporate bonds	2 980	3 310
Put option on acquisition	27	29
Other financial liabilities	27	26
Derivatives	14	8
Total	**3 825**	**3 842**
Current	1 243	1 009
Non-current	2 582	2 833

Liquidity risk management

In H1 2023, the Group reimbursed one bond maturing in May 2023, for a total amount of CHF 325 million. Furthermore, the Group drew EUR 300 million (CHF 292 million) as at 30 June 2023 from its EUR 1 billion sustainability-linked revolving credit facility.

14. Defined Benefit obligations

SGS remeasured the defined benefit plans in Switzerland, the USA, and the UK as at 30 June 2023. The impact on the net pension position for the first six months of 2023 is an actuarial gain of CHF 9 million. It has been recognized in other comprehensive income and is subject to future volatility.

15. Subsequent events

On 2 March 2023, the Group announced the disposal of Automotive Asset Assessment and Retail Network Services operations to Macadam Europe NV, specialist in end-of-lease assessment for leasing companies and original equipment manufacturers, in Belgium. The sale was completed on 1 July 2023.

The financial effects of the above transaction have not been brought to account at 30 June 2023 and will be included in our second-half consolidated financial statements.

16. Approval of interim condensed consolidated financial statements and subsequent events

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 20 July 2023.

17. Exchange rates

The main currency 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	
			June 2023	December 2022	June 2023	June 2022
Australia	AUD	100	59.62	62.70	61.69	67.97
Canada	CAD	100	67.83	68.20	67.65	74.23
Chile	CLP	100	0.11	0.11	0.11	0.11
China	CNY	100	12.39	13.29	13.18	14.57
Eurozone	EUR	100	97.67	98.47	98.56	103.23
Korea	KRW	100	0.07	0.07	0.07	0.08
United Kingdom	GBP	100	113.47	111.47	112.41	122.62
Russia	RUB	100	1.02	1.31	1.19	1.27
Taiwan	TWD	100	2.89	3.01	2.98	3.29
USA	USD	100	89.93	92.43	91.20	94.35

Alternative Performance Measures — Appendix to the 2023 half year results

For the period ended 30 June 2023

The following document presents and defines the Group's alternative performance measures (APMs), not defined by IFRS which are used to evaluate financial and operational performance. Where relevant, a reconciliation to the information included in our IFRS condensed consolidated financial statements is presented. Management deems these performance measures as a useful source of information when taking decisions and managing the operations. These alternative performance measures are disclosed in the annual report, the half year report and other external communications to investors, and are available following this link:

www.sgs.com/en/our-company/investor-relations/reports-and-presentations

Constant currency (CCY)

Prior period comparatives are presented at historical and constant currency, in order to assess the period over period evolution of financial indicators without the currency impact. SGS applies current period average exchange rates to prior period numbers to present comparable figures.

Organic revenue growth (Organic)

Organic revenue growth is used by management to evaluate the evolution of existing operations, excluding the impact of business acquisitions, divestments and currency fluctuations. This provides a 'like-for-like' comparison with the previous period in constant scope and constant currency, enabling deeper understanding of the business dynamics which contributed to the evolution of revenue and adjusted operating income from one period to another.

For the purpose of calculating the organic revenue, the results from acquisitions are excluded for the 12 months following the date of a business combination, while results generated by a divested unit are excluded for the 12 months prior to the divestiture.

The effect of changes in foreign exchange rates is calculated as the current year revenue converted at the current year's average exchange rates, less the prior period revenue converted at the current year's exchange rates.

Organic revenue is then divided by the prior period revenue at constant currency in order to derive the percentage growth.

A numerical reconciliation of this APM is included below:

(CHF million)

Revenue June 2022	**3 255**	
Currency impact	(228)	
Revenue June 2022 CCY[1]	**3 027**	
Growth in value and in % at CCY[1]		
Organic	245	8.1%
Acquisitions	15	0.5%
Disposals	(3)	(0.1%)
Revenue June 2023	**3 284**	**8.5%**

1. Constant currency (CCY).

Adjusted operating income (AOI)

The adjusted operating income disclosed in our financial highlights and our segment disclosures in Note 4 of our condensed consolidated financial statements is provided to assess the underlying financial and operational performance of the Group by division excluding the influence of items not directly attributable to operational performance. Adjusted operating income represents the operating income excluding:

- Amortization and impairment expenses on intangibles arising as a result of acquisitions
- Impairment expenses on goodwill
- Restructuring costs including impairment charges arising from the execution of restructuring plans
- Gains and losses from sale of businesses
- Acquisition- and divestment-related expenses including integration costs
- Other non-recurring items may include non-operational items such as certain regulatory, compliance and legal costs and certain asset write-downs/impairments

(CHF million)	June 2023	June 2022
Operating income	**423**	**423**
Amortization and impairment of acquired intangibles	19	19
Restructuring costs	11	10
Transaction and integration costs	4	6
Other non-recurring items	5	–
Adjusted operating income	**462**	**458**

Adjusted operating income margin (AOI margin)

The adjusted operating income margin is the adjusted operating income as a percentage of revenue.

(CHF million)	June 2023	June 2022	June 2022 CCY
Adjusted operating income	462	458	415
Revenue	3 284	3 255	3 027
Adjusted operating income margin	**14.1%**	**14.1%**	**13.7%**

Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA is an important performance measure as it depicts the underlying performance of the Group before tax and excluding non-cash charges of depreciation and amortization. It is a measure commonly used by the investment community.

EBITDA is defined as operating income before depreciation, amortization and impairment.

(CHF million)	June 2023	June 2022	June 2022 CCY
Operating income	**423**	**423**	**382**
Depreciation, amortization and impairment	247	255	239
EBITDA	**670**	**678**	**621**

Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA)

Adjusted EBITDA is the EBITDA adjusted for non-recurring items and those adjustments made for adjusted operating income as defined above.

(CHF million)	June 2023	June 2022	June 2022 CCY
Operating income	**423**	**423**	**382**
Depreciation, amortization and impairment	247	255	239
EBITDA	**670**	**678**	**621**
Restructuring costs[1]	11	10	9
Transaction and integration costs	4	6	6
Other non-recurring items[2]	5	–	–
Adjusted EBITDA	**690**	**694**	**636**

1. Restructuring costs excluding impairment of fixed and intangible assets.
2. Other non-recurring items excluding impairment of fixed and intangible assets.

Adjusted profit attributable to shareholders

Adjusted profit attributable to equity holders of SGS SA is the profit attributable to equity holders excluding:

- Amortization and impairment expenses on intangibles arising as a result of acquisitions
- Impairment expenses on goodwill
- Restructuring costs may consist of restructuring costs including impairment charges arising from the implementation of restructuring plans
- Gains and losses from sale of businesses
- Acquisition- and divestment-related expenses including integration costs
- Other non-recurring items may include non-operational items such as certain regulatory, compliance and legal costs and certain asset write-downs/impairments
- The tax effect of all the elements mentioned above
- The non-controlling interests' effect of all the elements mentioned above except for the impairment of goodwill

(CHF million)	June 2023	June 2022
Profit attributable to equity holder of SGS SA	**272**	**276**
Amortization and impairment of acquired intangibles	19	19
Restructuring costs	11	10
Transaction and integration costs	4	6
Other non-recurring items	5	–
Tax impact	(8)	(7)
Portion attributable to non-controlling interests	(1)	(1)
Adjusted profit attributable to equity holders of SGS SA	**302**	**303**

Adjusted basic earnings per share (adjusted basic EPS)

While basic EPS reflects the earnings from operations for each share of SGS SA, adjusted basic EPS is the 'adjusted profit attributable to equity holders' (see above) divided by the average number of shares outstanding during the reporting period.

(CHF million)	June 2023	June 2022 Restated[1]	June 2022 Published
Adjusted profit attributable to equity holders of SGS SA	**302**	**303**	**303**
Weighted average number of shares (million)	184	187	7.5
Adjusted basic earnings per share (CHF)	**1.64**	**1.61**	**40.37**

Adjusted diluted earnings per share (adjusted diluted EPS)

While basic EPS reflects the earnings from operations for each share of SGS SA, adjusted diluted EPS is the 'adjusted profit attributable to equity holders' (see above) divided by the diluted weighted average number of shares outstanding during the reporting period.

(CHF million)	June 2023	June 2022 Restated[1]	June 2022 Published
Adjusted profit attributable to equity holders of SGS SA	**302**	**303**	**303**
Diluted weighted average number of shares (million)	185	188	7.5
Adjusted diluted earnings per share (CHF)	**1.63**	**1.61**	**40.30**

1. 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 purpose, the Group recalculated the weighted average number of shares as well as the basic and diluted earnings per share (EPS) as of June 2022 – refer to note 8 and Alternative Performance Measures*.

Free cash flow (FCF)

The free cash flow is deemed an important measure by management as it shows the ability to generate cash after the investment in assets necessary to support the existing operating activities. SGS defines the free cash flow as cash from operating activities net of capital expenditure. It is calculated as follows based on amounts disclosed in the condensed consolidated statements of cash flow.

(CHF million)	June 2023	June 2022
Cash flow from operating activities	**369**	**263**
Purchase of property, plant and equipment and other intangible assets	(143)	(156)
Disposal of property, plant and equipment and other intangible assets	3	6
Operating lease outflows	(99)	(102)
Free cash flow	**130**	**11**

Operating net working capital (ONWC) as a percentage of revenues

Operating net working capital is one of the performance measures used by senior management and analyzed internally by each division. It excludes tax-related assets and liabilities as well as restructuring and group provisions.

ONWC is calculated based on the end of period balance sheet positions divided by revenue for the last 12 months preceding the reporting date.

The ratio is compared to prior period at historical currency.

(CHF million)	June 2023	June 2022
Revenue for the last 12 months	**6 671**	**6 566**
Operating net working capital	**170**	**115**
Assets (ONWC):	**1 455**	**1 404**
Inventories	64	60
Unbilled revenues and work in progress	263	242
Trade receivables	963	975
Other operating receivables	165	127
Liabilities (ONWC):	**1 285**	**1 289**
Trade payables and other operating payables	555	531
Contract liabilities	231	229
Other creditors and accruals	499	529
Operating net working capital in % of revenue	**2.5%**	**1.8%**

Return on invested capital (ROIC)

Return on invested capital is a measure of performance that combines profitability and capital efficiency. Management is closely following this KPI in order to evaluate capital allocation.

$$\text{ROIC} = \frac{\text{Profit for the last 12 months}}{\text{(Non-current assets excluding right-of-use assets + net working capital) as at end of period}}$$

The return on invested capital is calculated as follows, and amounts can be reconciled to the consolidated statements of financial position as well as the consolidated income statements:

(CHF million)	June 2023	June 2022
Profit for the last 12 months	**628**	**659**
Non-current assets	**3 279**	**3 405**
Non-current assets	3 824	4 015
Right-of-use assets	(545)	(610)
Net working capital	**272**	**170**
Assets	**1 724**	**1 635**
Inventories	64	60
Unbilled revenues and work in progress	263	242
Trade receivables	963	975
Current tax assets	134	107
Other receivables and prepayments	307	278
Less derivative assets	(7)	(27)
Liabilities	**1 452**	**1 465**
Trade payables and other payables	670	646
Provisions	52	61
Contract liabilities	231	229
Other creditors and accruals	499	529
ROIC	**17.7%**	**18.4%**

Net debt

Net debt represents the net level of financial debt contracted by SGS with external parties excluding lease liabilities. Net debt is defined as cash and marketable securities less loans and other financial liabilities.

Amounts can be found in the condensed consolidated balance sheet and the computation is as follows:

(CHF million)	June 2023	December 2022
Cash and marketable securities	**1 053**	**1 623**
Cash and cash equivalents	1 053	1 623
Loans and other financial liabilities	**3 825**	**3 842**
Non-current loans and other financial liabilities	2 582	2 833
Current loans and other financial liabilities	1 243	1 009
Net debt	**2 772**	**2 219**

Shareholder Information

Key dates and events

Friday, January 26, 2024	2023 full year results
Tuesday, March 26, 2024	AGM
2024 (date coming soon)	Investor days

Stock listing information

Stock exchange listing	SIX Swiss Exchange, SGSN
Stock exchange trading	SIX Swiss Exchange
Common stock symbols	Bloomberg: Registered Share: SGSN.SW Reuters: Registered Share: SGSN.S Telekurs: Registered Share: SGSN ISIN: Registered Share: CH0002497458 Swiss security number: 249745

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