

## Revenue

CHF **6.4** BN

+14.2%<sup>1</sup> +8.9% organic\*

## Adjusted Operating Income\*

CHF **1 055** MIO

+16.8%<sup>1</sup>

## Profit for the Period

CHF **655** MIO

+29.7%

## Adjusted Operating Income Margin\*

**16.5%**

+0.4pp<sup>1,2</sup>

## Basic Earnings Per Share

CHF **81.91**

+27.9%

## Free Cash Flow\*

CHF **635** MIO

(16.2)%

## Proposed Dividend

CHF **80**

## Return on Invested Capital\*

**19.6%**

+3.1pp<sup>2</sup>



## Financial Highlights

(CHF million)	2021	2020	Change in %	2020 CCY <sup>2</sup>	Change in CCY <sup>2</sup> %
<b>Revenue</b>	<b>6 405</b>	<b>5 604</b>	14.3	5 607	14.2
<b>Operating income (EBIT)</b>	<b>977</b>	<b>795</b>	22.9	799	22.3
Operating income margin	15.3%	14.2%		14.3%	
<b>Adjusted operating income*</b>	<b>1 055</b>	<b>900</b>	17.2	903	16.8
Adjusted operating income margin*	16.5%	16.1%		16.1%	
<b>EBITDA*</b>	<b>1 476</b>	<b>1 312</b>	12.5	1 318	12.0
Adjusted EBITDA*	1 515	1 324	14.4	1 329	14.0
<b>Profit for the period</b>	<b>655</b>	<b>505</b>	29.7		
Profit attributable to equity holders of SGS SA	613	480	27.7		
Adjusted profit attributable to equity holders of SGS SA*	670	565	18.6		
<b>Basic EPS (CHF)</b>	<b>81.91</b>	<b>64.05</b>	27.9		
Diluted EPS (CHF)	81.79	63.82	28.2		
Adjusted basic EPS (CHF)*	89.46	75.44	18.6		
<b>Cash flow from operating activities</b>	<b>1 169</b>	<b>1 186</b>	(1.4)		
<b>Free cash flow*</b>	<b>635</b>	<b>758</b>	(16.2)		
<b>Return on invested capital*</b>	<b>19.6%</b>	<b>16.5%</b>			
<b>Net debt*</b>	<b>(1 691)</b>	<b>(1 478)</b>			
<b>Weighted average number of shares ('000)</b>	<b>7 488</b>	<b>7 489</b>			
<b>Average FTE<sup>1</sup></b>	<b>93 297</b>	<b>89 098</b>	4.7		

1. Full Time Equivalent (FTE) employees.

2. Constant currency (CCY)\*.

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.

## A year of significant progress

"We have made significant progress on our new strategic plan, which was implemented at the start of the year. At the same time, our colleagues continue to deal with Covid-related challenges and sometimes tragedies in their personal lives. Their dedication and dynamism through this challenging period remain the basis of our success.

"Our strong 2021 performance has confirmed our strategic focus. Combined with the investment in our platform we are building a thriving future for SGS. We will continue to evolve into a more sustainable, digital and data-driven company to support our commitment to enable a better, safer and more interconnected world for all our stakeholders." **Frankie Ng, CEO of SGS.**

### Building on our culture of sustainability at SGS

Through our culture at SGS, our employees continue to reinforce our sustainability leadership and enable impactful change.

- Our purpose of enabling a better, safer and more interconnected world has shaped our new corporate Sustainability Ambitions 2023 and 2030. These targets will be achieved by our colleagues 'thinking sustainably' when engaging with all stakeholders.
- To further support our customers to achieve their sustainability goals, we introduced our Sustainability Solutions Framework. This unifies our comprehensive range of existing and new innovative services aligned with the UN Sustainable Development Goals, increasing their value to society.
- We continued to align our capital allocation and management incentivization to sustainable criteria through: launching a €1 billion sustainability-linked revolving credit facility; further elevating sustainability factors in the Operations Council capex approval process; introducing sustainability KPIs in both our short-term and long-term management incentivization.
- Our 2020-2023 strategic evolution further integrated our financial and non-financial objectives by setting our three target criteria in parallel: Planet, Performance and People.

### Strategic progress

In May we communicated the next phase of our strategic evolution to make our global network more customer-centric and further aligned to the key TIC megatrends. Much progress has been made in 2021 including:

- Accelerating net capex to 5.1% of Group revenue. This was concentrated on both our strategic priority areas and SGS's platform to accelerate our digital transformation.
- Allocating more operational capital to structurally growing markets including connectivity, semiconductors, mobility, biopharma, environmental and food testing.
- Investing significantly in Digital & Innovation to create new products and services, improve customer experience and automate our operations. Examples of this include: established an emerging technology competence center; developing digital; partnering with Microsoft to accelerate the process; developing digital IoT and AI centers of excellence; establishing process, governance and KPIs to ensure progress.
- Acquiring Brightsight, which materially accelerates our global strategy to become the global TIC leader in cybersecurity and Quay Pharmaceuticals, a leader in formulation research and development, further expanding our positioning along the Health Sciences supply chain. In addition, we continued to integrate SGS Analytics, which significantly accelerates our European hub and spoke laboratory model in high-volume environmental testing.

### Financial discipline and focused capital allocation

In 2021, our strong operational performance was supported by our pricing initiatives and cost control in an inflationary environment, as well as working capital management. At the same time, we have continued to invest in productivity across the global network.

- Organic\* growth was particularly strong in our key strategic focus areas of Health & Nutrition, Connectivity & Products and Knowledge, which are all tracking comfortably above 2019 revenue levels.
- Significant progress was made on the strategically important implementation of our 'Level Up' finance, IT and operations initiatives. This includes accelerating the coverage and capability of our shared service centers, progress on our IT transformation, billing centralization and improving our reporting data intelligence.
- Nine acquisitions were completed, further aligning our portfolio with our focus on megatrends.

## A strong financial performance

**Total revenue** reached CHF 6.4 billion, up by 14.3% (14.2% at constant currency\*), driven by the ongoing recovery from the Covid-19 pandemic as well as strategic focus and significant contribution from acquired revenue. **Organic revenue\*** increased by 8.9%.

**Operating income** increased from CHF 795 million in prior year to CHF 977 million in 2021 due to the revenue increase and related productivity improvement. No goodwill impairment was recognized in 2021. In 2020, the high restructuring costs were partly offset by a gain on business disposal.

**Adjusted operating income\*** increased from CHF 900 million in prior year to CHF 1 055 million in 2021, an increase of 17.2% (16.8% at constant currency\*).

**Adjusted operating income margin\*** increased from 16.1% in prior year (also 16.1% at constant currency\*) to 16.5% in 2021, supported by additional productivity increase.

**Net financial expenses** slightly decreased from CHF 54 million in prior year to CHF 53 million in 2021.

**Effective tax rate (ETR)** decreased from 32% in prior year to 29%. The prior year was mainly impacted by non-deductibility of both goodwill impairment and a portion of restructuring costs.

**Profit attributable to equity holders** increased from CHF 480 million in prior year to CHF 613 million in 2021, an increase of 27.7% over prior year.

**Basic earnings per share** increased from CHF 64.05 in prior year to CHF 81.91, an improvement of 27.9%.

**Cash flow from operating activities** was CHF 1 169 million, comparable with prior year. Higher profit was offset by a higher net working capital requirement to support the recovery of activity in 2021. Operating net working capital\* remained negative as a percentage of revenue at (2.4)% compared to (2.5)% in prior year.

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.

**Free cash flow (FCF)\*** decreased from CHF 758 million in prior year to CHF 635 million in 2021. The lower level of FCF was mainly driven by higher capex investment.

**Investment activities:** Net capex was CHF 331 million versus CHF 246 million in prior year and the Group completed nine acquisitions for a total cash consideration of CHF 214 million.

**Financing activities:** In 2021, the Group paid a dividend of CHF 599 million.

**Return on invested capital (ROIC)\*** increased from 16.5% in prior year to 19.6% in 2021. Prior year was impacted by SGS Analytics (formerly SYNLAB A&S), which was acquired as at 31 December 2020. Adjusted for this acquisition, 2020 ROIC would have been 20.9%. As at 31 December 2021, the Group **net debt\*** was CHF 1 691 million versus CHF 1 478 million in prior year.

## Business growth and adjusted operating income margin 2021

(CHF million)	Revenue	Growth at CCY <sup>1</sup>	Organic* growth at CCY <sup>1</sup>	Adjusted operating income*	Adjusted operating income Margin*
C&P	1 288	8.8%	7.7%	316	24.5%
H&N	861	30.1%	15.9%	149	17.3%
I&E	2 120	18.0%	7.5%	240	11.3%
NR	1 473	6.2%	6.0%	210	14.3%
Kn	663	14.7%	14.7%	140	21.1%
<b>Total</b>	<b>6 405</b>	<b>14.2%</b>	<b>8.9%</b>	<b>1 055</b>	<b>16.5%</b>

1. Constant currency (CCY)\*.

## Acquisitions

	Date	Location	Division line	FTE
Analytical & Development Services (ADS)	7 January 2021	United Kingdom	H&N	86
BZH GmbH Deutsches Beratungszentrum für Hygiene	29 January 2021	Germany	I&E	71
Autoscope/CTOK	2 February 2021	France	I&E	10
International Service Laboratory (ISL)	1 April 2021	Ireland	H&N	86
BrightSight	4 May 2021	The Netherlands	C&P	145
Metair Lab	1 June 2021	France	I&E	19
Groupe IDEA TESTS	1 December 2021	France	H&N	73
Sulphur Experts Inc.	1 December 2021	Canada	NR	40
Quay Pharmaceuticals Limited	6 December 2021	United Kingdom	H&N	192

## Mid-term targets 2020-2023

Planet	Performance	People
<p><b>Reducing our CO<sub>2</sub> emissions</b> Support the transition to a low-carbon world by meeting our Science-based Target of reducing our CO<sub>2</sub> emissions per revenue by 35%<sup>1</sup></p>	<p><b>High single-digit constant currency revenue Compound Annual Growth Rate (CAGR)</b> Driven by mid-single-digit organic* growth per annum and a focus on M&amp;A</p>	<p><b>Ensuring diversity</b> 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</p>
<p><b>Sustainability solutions</b> Support our customers on their journey to sustainability by increasing the proportion of revenue generated by our sustainability solutions to above 50%</p>	<p><b>&gt; 10% adjusted operating income* CAGR</b></p>	<p><b>World Class Service (WCS)</b> 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</p>
<p><b>Integrity principles</b> Reduce the impact that our supply chain has on society by committing our strategic suppliers to support our integrity principles</p>	<p><b>Strong Economic Value Added discipline (EVA)</b></p>	<p><b>Supporting personal development</b> Support the personal development of our employees by increasing the completion rate of job-related training by 10%<sup>2</sup></p>
<p><b>Energy efficiency</b> Increasing annually the number of energy efficiency measures in our 100 most energy intensive owned buildings</p>	<p><b>Maintain or grow the dividend per share</b></p>	<p><b>Positive impact on communities</b> Increase by 10%<sup>2</sup> our positive impact on our communities through employee volunteering, focusing on vulnerable groups including those affected by pandemics</p>

1. Against a 2014 baseline.

2. Against a 2019 baseline.

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.

**Outlook 2022**

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

**Management changes**

Jessica Sun joined the SGS Group as Senior Vice President of Human Resources and has been appointed to the Operations Council. José María Hernández-Sampelayo (formerly Senior Vice President of Human Resources) stepped down from the Operations Council to take the role of Vice President of Group Strategic Projects.

Steven Du has been appointed Chief Operating Officer of North East Asia replacing Helmut Chik who has decided to leave the SGS Group to pursue other interests.

We would like to thank Jose Maria and Helmut for their dedication and contributions to the Operations Council and Helmut for his significant contribution to the SGS Group.

**Board changes**

On 23 March 2021, Janet S. Vergis was elected as a member of the Board of Directors bringing over 30 years of experience in positions of responsibility in research & development, new product development and sales & marketing in the healthcare industry. François von Finck, Gérard Lamarche and Cornelius Grupp did not stand for re-election. SGS would like to thank them for their support and direction.

**Distribution shareholders**

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 29 March 2022) the approval of a dividend of CHF 80 per share.

**Significant shareholders**

As at 31 December 2021, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 18.93% (December 2020: 18.91%) of the share capital and voting rights of the company. At the same date, the Group held 0.04% of the share capital of the company (December 2020: 1.28%).



**Calvin Grieder**  
Chair of the Board of Directors



**Frankie Ng**  
Chief Executive Officer

27 January 2022



## Connectivity & Products

(CHF million)	2021	2020 <sup>2</sup>	Change in %	2020 CCY <sup>1</sup>	Change in CCY <sup>1</sup> %
Revenue	1 288	1 175	9.6	1 184	8.8
Adjusted operating income*	316	287	10.1	290	9.0
Margin %*	24.5	24.4		24.5	

### Acquisitions

- Brightsight in The Netherlands

**Connectivity & Products** revenue increased by 8.8% at constant currency (organic growth was 7.7%) to CHF 1 288 million. Excluding the impact from lower PPE testing volumes, there was a strong recovery in all Strategic Business Units (SBU).

**Connectivity** grew materially more than the divisional average with an excellent contribution from all segments which was supported by easing regional restrictions, our long-term focused investment strategy and further penetration into the Cybersecurity market through the acquisition of Brightsight.

**Softlines** growth was below the divisional average. A strong recovery in Bangladesh, Taiwan and Turkey was driven by increased levels of activity from major retailers and brands. There was also good progress from our sustainable solutions. As expected, PPE testing volumes were at a lower level compared to last year.

**Hardlines** increased less than divisional average. Hardgoods recovered strongly in all geographies and improving European and Asian market conditions resulted in higher automotive laboratory testing volumes. Toys and Juvenile was stable compared to last year.

**Trade Facilitation** services posted higher growth than the divisional average led by eCustoms services expansion in Europe. This was partially offset by unfavorable trade conditions affecting certain Product Conformity Assessment programs.

The **adjusted operating income margin** remained stable at 24.5% versus prior year (at constant currency), with profitability improving across most of the portfolio due to a strong focus on cost and structural optimization. This was offset by lower volumes of highly profitable PPE testing.

## Health & Nutrition

(CHF million)	2021	2020 <sup>2</sup>	Change in %	2020 CCY <sup>1</sup>	Change in CCY <sup>1</sup> %
Revenue	861	658	30.9	662	30.1
Adjusted operating income*	149	102	46.1	103	44.7
Margin %*	17.3	15.5		15.6	

### Acquisitions

- Analytical & Development Services (ADS) in the UK
- International Service Laboratory (ISL) in Ireland
- Groupe IDEA TESTS in France
- Quay Pharmaceuticals Limited in the UK

**Health & Nutrition** revenue increased by 30.1% at constant currency (organic growth was 15.9%) to CHF 861 million. All SBUs and regions delivered a strong performance resulting in double-digit organic growth.

**Food** achieved double-digit organic growth as underlying markets rebounded and were supported by new regulations in Asia and increasing demand for plant-based and health products in Europe, as well as expansion of our customer base in North America.

**Crop Science** revenue increased below the divisional average, supported by growth across all segments, particularly in Europe.

**Health Science** grew well above the divisional average, benefiting from work related to Covid-19 vaccines and strong momentum in North America.

**Cosmetics & Hygiene** grew organically by double digits, slightly below the divisional average, led by a rebound of activities in North America and in North East Asia.

The **adjusted operating income margin** increased to 17.3% from 15.6% in prior year (at constant currency). Profitability improved across the portfolio as the increase in volume drove strong operational leverage.

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

2. See Note 2 on segment information restatement.

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.

## Industries &amp; Environment

(CHF million)	2021	2020 <sup>2</sup>	Change in %	2020 CCY <sup>1</sup>	Change in CCY <sup>1</sup> %
Revenue	2 120	1 798	17.9	1 796	18.0
Adjusted operating income*	240	178	34.8	181	32.6
Margin %*	11.3	9.9		10.1	

## Acquisitions

- Autoscope/CTOK in France
- BZH GmbH Deutsches Beratungszentrum für Hygiene in Germany
- Metair Lab in France

**Industries & Environment** revenue increased by 18.0% at constant currency (organic growth was 7.5%) to CHF 2 120 million. All SBUs grew in 2021.

**Field Services and Inspection** grew above divisional average as a result of a strong increase in demand for inspection and monitoring activities, particularly in Europe and Asia. Double-digit growth was achieved across the network driven by renewable energy projects in field services.

**Technical Assessment and Advisory** grew above the divisional average with double-digit organic growth benefiting from a rebound in Latin America. Total growth was supplemented by a strong performance from Ryobi Geotechnique International Pte Ltd. acquired in late 2020.

**Industrial and Public Health & Safety** grew above the divisional average, at a double-digit rate. This was driven by a strong performance in the industrial laboratory network in North East Asia and strong volumes in Health & Safety services in North America.

**Environmental Testing** remained organically stable. A strong pick-up in activity in Latin America was partly offset by a slower recovery in the USA and some European countries. The SYNLAB Analytics & Services acquisition had a solid performance and has materially increased our European footprint, accelerating our hub and spoke laboratory model.

**Public Mandates** revenue decreased slightly due to a lost contract in Africa which was partly compensated by strong recovery in vehicle compliance in Europe and Latin America.

The **adjusted operating income margin** increased to 11.3% from 10.1% in prior year (at constant currency) through a combination of higher volumes and cost optimization.

## Natural Resources

(CHF million)	2021	2020 <sup>2</sup>	Change in %	2020 CCY <sup>1</sup>	Change in CCY <sup>1</sup> %
Revenue	1 473	1 397	5.4	1 387	6.2
Adjusted operating income*	210	225	(6.7)	220	(4.5)
Margin %*	14.3	16.1		15.9	

## Acquisitions

- Sulphur Experts Inc. in Canada

**Natural Resources** revenue increased by 6.2% at constant currency (organic growth was 6.0%) to CHF 1 473 million, fueled by the buoyant minerals market with high commodity prices and increased exploration funding.

**Trade and Inspection** posted moderate growth, less than the divisional average, with the strong demand across minerals commodities offsetting weaker performance in agricultural commodities. Strong trade volumes in Latin America and Asia in agriculture were insufficient to offset adverse meteorological conditions and the resulting poor crop season in Europe and North America. Oil and Gas Commodities achieved stable growth despite the challenging trading environment.

**Laboratory Testing** delivered double-digit growth with a surge in exploration sample volumes across the network. Geochemistry onsite laboratories continued their positive trajectory and strongly maintained their global leadership position, with new laboratory additions in Eastern Europe and Africa. Oil and gas analytical services benefited from strong laboratory outsourcing activities and grew above divisional levels.

**Metallurgy and Consulting** achieved double-digit growth with the resumption of metallurgical pilot projects delayed from the previous year. Service innovation continued with the launch of integrated services in geomet and process solutions as well as new services related to critical metals and battery metals.

**Market Intelligence** growth was above divisional levels with the replication of digital services across the Natural Resources supply chain.

The **adjusted operating income margin** decreased to 14.3% from 15.9% in prior year (at constant currency), resulting from the challenges in agricultural commodities and competitive pricing in oil and gas. This was partially offset by improved profitability in the mining sector in addition to ongoing operational optimization across the network.

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

2. See Note 2 on segment information restatement.

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.



## Knowledge

(CHF million)	2021	2020 <sup>2</sup>	Change in %	2020 CCY <sup>1</sup>	Change in CCY <sup>1</sup> %
Revenue	<b>663</b>	576	15.1	578	14.7
Adjusted operating income*	<b>140</b>	108	29.6	109	28.4
Margin %*	<b>21.1</b>	18.8		18.9	

**Knowledge** revenue increased organically by 14.7% to CHF 663 million. All SBUs and regions grew by double digits resulting in a solid increase.

**Management System Certification** grew by double digits driven by the combination of a higher volume of recertification audits as well as a strong performance in information security, medical devices and certification. Growth was lower in H2 due to a challenging comparable with the post Covid-19 catch-up period in H2 2020, however growth versus H2 2019 was double digit.

**Customized Audits** increased above the divisional average, fueled by a high volume of social audits in Asia and Europe as well as strong demand for newly launched Environmental, Social and Governance (ESG) services.

**Consulting** grew above the divisional average. SGS Productivity (LeanSis) delivered solid results boosted by the international replication of services. Maine Pointe also rebounded, particularly in H2, driven by the strong demand for supply chain improvement solutions.

**Academy** improved in H2 as students gradually returned to classrooms and virtual training solutions continued to gain traction. However, market demand remains below pre-pandemic levels.

The **adjusted operating income margin** increased to 21.1% from 18.9% in prior year (at constant currency). Profitability improved across all geographies benefiting from the strong volume increase, improved auditors utilization and a leaner cost base.

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

2. See Note 2 on segment information restatement.

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.



## Condensed Consolidated Financial Statements

### Condensed Consolidated Income Statement

For the period ended 31 December 2021

(CHF million)	Notes	2021	2020
<b>Revenue</b>	4	<b>6 405</b>	<b>5 604</b>
Salaries and wages		(3 180)	(2 797)
Subcontractors' expenses		(385)	(352)
Depreciation, amortization and impairment		(499)	(517)
Gain on business disposals		–	63
Other operating expenses		(1 364)	(1 206)
<b>Operating income (EBIT)</b>	4	<b>977</b>	<b>795</b>
Financial income		16	12
Financial expenses		(69)	(66)
Share of profit of associates and joint ventures		–	1
<b>Profit before taxes</b>		<b>924</b>	<b>742</b>
Taxes		(269)	(237)
<b>Profit for the period</b>		<b>655</b>	<b>505</b>
<i>Profit attributable to:</i>			
Equity holders of SGS SA		613	480
Non-controlling interests		42	25
<b>Basic earnings per share (in CHF)</b>	5	<b>81.91</b>	<b>64.05</b>
<b>Diluted earnings per share (in CHF)</b>	5	<b>81.79</b>	<b>63.82</b>

### Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 December 2021

(CHF million)	2021	2020
Actuarial gains on defined benefit plans	57	14
Income tax on actuarial (losses)	(6)	(4)
<i>Items that will not be subsequently reclassified to income statement</i>	51	10
Exchange differences	(32)	(182)
<i>Items that may be subsequently reclassified to income statement</i>	(32)	(182)
<b>Other comprehensive income/(loss) for the period</b>	<b>19</b>	<b>(172)</b>
Profit for the period	655	505
<b>Total comprehensive income for the period</b>	<b>674</b>	<b>333</b>
<i>Attributable to:</i>		
Equity holders of SGS SA	629	311
Non-controlling interests	45	22

## Condensed Consolidated Balance Sheet

For the period ended 31 December 2021

(CHF million)	2021	2020
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	925	872
Right-of-use assets	605	590
Goodwill	1 778	1 651
Other intangible assets	382	333
Investments in joint ventures, associates and other companies	26	34
Deferred tax assets	164	161
Other non-current assets	173	154
<b>Total non-current assets</b>	<b>4 053</b>	<b>3 795</b>
<b>Current assets</b>		
Inventories	59	57
Unbilled revenues and work in progress	175	160
Trade receivables	928	856
Other receivables and prepayments	204	188
Current tax assets	108	77
Marketable securities	–	9
Cash and cash equivalents	1 480	1 766
<b>Total current assets</b>	<b>2 954</b>	<b>3 113</b>
<b>Total assets</b>	<b>7 007</b>	<b>6 908</b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	7	8
Reserves	1 118	1 282
Treasury shares	(8)	(230)
<b>Equity attributable to equity holders of SGS SA</b>	<b>1 117</b>	<b>1 060</b>
Non-controlling interests	85	74
<b>Total equity</b>	<b>1 202</b>	<b>1 134</b>
<b>Non-current liabilities</b>		
Loans and other financial liabilities	2 889	2 390
Lease liabilities	481	470
Deferred tax liabilities	92	53
Defined benefit obligations	84	136
Provisions	90	88
<b>Total non-current liabilities</b>	<b>3 636</b>	<b>3 137</b>
<b>Current liabilities</b>		
Trade and other payables	687	658
Contract liabilities	221	189
Current tax liabilities	169	140
Loans and other financial liabilities	282	863
Lease liabilities	155	151
Provisions	60	85
Other creditors and accruals	595	551
<b>Total current liabilities</b>	<b>2 169</b>	<b>2 637</b>
<b>Total liabilities</b>	<b>5 805</b>	<b>5 774</b>
<b>Total equity and liabilities</b>	<b>7 007</b>	<b>6 908</b>

## Condensed Consolidated Statement of Changes in Equity

For the period ended 31 December 2021

(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
<b>Balance at 1 January 2020</b>	<b>8</b>	<b>(30)</b>	<b>146</b>	<b>(1 128)</b>	<b>(251)</b>	<b>2 769</b>	<b>1 514</b>	<b>81</b>	<b>1 595</b>
Profit for the period	–	–	–	–	–	480	480	25	505
Other comprehensive income for the period	–	–	–	(179)	10	–	(169)	(3)	(172)
<i>Total comprehensive income for the period</i>	–	–	–	(179)	10	480	311	22	333
Dividends paid	–	–	–	–	–	(598)	(598)	(37)	(635)
Share-based payments	–	–	17	–	–	–	17	–	17
Movement in non-controlling interests	–	–	–	–	–	20	20	8	28
Movement on treasury shares	–	(200)	(3)	–	–	(1)	(204)	–	(204)
<b>Balance at 31 December 2020</b>	<b>8</b>	<b>(230)</b>	<b>160</b>	<b>(1 307)</b>	<b>(241)</b>	<b>2 670</b>	<b>1 060</b>	<b>74</b>	<b>1 134</b>
<b>Balance at 1 January 2021</b>	<b>8</b>	<b>(230)</b>	<b>160</b>	<b>(1 307)</b>	<b>(241)</b>	<b>2 670</b>	<b>1 060</b>	<b>74</b>	<b>1 134</b>
Profit for the period	–	–	–	–	–	613	613	42	655
Other comprehensive income for the period	–	–	–	(35)	51	–	16	3	19
<i>Total comprehensive income for the period</i>	–	–	–	(35)	51	613	629	45	674
Dividends paid	–	–	–	–	–	(599)	(599)	(41)	(640)
Share-based payments	–	–	12	–	–	–	12	–	12
Movement in non-controlling interests	–	–	–	–	–	14	14	7	21
Movement on treasury shares	(1)	222	(42)	–	–	(178)	1	–	1
<b>Balance at 31 December 2021</b>	<b>7</b>	<b>(8)</b>	<b>130</b>	<b>(1 342)</b>	<b>(190)</b>	<b>2 520</b>	<b>1 117</b>	<b>85</b>	<b>1 202</b>

## Condensed Consolidated Cash Flow Statement

For the period ended 31 December 2021

(CHF million)	2021	2020
Profit for the period	655	505
Non-cash and non-operating items	828	748
(Increase)/decrease in working capital	(44)	186
Taxes paid	(270)	(253)
<b>Cash flow from operating activities</b>	<b>1 169</b>	<b>1 186</b>
Purchase of property, plant and equipment and other intangible assets	(336)	(259)
Disposal of property, plant and equipment and other intangible assets	5	13
Acquisition of businesses	(214)	(492)
Proceeds from disposal of businesses	–	71
Cash paid on other non-current assets	(2)	(4)
Proceeds received from investments in joint ventures, associates and other companies	1	1
Interest received	17	15
Proceeds from marketable securities	9	–
<b>Cash flow used by investing activities</b>	<b>(520)</b>	<b>(655)</b>
Dividends paid to equity holders of SGS SA	(599)	(598)
Dividends paid to non-controlling interests	(41)	(37)
Transaction with non-controlling interests	(12)	(1)
Cash paid on treasury shares	–	(208)
Proceeds from corporate bonds	824	499
Payment of corporate bonds	(276)	–
Interest paid	(66)	(63)
Payment of lease liabilities	(179)	(161)
Proceeds from borrowings	–	542
Payment of borrowings	(555)	(154)
<b>Cash flow used by financing activities</b>	<b>(904)</b>	<b>(181)</b>
Currency translation	(31)	(50)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(286)</b>	<b>300</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1 766</b>	<b>1 466</b>
(Decrease)/increase in cash and cash equivalents	(286)	300
<b>Cash and cash equivalents at end of the period</b>	<b>1 480</b>	<b>1 766</b>



## Notes to the Condensed Consolidated Financial Statements

### 1. Activities of the Group

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

### 2. Basis of preparation, significant transaction and segment information restatement

#### Basis of preparation

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

#### Covid-19 pandemic

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

Consequently, these condensed consolidated financial statements were prepared considering the continued impact of the pandemic, with particular attention to (i) the impairment of non-current assets, (ii) the appropriateness of the allowance for trade receivables, unbilled revenue and work in progress, (iii) the level of provision for risks, as well as (iv) accounting for government grants. No material impacts were recognized in these condensed consolidated financial statements.

#### Business segment financial restatement

As indicated early this year, SGS's operational structure has been simplified into new focus areas composed of five divisions: Connectivity & Products, Health & Nutrition, Industries & Environment, Natural Resources and Knowledge.

The implementation of this divisional structure, effective as of 1 January 2021, resulted in improving SGS's market approach and increasing cooperation and agility across our global network. Other than creating more operational synergies, the Group expects to reinvigorate the growth profiles of these services. The previously reported 2020 segment disclosures have been restated to reflect this change and are disclosed in note 4.

### 3. Changes to the Group's accounting policies

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

Several new amendments and interpretations were adopted effective 1 January 2021 but have no material impact on the Group's consolidated financial statements.

### 4. Analysis of operating income

(CHF million)	2021	2020
<b>Adjusted operating income*</b>	<b>1 055</b>	<b>900</b>
Amortization and impairment of acquired intangibles	(39)	(31)
Restructuring costs	(15)	(84)
Goodwill impairment	–	(37)
Gain on business disposals	–	63
Transaction and integration costs	(24)	(16)
<b>Operating income</b>	<b>977</b>	<b>795</b>

#### 2021

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Transaction and integration costs	Operating income by business
C&P	1 288	316	(5)	(2)	(1)	308
H&N	861	149	(7)	(2)	(9)	131
I&E	2 120	240	(21)	(5)	(11)	203
NR	1 473	210	–	(6)	(1)	203
Kn	663	140	(6)	–	(2)	132
<b>Total</b>	<b>6 405</b>	<b>1 055</b>	<b>(39)</b>	<b>(15)</b>	<b>(24)</b>	<b>977</b>

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.

## 2020

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Operating income by business
C&P	1 175	287	(1)	(2)	(5)	–	(1)	278
H&N	658	102	(5)	(6)	(16)	–	(4)	71
I&E	1 798	178	(14)	(65)	(8)	–	(11)	80
NR	1 397	225	(1)	(8)	–	63	–	279
Kn	576	108	(10)	(3)	(8)	–	–	87
<b>Total</b>	<b>5 604</b>	<b>900</b>	<b>(31)</b>	<b>(84)</b>	<b>(37)</b>	<b>63</b>	<b>(16)</b>	<b>795</b>

## 2020 Published

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Operating income by business
AFL	996	175	(4)	(5)	(16)	63	(4)	209
MIN	639	111	(1)	(7)	–	–	–	103
OGC	776	76	–	(5)	–	–	(2)	69
CRS	1 054	264	(2)	(3)	–	–	(1)	258
CBE	429	82	(10)	(3)	(8)	–	–	61
IND	847	72	(7)	(13)	(10)	–	(2)	40
EHS	471	42	(4)	(3)	–	–	(6)	29
GIS	392	78	(3)	(45)	(3)	–	(1)	26
<b>Total</b>	<b>5 604</b>	<b>900</b>	<b>(31)</b>	<b>(84)</b>	<b>(37)</b>	<b>63</b>	<b>(16)</b>	<b>795</b>

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

**Restructuring costs**

The Group incurred a pre-tax restructuring charge of CHF 15 million (2020: CHF 84 million, out of which CHF 45 million was recognized for I&E activities (former attributed to GIS activities), mainly driven by the termination of the single-window contract with the Government of Ghana and the vehicle inspection contract with the Government of Uganda).

\* Alternative Performance Measures (APM), refer to the '2021 Full Year APM' document.

**5. Earnings per share**

	2021	2020
Profit attributable to equity holders of SGS SA (CHF million)	613	480
Weighted average number of shares ('000)	7 488	7 489
<b>Basic earnings per share (CHF)</b>	<b>81.91</b>	<b>64.05</b>

	2021	2020
Profit attributable to equity holders of SGS SA (CHF million)	613	480
Diluted weighted average number of shares ('000)	7 500	7 516
<b>Diluted earnings per share (CHF)</b>	<b>81.79</b>	<b>63.82</b>

**6. Exchange rates**

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

				Statement of financial position period-end rates		Income statement period average rates	
				2021	2020	2021	2020
Australia	AUD	100	66.59	67.66	68.67	64.75	
Canada	CAD	100	71.65	69.12	72.93	70.05	
Chile	CLP	100	0.11	0.12	0.12	0.12	
China	CNY	100	14.40	13.54	14.17	13.60	
Eurozone	EUR	100	103.78	108.42	108.16	107.04	
Korea	KRW	100	0.08	0.08	0.08	0.08	
United Kingdom	GBP	100	123.57	119.75	125.72	120.47	
Russia	RUB	100	1.24	1.19	1.24	1.31	
Taiwan	TWD	100	3.32	3.15	3.27	3.19	
USA	USD	100	91.72	88.45	91.42	93.92	

## Shareholder Information

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[www.sgs.com](http://www.sgs.com)

### 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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### Investor days

November 2022

### 2022 Half Year results

Tuesday, 19 July 2022

### Annual General Meeting of Shareholders

Tuesday, 29 March 2022  
Geneva, Switzerland

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# SGS

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