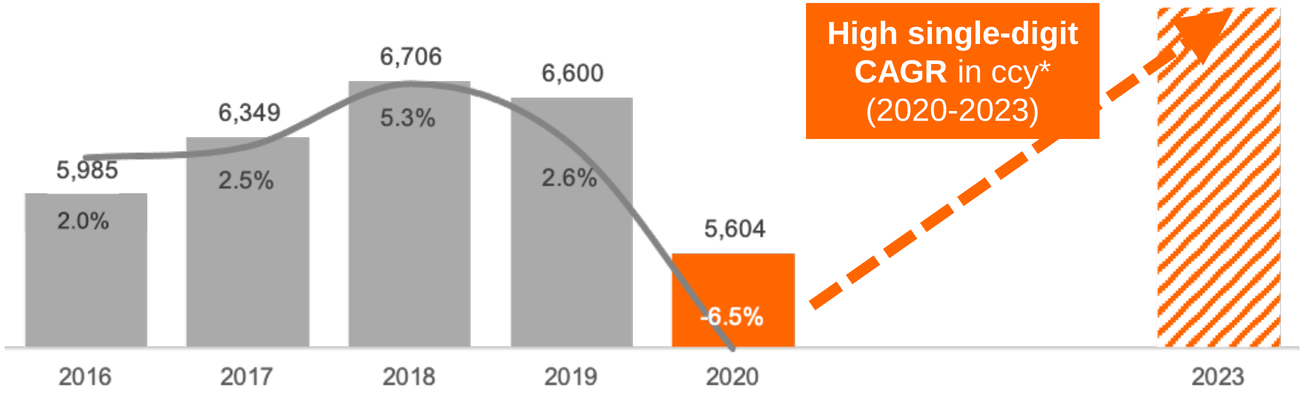
SGS Virtual Investor Days 2021

Finance

May 27, 2021

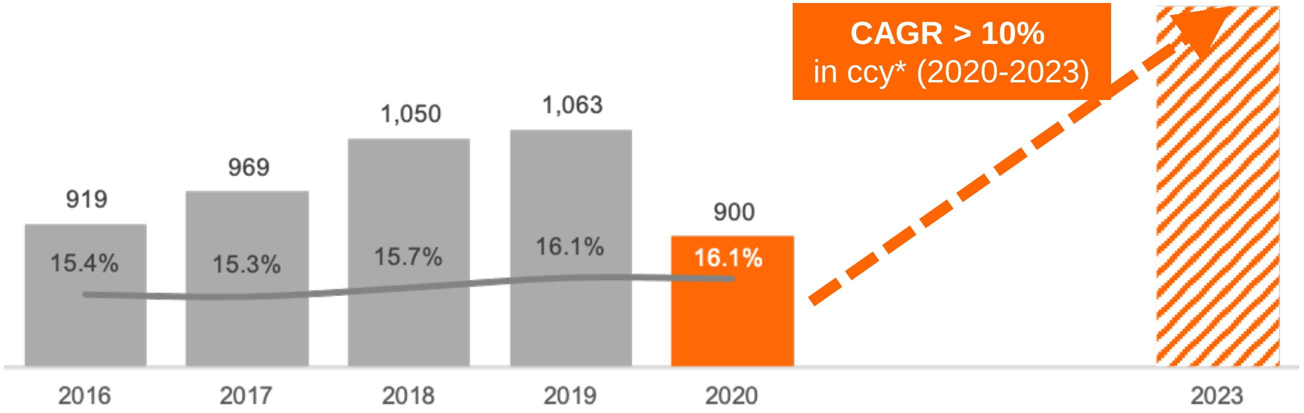
Revenue and Adjusted Operating Income (AOI)



Revenue (CHF mio, % organic growth)

Revenue – high-single digit CAGR in ccy* for the planning period (2020-23) expected, driven by

- Underlying mid-single digit growth p.a.
- Acquisitions



Adjusted Operating Income (CHF mio, % margin)

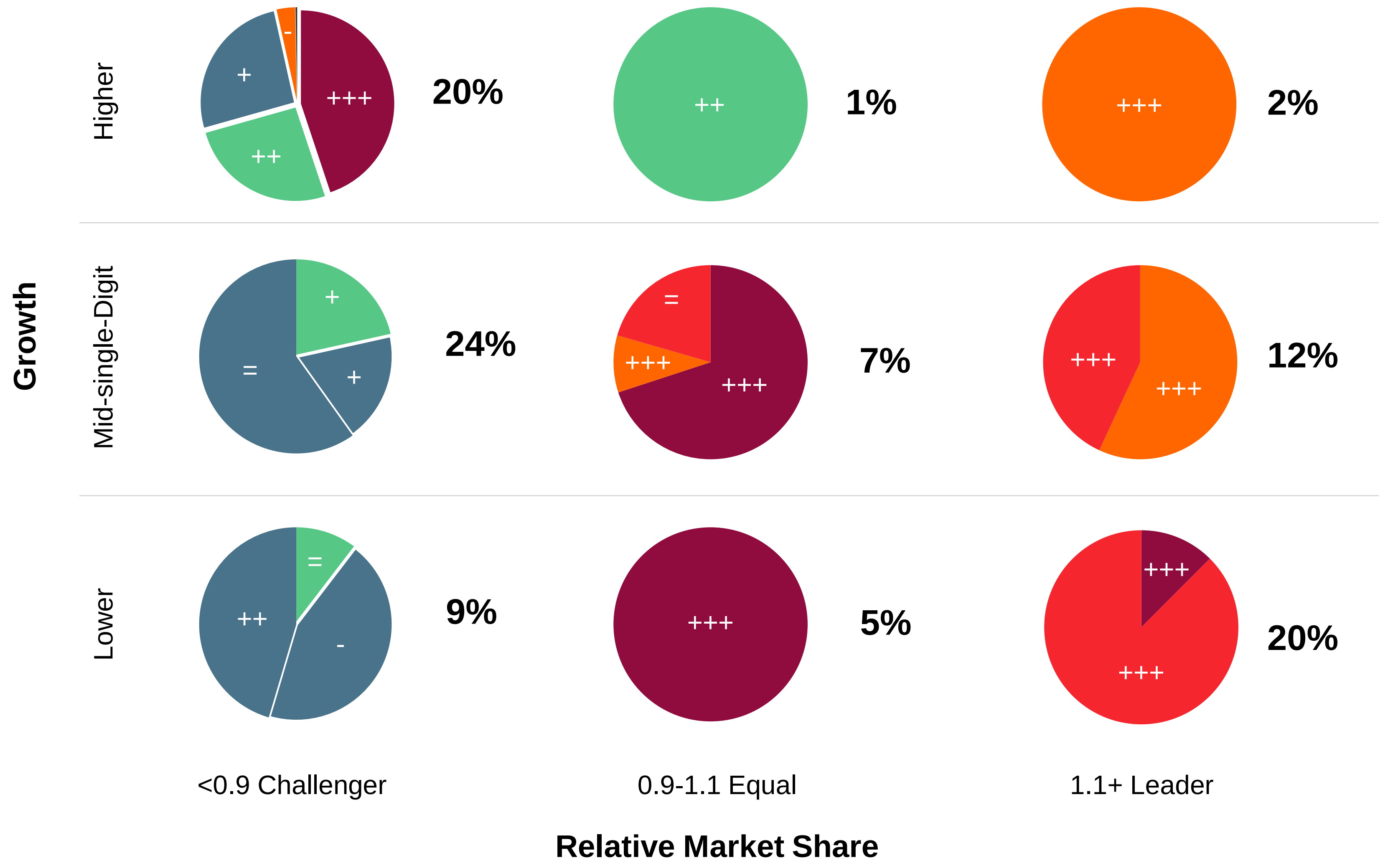
AOI – CAGR >10 % in ccy* for the planning period (2020-23) expected, operational leverage driven by

- Cost control
- Cost synergies from acquired businesses
- Productivity benefits from the LEVEL UP initiative

**ccy = constant currency*

Business portfolio

(Growth / rel. MS / return profile – LTM 3/21)



Divisions:

- Connectivity & Products
- Health & Nutrition
- Industries & Environment
- Natural Resources
- Knowledge

Return Profile:

- Value Destroying
= Earning more than 1x CoC
+ Earning more than 2x CoC
++ Earning more than 3x CoC
+++ Earning more than 5x CoC

CoC = Cost of Capital

Return profile, capex intensity and M&A appetite by division

	CAPEX INTENSITY	NWC INTENSITY	LTM* RETURN PROFILE	M&A APPETITE
Connectivity & Products	HIGHER	LOWER	+++	High in connectivity
Health & Nutrition	HIGHER	AVERAGE	+	High
Industries & Environment	AVERAGE	AVERAGE	=	High in Environment / selective areas in Industries
Natural Resources	LOWER	AVERAGE	+++	Low
Knowledge	LOWER	LOWER	+++	In selective areas

**LTM = last twelve months*

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Level Up finance

	Financial Shared Service Centres (FSSC's)	Billing Centralization	Enterprise Performance Management
Objective	Operating all key finance processes (P2P, B2C, R2R) in a standardized and fully harmonized way by regional FSSC's	Centralizing all billing activities within the majority of countries through the full standardization of processes and systems	Significantly improve our management reporting capabilities to support high quality business decisions and to ensure that performance is aligned with SGS strategic objectives and EVA requirements
Status (today)	Major progress achieved in the recent years. Establishment of 4 regional FSSC's covering 50% of Group revenues, 22 countries, 11 languages with 436 FTE's. Currently 86% (end of 2021e: 100%) of the processes are fully standardized / harmonized	Centralized 5 pilot countries (Russia, Poland, South Africa, India and Mexico) covering 6% of Group revenues	System implemented during 2020 and now live globally (100% of Group revenues covered)
Target 2023	Operate 5 regional FSSC's covering 75% of revenues via fully standardized / harmonized processes	Accelerated roll-out of centralized billing covering 33% of Group revenues by 2023	Reporting process fully harmonized / standardized down to account balances to be achieved until the end of 2021
Target 2025	Fully coverage via regional FSSC's and fully standardized / harmonized processes	Centralized billing to cover 70%+ of Group revenues	n/a
Benefits	Productivity increase of 5% p.a. for the scope under consideration	• Increase efficiencies through standardization and automation of invoicing/execution systems and faster billing • Increase productivity by 20% for processes in scope • Reduce DSOs	Higher granularity and data capturing in a consistent way will materially improve performance assessment and decision making

Level Up IT

	IT Transformation	IT SSC Centers
Objective	Group IT modernization: Adopting modern technologies and processes, improving time to market and quality as well as efficiency in the delivery and operations	Improve quality, cost and service moving low added value work from countries to low-cost locations with strong processes to ensure best class service
Status (today)	IT Operated in 2 main hubs (Madrid and Manila) and various smaller locations covering group developments, operations and security for the whole group	9 Countries using SSC in Manila for IT Service desk and maintenance of IT systems
Target 2023	Extend and develop modern technologies like Agile, DevOps, DevSecOps and new setup for IT processes based in ITSM. Plan to modernize applications (native cloud). New SOA architecture, microservices	25 countries for a total of 40% of our users using IT Services in Manila
Target 2025	100% of group critical applications migrated to full cloud with a modern microservices architecture	100% of the users using IT services in Manila
Benefits	Improve our discretional and non-discretionary IT spend split by 20%	25% of cost reduction on IT Service desk and maintenance / improving quality and time to serve

Level Up operations

	Digital Labs	World Class Services (WCS)

Objective	Evolution of current LIMS to create Digital Labs, with AI, ML and full predictive analysis based in consolidated data with fully standardized and harmonized LIMS processes	• Deliver World Class Services to our customers and sustain our ambition of world leader in the TIC industry
		• Foster a culture that targets:
		  • Improved safety, quality and efficiency
		  • Elimination of all types of waste and losses

Status (today)	Laboratories with traditional 1000+ LIMS system focus on local efficiencies	• 20 labs in perimeter, 19 kicked off and active • 5 labs reached the first official audit (best score of 16)
Target 2023	30% of the total group sales from new digital labs with "new generation" LIMS	Target 2023: 20% of WCS labs (2020 perimeter) to reach WCM Bronze Award level, expansion to at least 10 new sites in WCS program
Target 2025	70%+ of the total group sales from new digital labs with "new generation" LIMS	SA2030: 90% of current WCS perimeter to achieve WCM awarded levels (Bronze and above), reach at least first WCM Gold awarded site by end of 2030
Benefits	Better quality, cost optimization, innovation of new services, enhancement of customer experience and launching new services to generate streams of revenues based on data	• Cultural change, engagement and empowerment of people, creation and diffusion of knowledge • Better and Safer place to work with improved standards and enhanced productivity by 15% in model areas by waste and losses elimination • Full customer satisfaction & prompt level of services

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Digital lab journey

Connected Lab
- Connected instruments
- Data capture

Paperless Lab
- Faster science
- Fewer errors

Data-driven Lab
- Aggregated data
- Analytics

Integrated Lab
- Instruments to insights
- Full automation

Digital Lab 1.0
- Smart instruments
- Mobility enabled

Digital Lab 2.0
- Simulation
- Predictive analytics

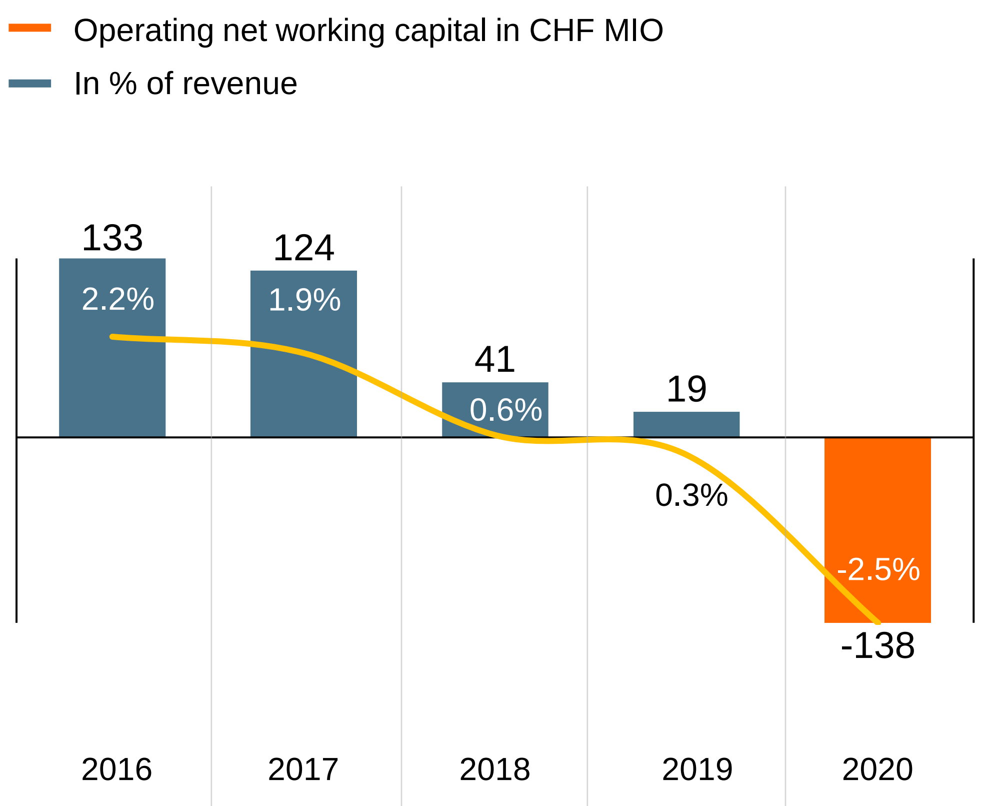
Digital Lab 3.0
- Labs without borders
- AI enabled

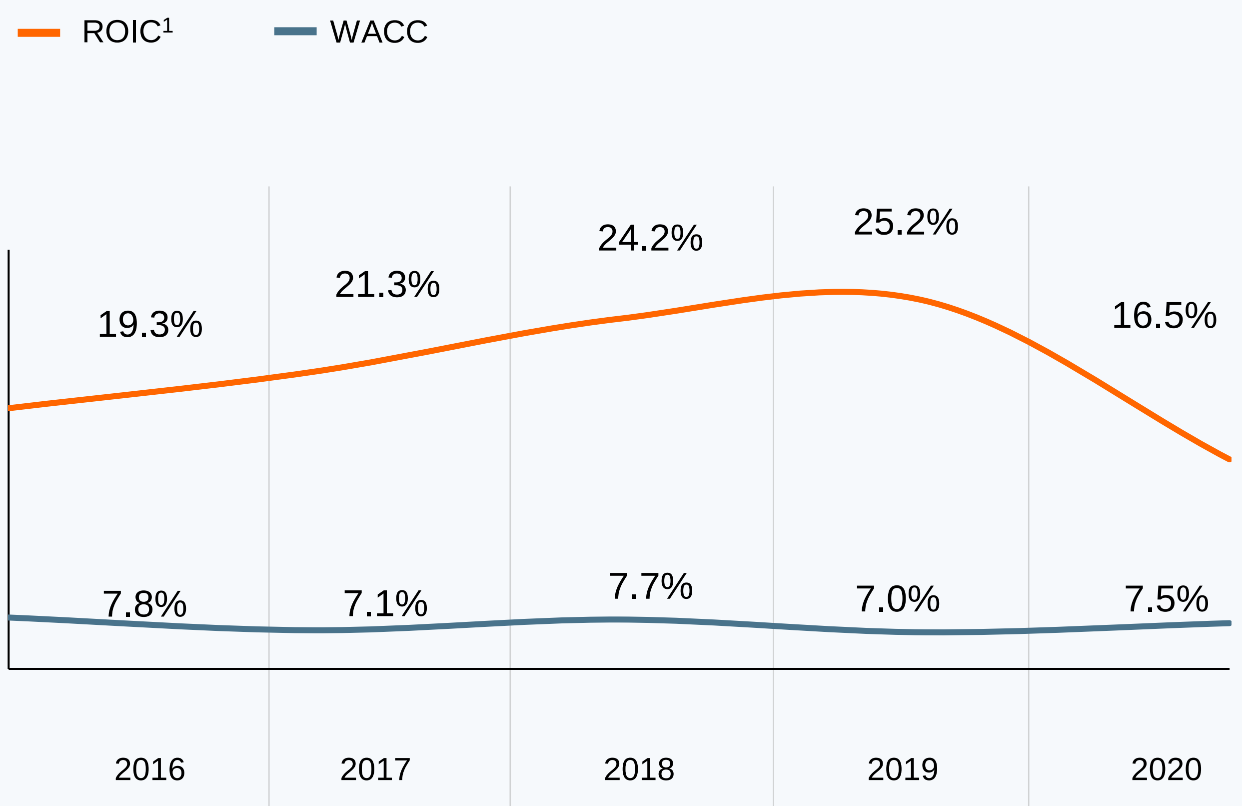
Foundational
Do the basics brilliantly
- Simplify your app landscape
- Become compliant and secure
- Capture all the data digitally
- Tactical application of automation

Transformational
Data-driven ways or working
- Re-imagine and optimize workflows
- Harmonize your data platform
- Build end-to-end “data supply chain”
- Use analytics to gain insights
- Build robust collaborations

Aspirational
Refine your lab
- Implement Whole Lab Automation
- Leverage AI to gain new insights
- Implement simulation

NWC and ROIC development

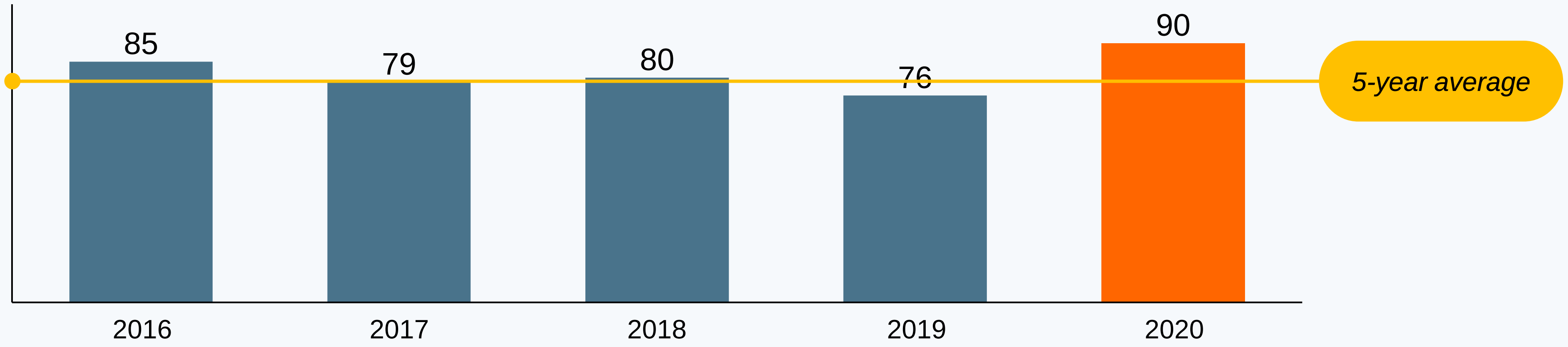




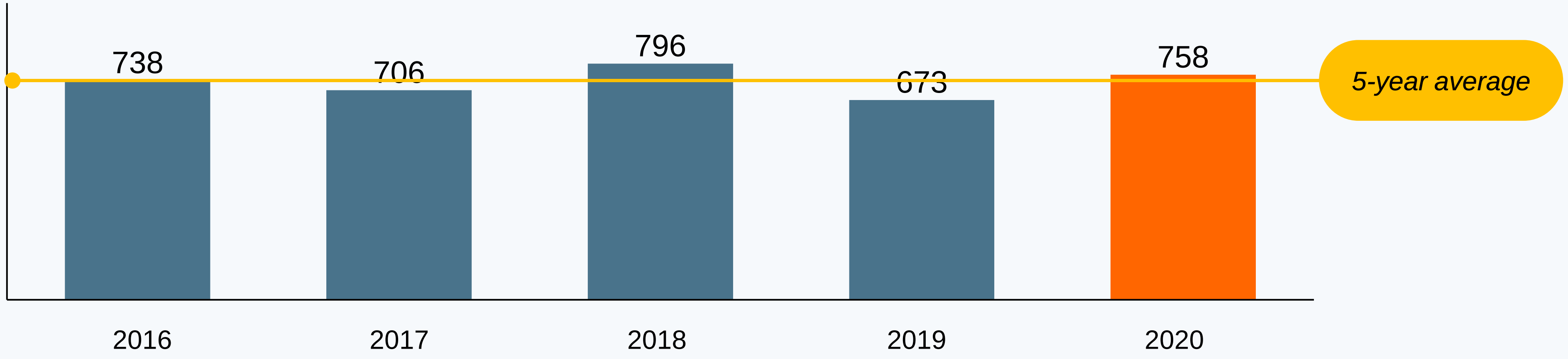
1. Return on Invested Capital = Profit for the Period / (Non-Current Assets + Net Working Capital)

Cash conversion and free cash flow

Adj. Cash conversion ratio[1] (%)

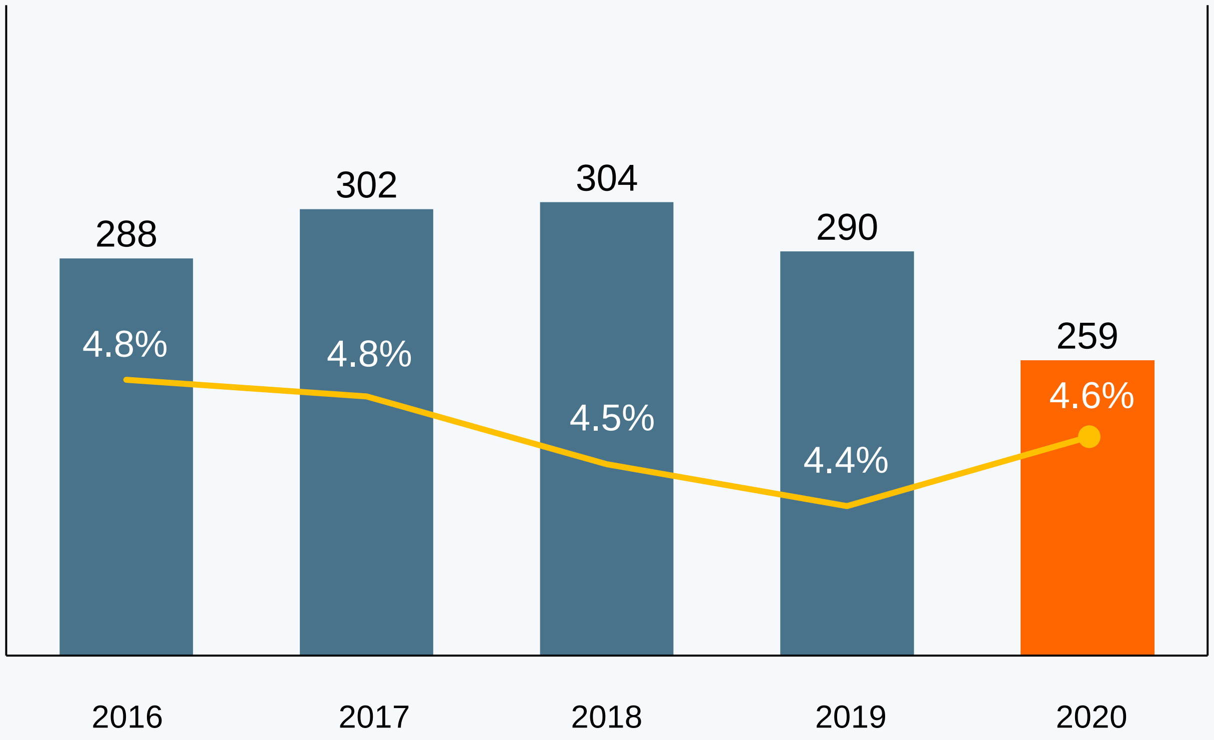


FCF[2] (CHF MIO)



1. Cash Flow from Operating Activities / Adjusted EBITDA (excl. IFRS 16) | 2. Cash Flow from Operating Activities net of Capital Expenditure after lease payments

Capital allocation – CAPEX

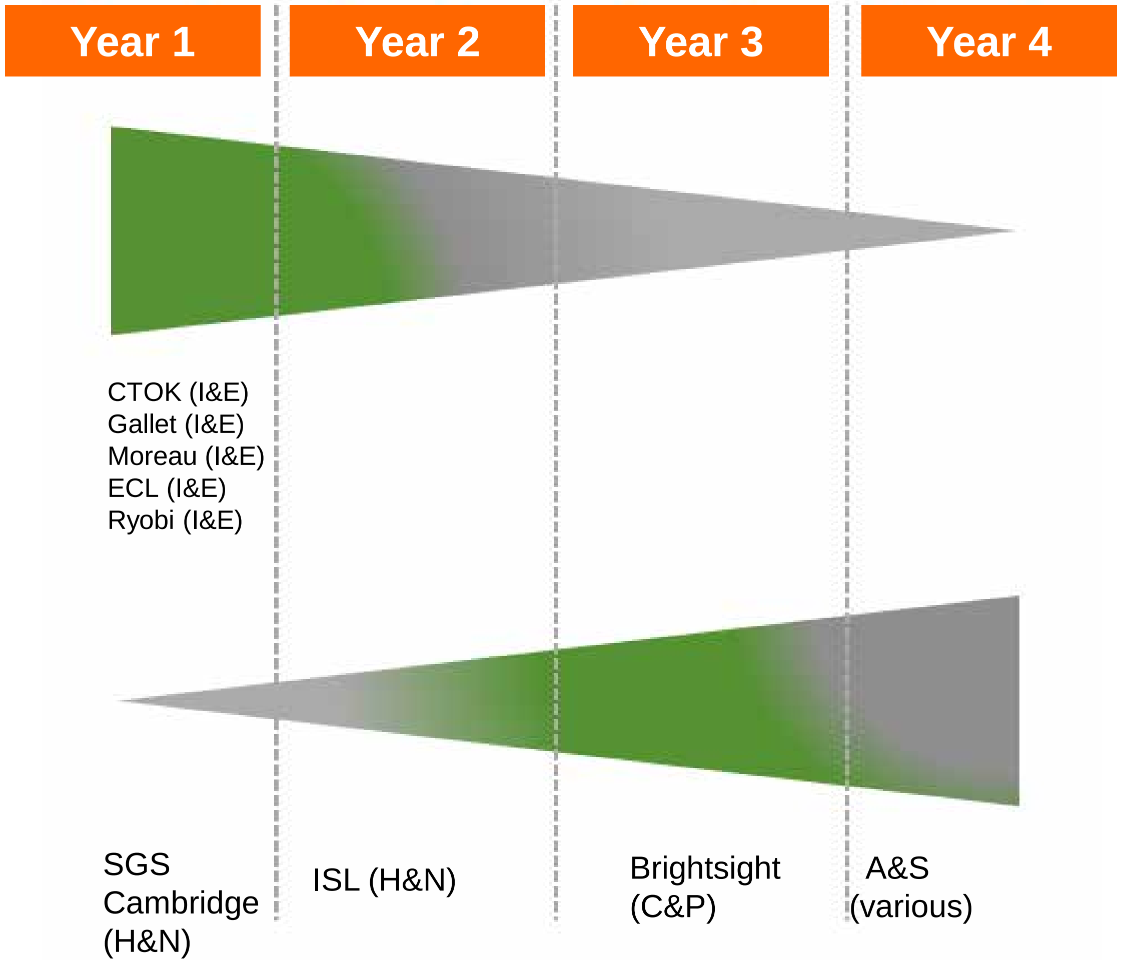


CAPEX (CHF MIO IN % OF REVENUE)

Medium-term outlook: Increase in CAPEX to up to 5% p.a. driven by additional investments in strategic priorities and systems

EVA[1] methodology for assessing acquisitions

Expected number of years to create positive EVA:



Indicators for a positive EVA in year 1

- Small bolt-on acquisition
- Negligible impact on relative market-share
- Concentrated client portfolio
- Low to mid-single digit growth
- Limited synergy potential
- Cyclicality > SGS cyclicality

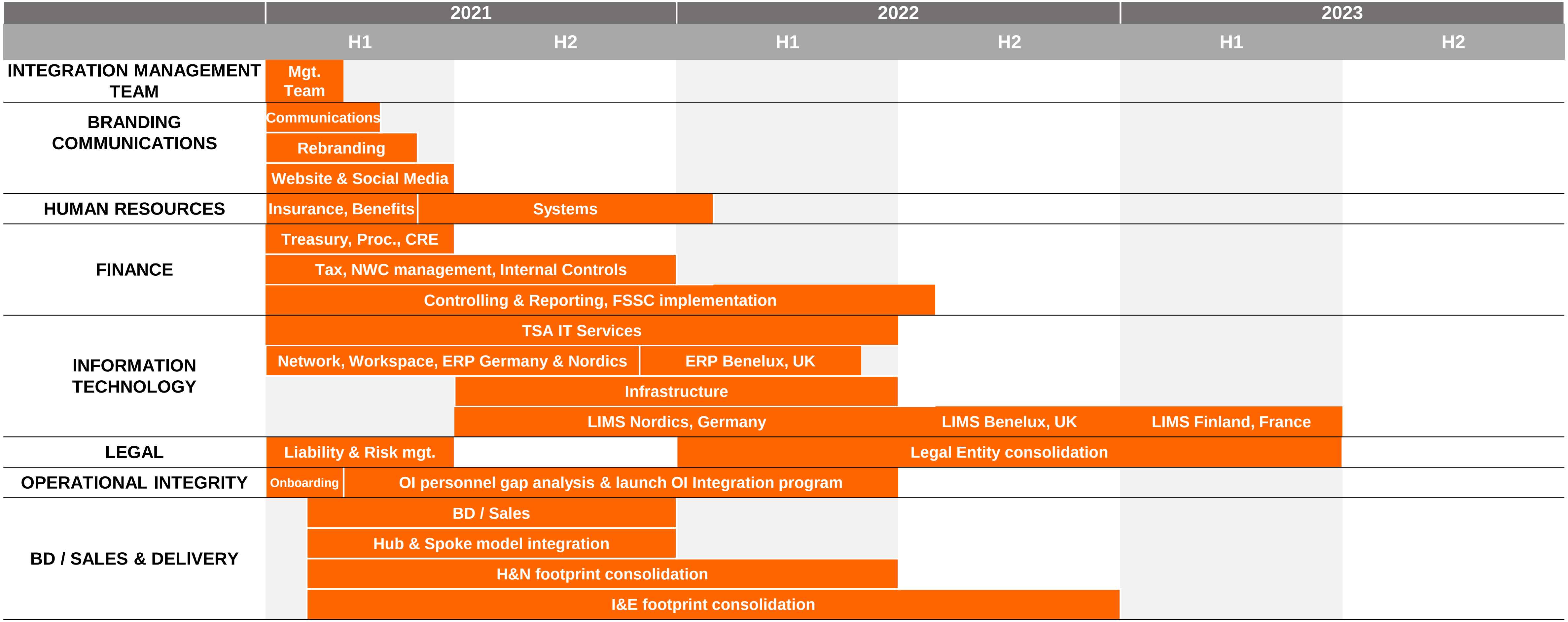
Indicators for a positive EVA <u>beyond</u> year 1

- Transformational acquisition for the BU
- Relative market-share will change materially
- Broad client portfolio with high retention rate
- High single-digit to double-digit growth
- High synergy potential
- Low cyclicality

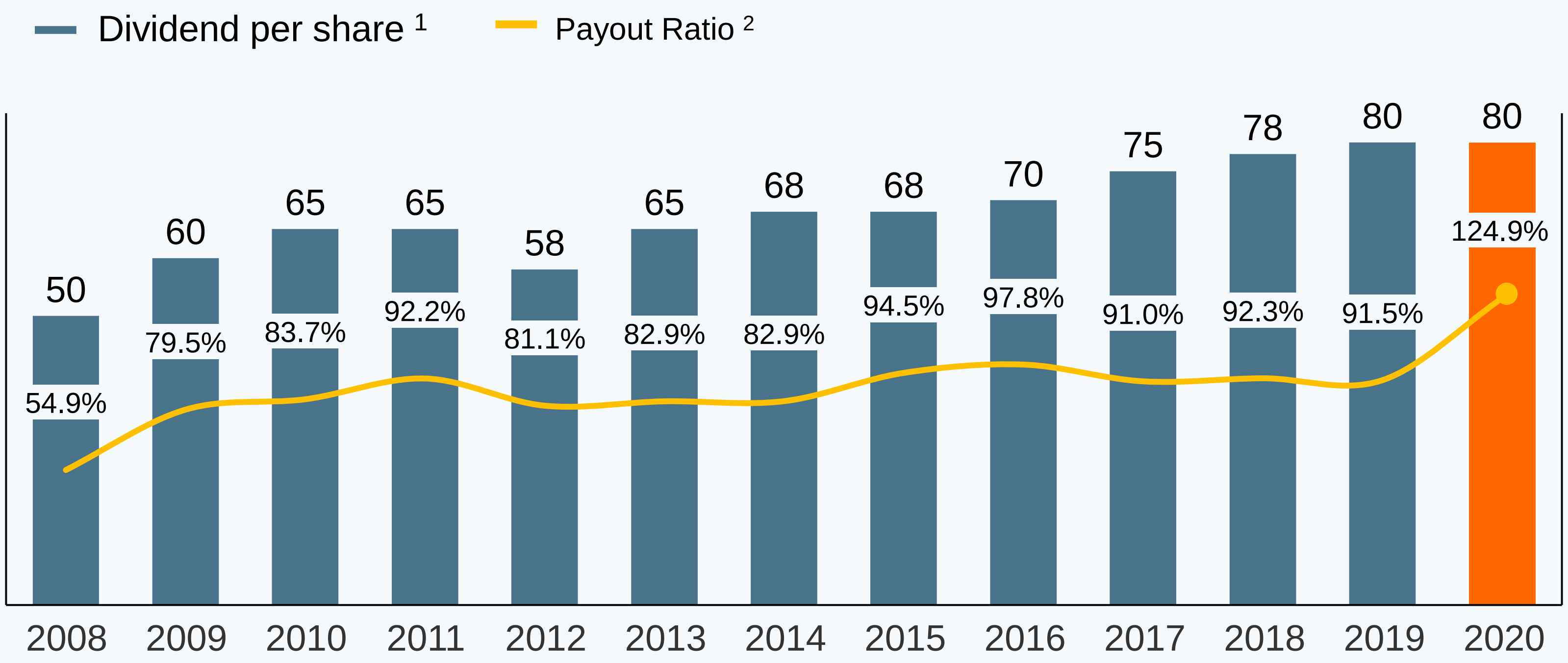
1. Economic Value Added (EVA)

SGS Analytics

(former A&S division of Synlab) Integration is expected to unlock cost synergies of CHF 20m



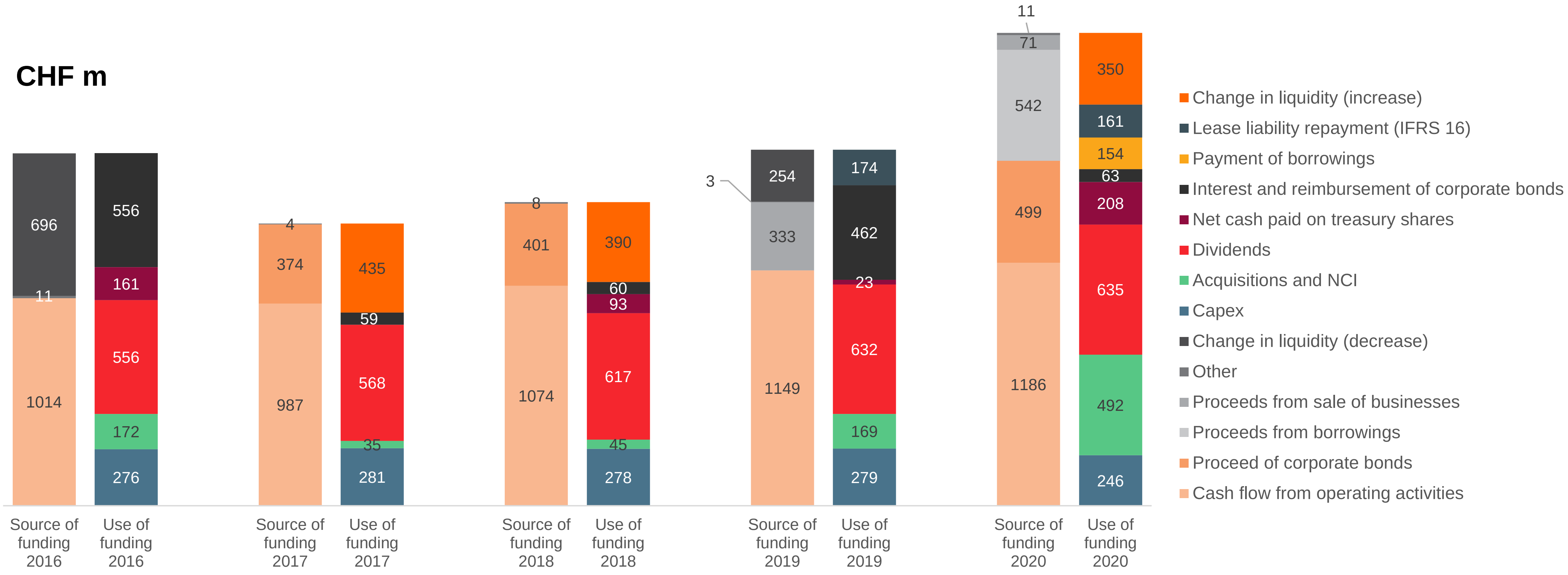
Attractive shareholders return



- Dividend pay-out has remained attractive
- Maintain or grow the dividend while reducing the pay-out ratio from the 124.9% shown for 2020

1. Dividend per share including ordinary and special dividends | 2. Payout ratio: Dividend per share / Basic earnings per share

Source and uses of funding



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Questions?

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