



SGS GROUP RESULTS

2019 HALF YEAR RESULTS PRESENTATION

WHEN YOU NEED TO BE SURE



DISCLAIMER

Certain matters discussed in this presentation may constitute forward-looking statements that are neither historical facts nor guarantees of future performance. Because these statements involve risks and uncertainties that are beyond control or estimation of SGS, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These statements speak only as of the date of this document. Except as required by any applicable law or regulation, SGS expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in SGS Group's expectations with regard thereto or any change in events or conditions on which any such statements are based.



HIGHLIGHTS

**FINANCIAL
REVIEW**

**BUSINESS
REVIEW**

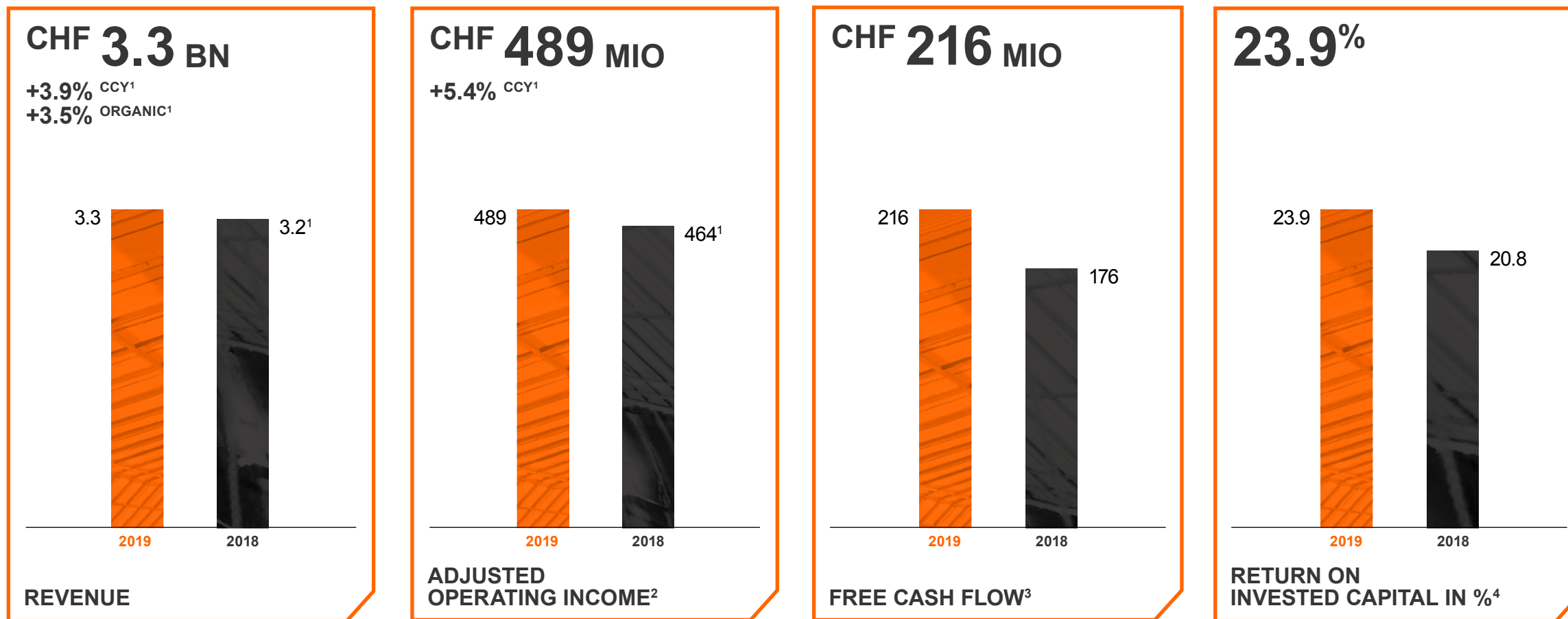
OUTLOOK

Q&A

APPENDIX

GOOD REVENUE AND FREE CASH FLOW

H1 2019 HIGHLIGHTS



EXECUTING ON PORTFOLIO EVOLUTION STRATEGY

- The 2020 Plan targets accelerating acquisitions and exiting CHF 350 million of revenue
- The disposal of Petroleum Service Corporate (PSC) and acquisition of Maine Pointe LLC, both in June, are significant milestones in the execution of these pillars of our strategy
- PSC was acquired in 2004 and grew significantly under SGS. We expect it will go on to further success under new ownership
- Maine Pointe LLC significantly accelerates our inroads into more advanced consultancy services in CBE
- These announcements highlight the Group strategy of focusing our capital allocation towards higher value-added services

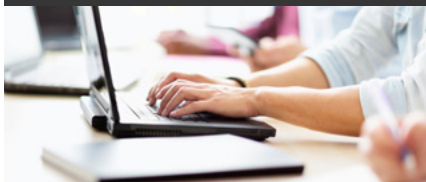
Maine Pointe
Total Value Optimization • Guaranteed™



ACQUIRING HIGHER VALUE-ADDED SERVICES

H1 2019 ACQUISITIONS

LEANSIS PRODUCTIVIDAD



Business line: **CBE**
Country: **SPAIN**

CHEMICAL SOLUTIONS LTD



Business line: **AFL**
Country: **USA**

FLORIAAN B.V.



Business line: **EHS**
Country: **NETHERLANDS**

I2I INFINITY LTD



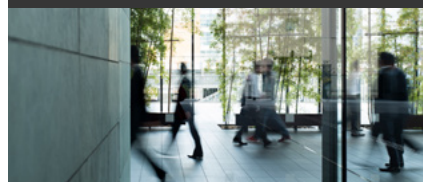
Business line: **GIS**
Country: **UNITED KINGDOM**

TESTING, ENGINEERING AND CONSULTING SERVICES, INC.



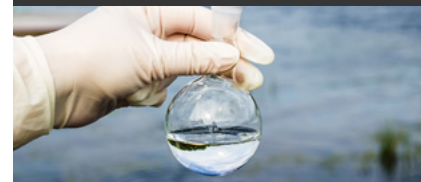
Business line: **IND**
Country: **USA**

MAINE POINTE LLC



Business line: **CBE**
Country: **USA**

PT WLN INDONESIA



Business line: **EHS**
Country: **INDONESIA**

SUBSEQUENT EVENTS

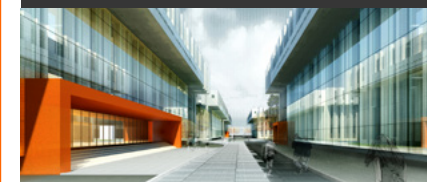
FORENSIC ANALYTICAL LABORATORIES, INC.



Business line: **EHS**
Country: **USA**

VIRCON LTD

(20% STAKE)



Business line: **IND**
Country: **HONG KONG**



HIGHLIGHTS

**FINANCIAL
REVIEW**

**BUSINESS
REVIEW**

OUTLOOK

Q&A

APPENDIX



GOOD REVENUE GROWTH AND HIGHER ADJUSTED OPERATING INCOME MARGIN

H1 2019 FINANCIAL HIGHLIGHTS

<i>(CHF million)</i>	JUNE 2019	JUNE 2018 CCY ¹	<i>Change in CCY¹ %</i>	JUNE 2018	<i>Change in %</i>
REVENUE	3 341	3 215	3.9	3 306	1.1
ADJUSTED OPERATING INCOME ²	489	464	5.4	481	1.7
ADJUSTED OPERATING INCOME MARGIN ²	14.6%	14.4%		14.6%	
OPERATING INCOME (EBIT)	636	396	60.6	411	54.7
OPERATING INCOME (EBIT) MARGIN	19.0%	12.3%		12.4%	
PROFIT FOR THE PERIOD	399	284	40.5	296	34.8
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	377	263	43.3	274	37.6
BASIC EPS (CHF)	49.90	34.62		36.01	
ADJUSTED BASIC EPS (CHF) ²	37.04	43.26		45.01	
CASH FLOW FROM OPERATION	341			316	
FREE CASH FLOW ³	216			176	

1. Constant currency (CCY). – 2. Before amortization of acquired intangibles and non-recurring items.
3. Cash flow from operations less CAPEX.

A man in a blue shirt is drawing on a whiteboard with a black marker. He is holding the marker in his right hand and has just finished drawing a large, irregular white shape on the glass. The background is blurred, showing a warm, indoor setting.

HIGHLIGHTS

**FINANCIAL
REVIEW**

REVENUE

ADJUSTED
OPERATING INCOME

BALANCE SHEET

CASH FLOW

FINANCIAL SUMMARY

**BUSINESS
REVIEW**

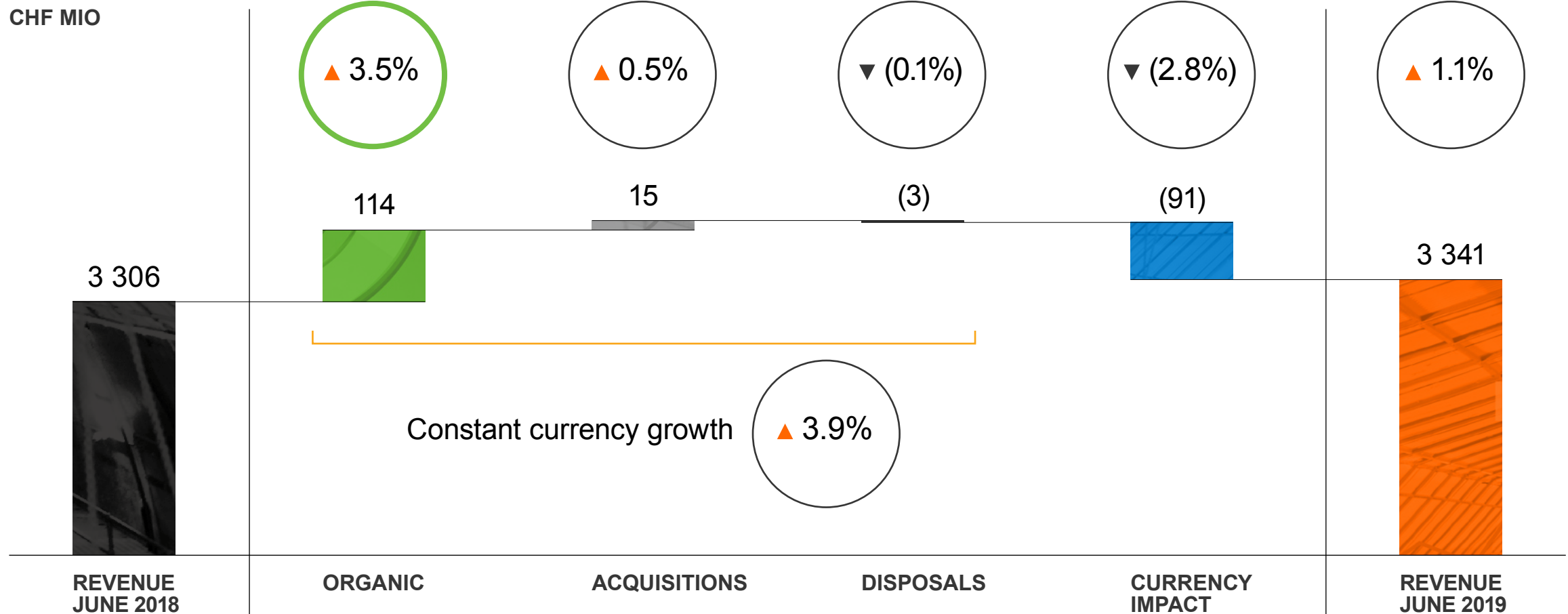
OUTLOOK

Q&A

APPENDIX

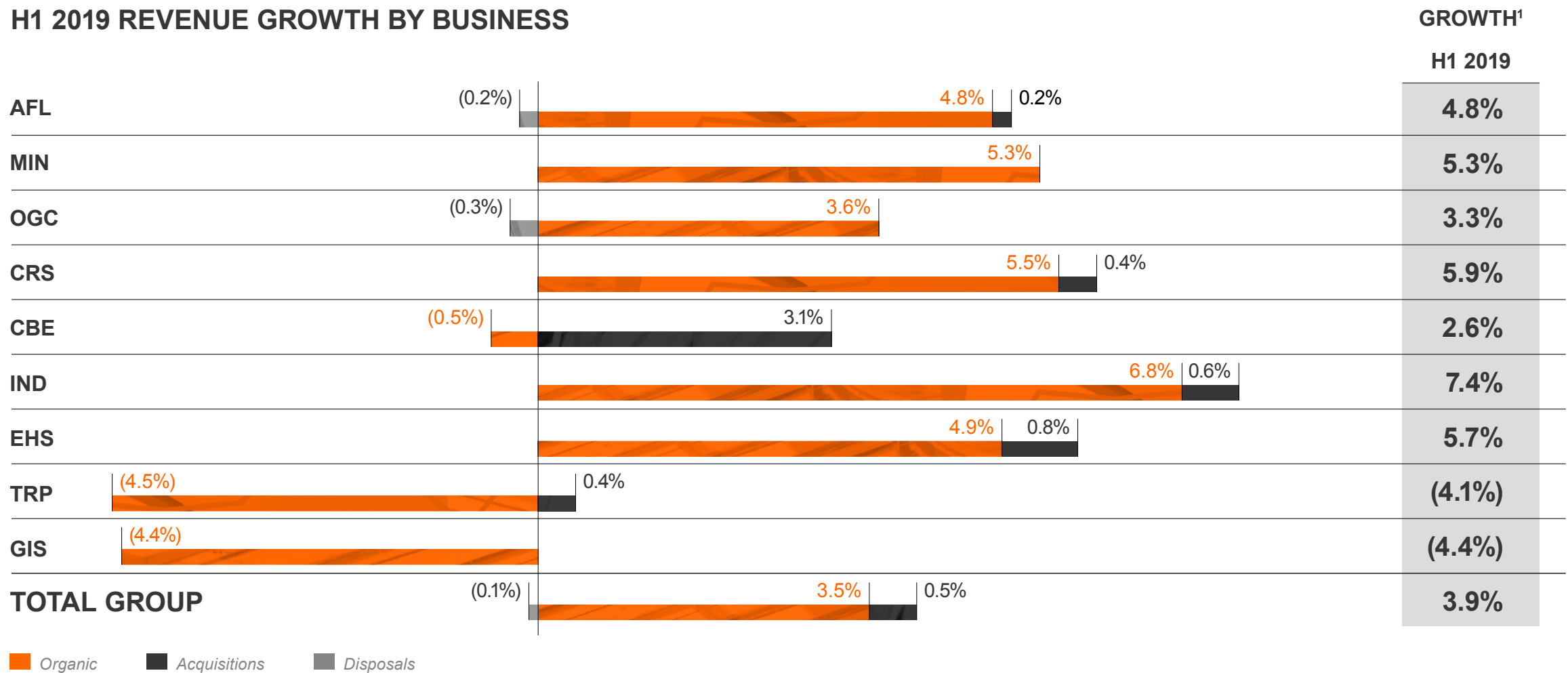
A GOOD LEVEL OF ORGANIC GROWTH IN H1

H1 2019 REVENUE GROWTH COMPOSITION



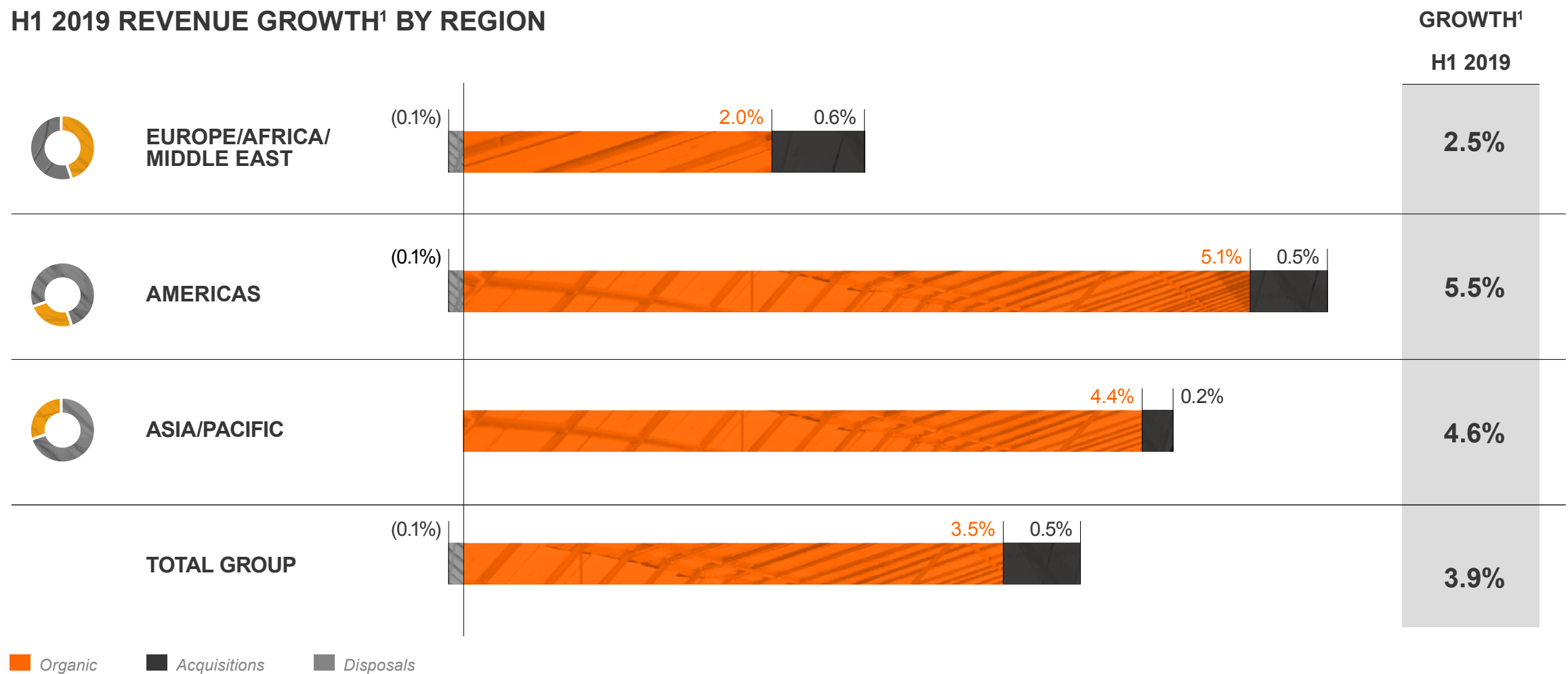
POSITIVE ORGANIC DEVELOPMENT ACROSS THE MAJORITY OF THE PORTFOLIO

H1 2019 REVENUE GROWTH BY BUSINESS



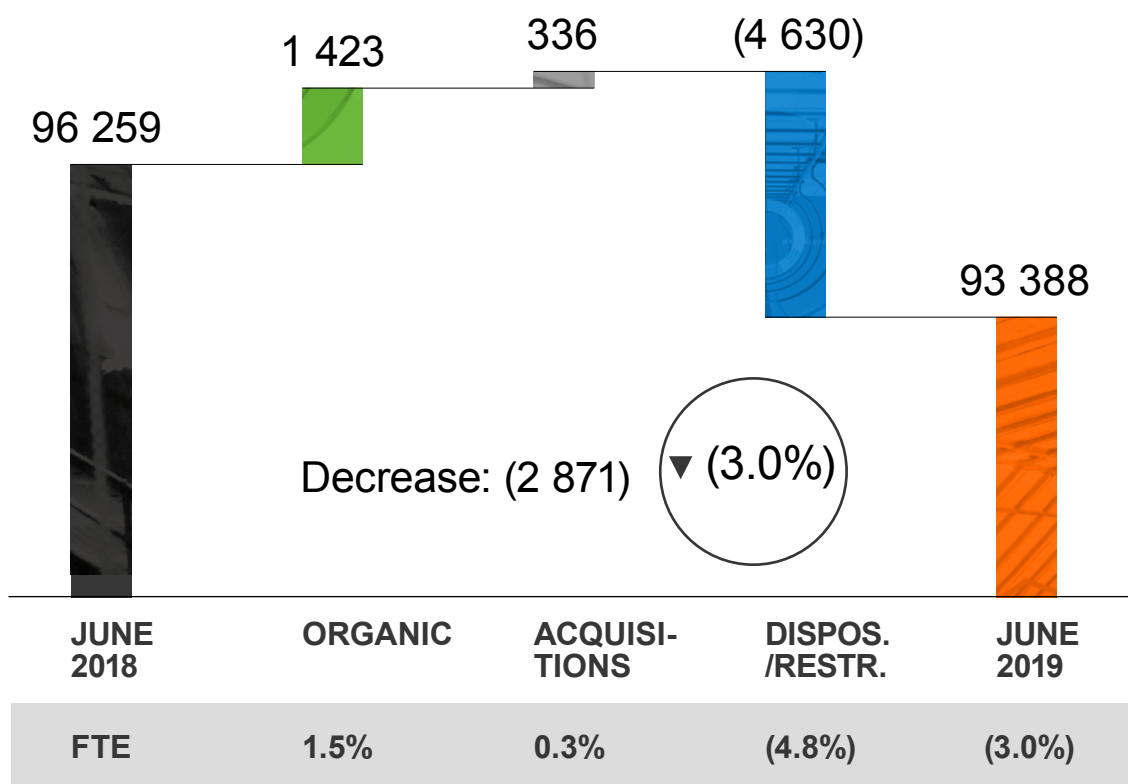
ORGANIC REVENUE GROWTH DRIVEN BY ASIA/PACIFIC AND AMERICAS

H1 2019 REVENUE GROWTH¹ BY REGION

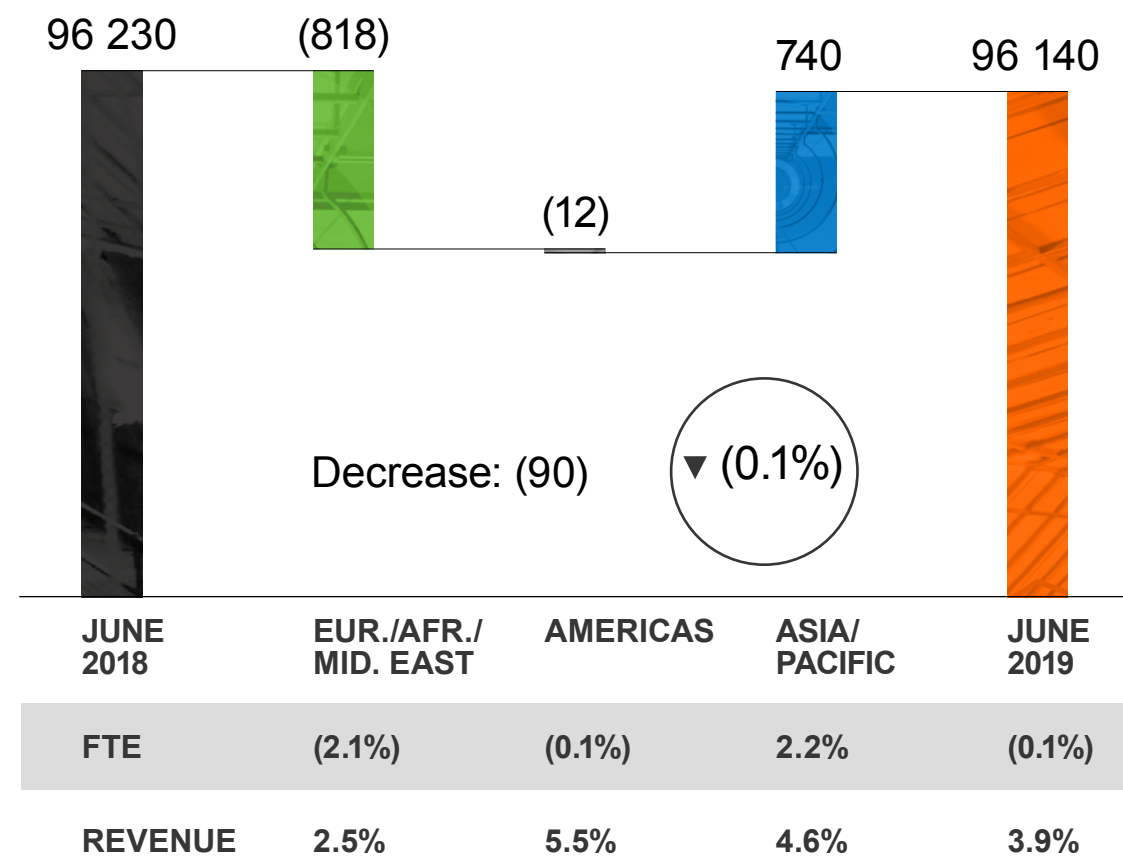


CONTROLLED HEADCOUNT MANAGEMENT

FTE¹ END OF PERIOD



FTE¹ AVERAGE BY REGION



A man in a blue shirt is drawing a whiteboard with a black marker. The whiteboard has a large white rectangle drawn on it. The man is holding the marker in his right hand and is looking at the whiteboard. The background is blurred.

HIGHLIGHTS

**FINANCIAL
REVIEW**

REVENUE

**ADJUSTED
OPERATING INCOME**

BALANCE SHEET

CASH FLOW

FINANCIAL SUMMARY

**BUSINESS
REVIEW**

OUTLOOK

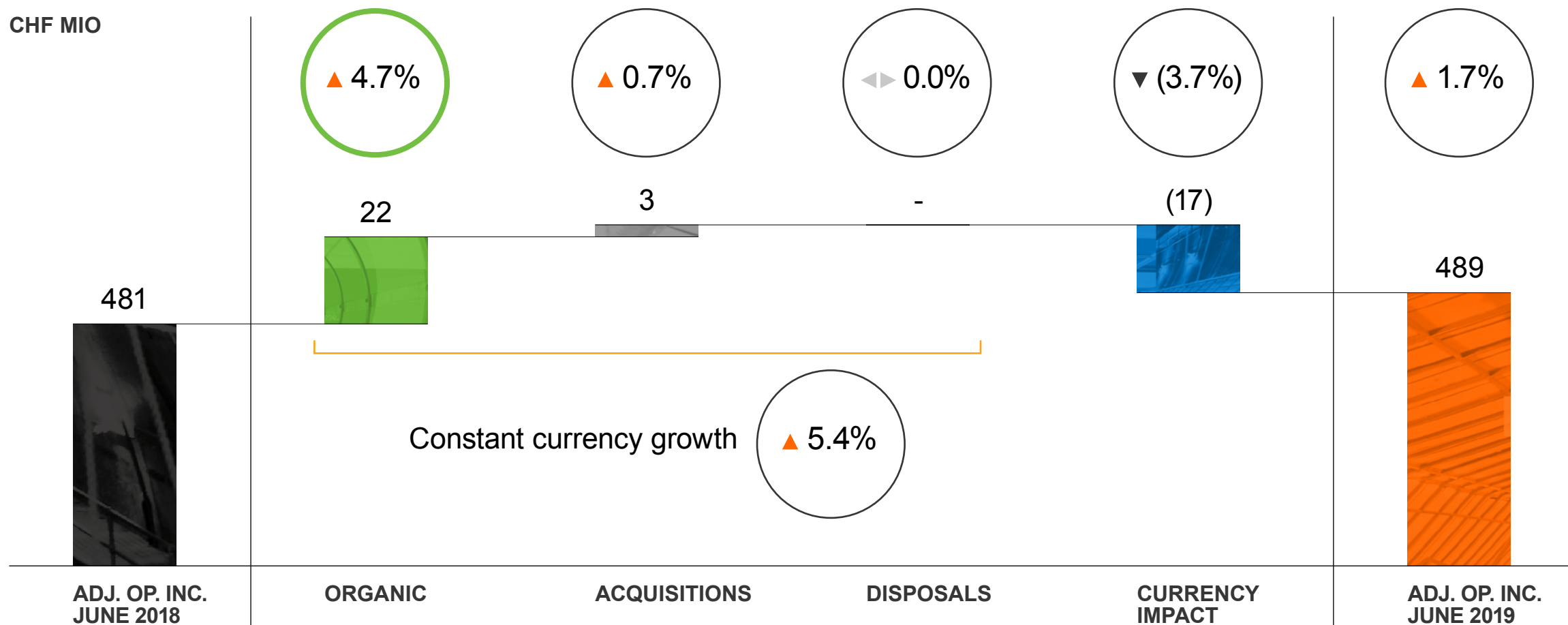
Q&A

APPENDIX

STRONG ORGANIC ADJUSTED OPERATING INCOME

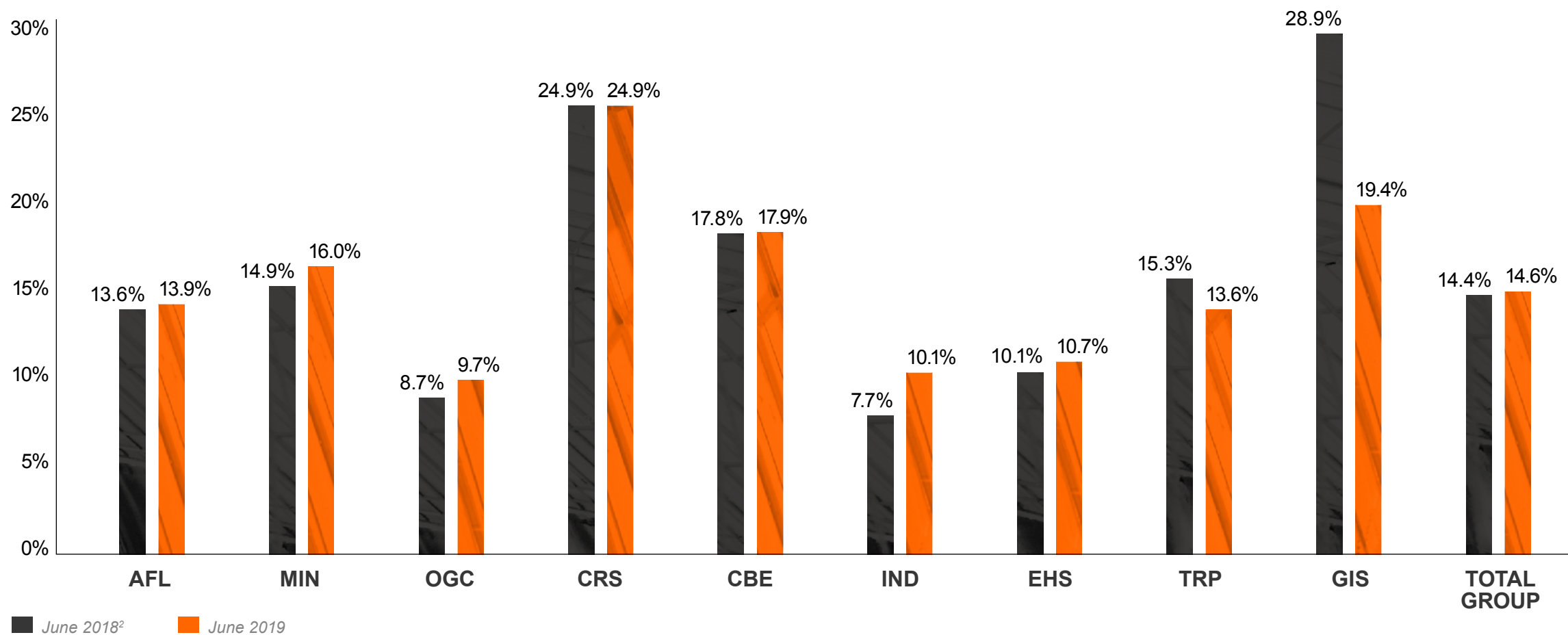
H1 2019 ADJUSTED OPERATING INCOME¹ GROWTH

CHF MIO



AN INCREASE IN H1 MARGIN

H1 2019 ADJUSTED OPERATING INCOME^{1, 2} MARGIN





HIGHLIGHTS

**FINANCIAL
REVIEW**

REVENUE

ADJUSTED
OPERATING INCOME

BALANCE SHEET

CASH FLOW

FINANCIAL SUMMARY

**BUSINESS
REVIEW**

OUTLOOK

Q&A

APPENDIX

H1 2019 CONSOLIDATED BALANCE SHEET

ASSETS

(CHF million)

	JUNE 2019	DEC 2018
Property, Plant and Equipment	1 557	969
Goodwill	1 294	1 224
Intangible assets	181	202
Other Long-term assets	337	372
NON-CURRENT ASSETS	3 369	2 767
Unbilled revenues and Work in Progress	242	226
Trade receivable	956	969
Other current assets	759	354
Cash and marketable securities	874	1 752
CURRENT ASSETS	2 831	3 301
TOTAL	6 200	6 068

NET (DEBT)	(2 090)	(738)
NET (DEBT) excl. IFRS 16 lease liabilities	(1 443)	(738)

EQUITY AND LIABILITIES

(CHF million)

	JUNE 2019	DEC 2018
Share capital	8	8
Reserves	1 280	1 660
SHAREHOLDERS' EQUITY	1 288	1 668
NON-CONTROLLING INTERESTS	86	75
Non-current loans and lease liabilities	2 610	2 112
Provisions and other non current liabilities	310	238
NON-CURRENT LIABILITIES	2 920	2 350
Current loans and lease liabilities	354	378
Trade and other payables	634	709
Contract liabilities	127	112
Other current liabilities	791	776
CURRENT LIABILITIES	1 906	1 975
LIABILITIES	4 826	4 325
TOTAL	6 200	6 068



HIGHLIGHTS

**FINANCIAL
REVIEW**

REVENUE

ADJUSTED
OPERATING INCOME

BALANCE SHEET

CASH FLOW

FINANCIAL SUMMARY

**BUSINESS
REVIEW**

OUTLOOK

Q&A

APPENDIX



SOLID CASH FLOW GENERATION

H1 2019 CONDENSED CASH FLOW

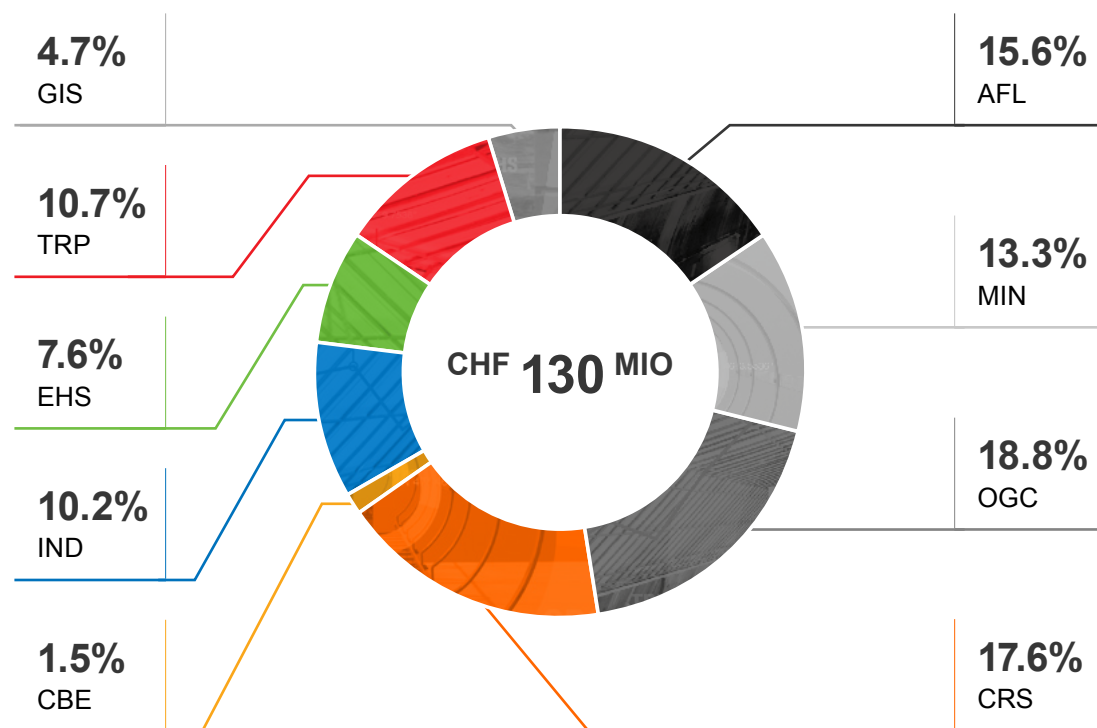
(CHF million)

	JUNE 2019	JUNE 2018
PROFIT FOR THE PERIOD	399	296
Non-cash and non-operating items	295	284
Increase in working capital	(205)	(124)
Taxes paid	(148)	(140)
CASH FLOW FROM OPERATING ACTIVITIES	341	316
Net purchase of fixed assets	(125)	(140)
Net acquisition of businesses	(143)	(41)
Decrease/(Increase) in marketable securities and other	6	(1)
CASH FLOW USED BY INVESTING ACTIVITIES	(262)	(182)
Dividends paid to equity holders of SGS SA	(589)	(573)
Dividends paid to non-controlling interests	(9)	(4)
Transaction with non-controlling interests	(13)	(4)
Net cash (paid)/received on treasury shares	(22)	52
Proceed of corporate bonds	(375)	-
Interest paid	(56)	(45)
Payment of lease liabilities	(87)	-
Increase/(Decrease) in borrowings	202	(2)
CASH FLOW USED BY FINANCING ACTIVITIES	(949)	(576)
Currency translation	(8)	(7)
DECREASE IN CASH AND CASH EQUIVALENTS	(878)	(449)
FREE CASH FLOW¹	216	176

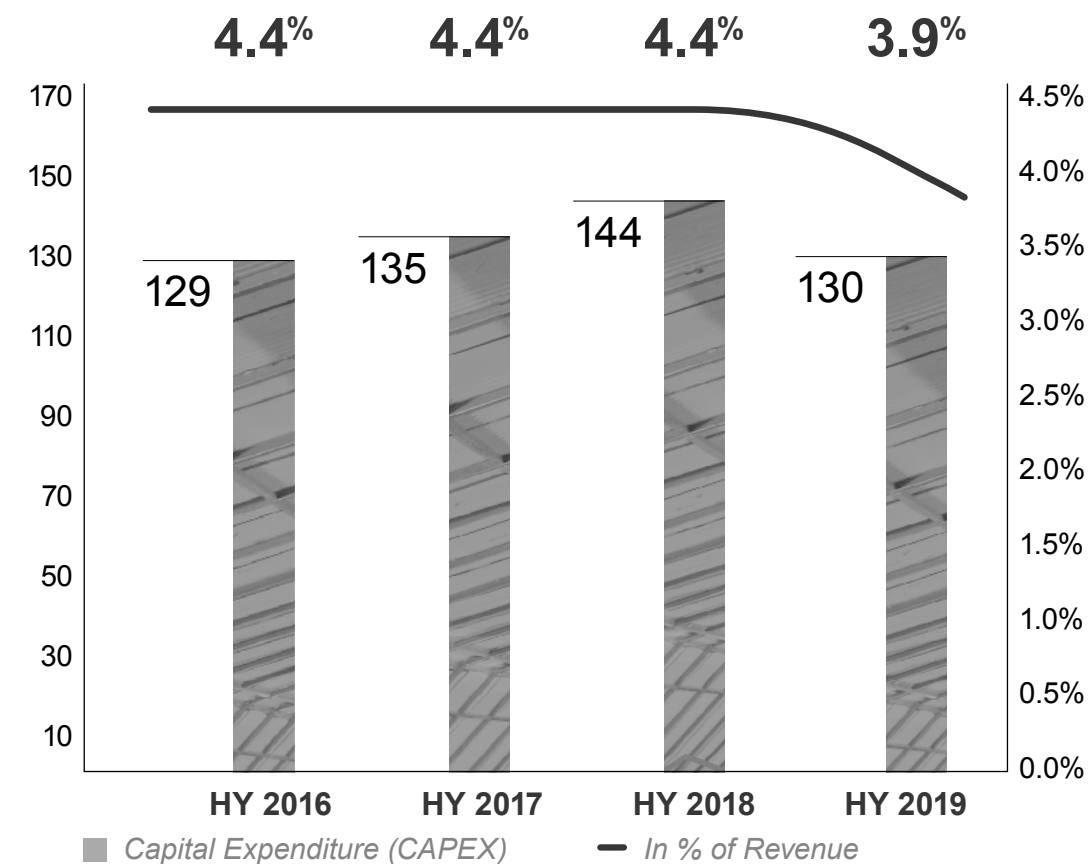
1. Operating cash flow net of capital expenditures.

CAPEX 3.9% OF REVENUE

H1 2019 CAPITAL EXPENDITURE BY BUSINESS

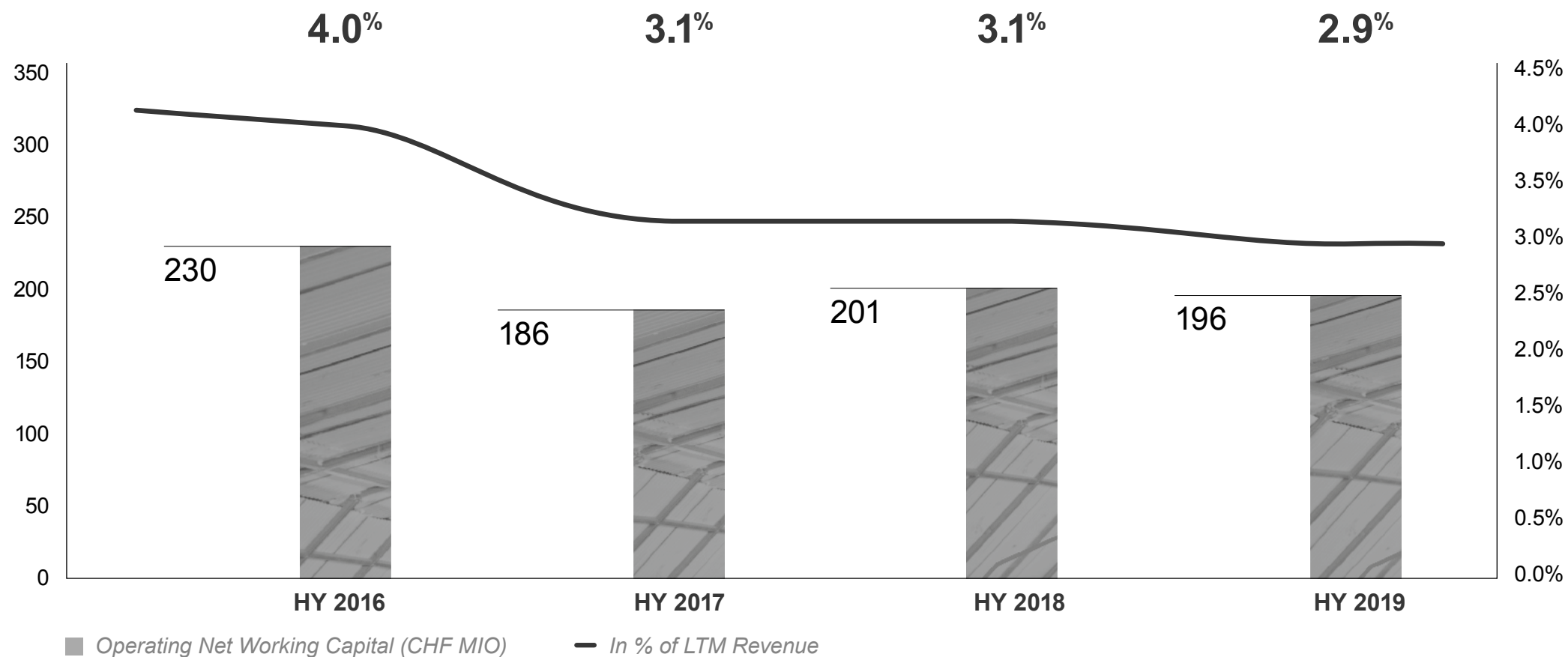


CAPEX IN % OF THE REVENUE



OPERATING NET WORKING CAPITAL 2.9% OF REVENUE

OPERATING NET WORKING CAPITAL IN % OF LTM REVENUE



A man in a blue shirt is drawing on a whiteboard with a blue marker. The whiteboard has a large white rectangle drawn on it. The background is blurred, showing a bright, indoor setting.

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REVIEW**

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OPERATING INCOME

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CASH FLOW

FINANCIAL SUMMARY

**BUSINESS
REVIEW**

OUTLOOK

Q&A

APPENDIX

STRUCTURAL OPTIMIZATION MEASURES

- Structural optimization measures will be taken in H2 2019 to run the business more efficiently going forward
- Focused on simplifying the business by eliminating duplication and reducing layers within the organization
- A cost of CHF 75 million in H2 2019 is expected to deliver annualized savings by 2020 that will exceed the initial investment

These measures will lead to a leaner and more efficient structure in the years ahead and will support the achievement of our 2020 margin target

H1 2019 FINANCIAL SUMMARY

- Revenue growth¹ of 3.9% of which 3.5% organic
- Increase in Adjusted Operating Income^{1,2} by 5.4% and increase in Adjusted Operating Income Margin to 14.6%
- Profit for the period increased by 34.8%, up to CHF 399 million
- Investment of CHF 268 million in Capex and Acquisitions
- Free cash flow³ of CHF 216 million



HIGHLIGHTS
FINANCIAL REVIEW
BUSINESS REVIEW
OUTLOOK
Q&A
APPENDIX

FOOD AND LIFE DRIVING GOOD GROWTH

AGRICULTURE, FOOD AND LIFE (AFL)

(CHF million)	JUNE 2019	JUNE 2018 CCY ²	Change in CCY%	JUNE 2018	Change in %
REVENUE	525	501	4.8	516	1.7
ADJUSTED OPERATING INCOME ¹	73	68	7.4	71	2.8
MARGIN % ¹	13.9	13.6		13.7	



OVERVIEW

- Solid market fundamentals drove growth in Food and Life
- Trade and Logistics benefited from increased volumes in geographies with a high market share, particularly the Americas
- Seed and Crop focusing on more laboratory and technology-based services

OUTLOOK

- Trade and Logistics to deliver further growth with new crop season
- Volumes in Seed and Crop expected to improve in the Americas and Europe
- Food to sustain growth trend leveraging increased capacity
- Growth in Life to continue combined with a focus on laboratory efficiency

PERFORMING AGAINST A CHALLENGING COMPARABLE MINERALS (MIN)

(CHF million)	JUNE 2019	JUNE 2018 CCY ²	Change in CCY%	JUNE 2018	Change in %
REVENUE	375	356	5.3	370	1.4
ADJUSTED OPERATING INCOME ¹	60	53	13.2	56	7.1
MARGIN % ¹	16.0	14.9		15.2	



OVERVIEW

- Strong growth in Minerals across all activities and geographies
- Double-digit growth in Trade
- Increased pilot plant and metallurgical testing activity in Metallurgy
- Double-digit growth from outsourced laboratories

OUTLOOK

- Project financing to continue at reduced levels
- Monitoring the potential outcome from trade tensions
- Pipeline for onsite laboratories and Metallurgy remains strong
- Innovative services bring opportunities across the portfolio

STRONG MARGIN IMPROVEMENT

OIL, GAS AND CHEMICALS (OGC)

(CHF million)	JUNE 2019	JUNE 2018 CCY ²	Change in CCY%	JUNE 2018	Change in %
REVENUE	620	600	3.3	605	2.5
ADJUSTED OPERATING INCOME ¹	60	52	15.4	54	11.1
MARGIN % ¹	9.7	8.7		8.9	



OVERVIEW

- The disposal of Plant and Terminal Operations in the USA (Petroleum Service Corporation)
- Trade-related business stable despite the strong competitive environment
- Upstream growing double-digits in most geographies
- Non-Inspection Related Testing moderately declined due to a lack of turnkey laboratory projects

OUTLOOK

- Trade levels to remain competitive, maintaining prior year levels
- Plant and Terminal Operations will be impacted by disposal of PSC in USA and Netherlands
- Continued momentum in Upstream production segment
- Non-Inspection Related Testing to benefit from laboratory outsourcing growth in H2

E&E GROWTH CONTINUES TO DRIVE PERFORMANCE

CONSUMER AND RETAIL (CRS)

(CHF million)	JUNE 2019	JUNE 2018 CCY ^{2,3}	Change in CCY%	JUNE 2018 ³	Change in %
REVENUE	502	474	5.9	485	3.5
ADJUSTED OPERATING INCOME ¹	125	118	5.9	122	2.5
MARGIN % ¹	24.9	24.9		25.2	



OVERVIEW

- High double-digit growth in new sourcing countries
- Increased volumes in Safety testing, restricted substance, Microelectronics testing and functional safety drove E&E
- Softlines growth supported by chemical management solutions for fashion brands and footwear industry as well as functional testing
- Hardgoods and Toy testing performed well in a difficult market

OUTLOOK

- Uncertainty over outcome of USA/China trade dispute
- Expanding capacity in new sourcing countries
- Accelerated investment in new technologies including 5G and interoperability
- Continued investment in innovation and digitalization to improve performance

GROWTH IMPACTED BY STANDARDS TRANSITION

CERTIFICATION AND BUSINESS ENHANCEMENT (CBE)

(CHF million)	JUNE 2019	JUNE 2018 CCY ^{2,3}	Change in CCY%	JUNE 2018 ³	Change in %
REVENUE	196	191	2.6	196	0.0
ADJUSTED OPERATING INCOME ¹	35	34	2.9	34	2.9
MARGIN % ¹	17.9	17.8		17.3	



OVERVIEW

- Certification and training decreased year on year due to transition work in 2018
- Performance Assessment was strong driven by Technical Consultancy (LeanSis) and large new contract wins in South America
- Margin slightly increased from good performance in Operational Consultancy compensating for a slight decrease in Certification

OUTLOOK

- Certification and Training market impact of comparable period is expected to ease slightly in Q4
- Performance Assessment growth to accelerate from acquisition of Maine Pointe LLC at the end of H1
- Certification and training remain a headwind for margin which should be offset by consultancy

BENEFITING FROM PORTFOLIO MANAGEMENT

INDUSTRIAL (IND)

(CHF million)	JUNE 2019	JUNE 2018 CCY ²	Change in CCY%	JUNE 2018	Change in %
REVENUE	476	443	7.4	462	3.0
ADJUSTED OPERATING INCOME ¹	48	34	41.2	34	41.2
MARGIN % ¹	10.1	7.7		7.4	



OVERVIEW

- Portfolio management resulted in margin improvement across the business unit, while maintaining solid growth
- Continued expansion of materials technology capabilities across the network
- Double-digit growth in Northern Europe, Middle East and Africa with an improvement of profitability
- Turnaround of Brazilian operations

OUTLOOK

- Oil price stability has not yet translated into new capital expenditure projects
- Infrastructure projects in Peru and Mexico to exceed expectations
- Continued focus on optimizing the portfolio

CONTINUED STRONG PERFORMANCE

ENVIRONMENT, HEALTH AND SAFETY (EHS)

(CHF million)	JUNE 2019	JUNE 2018 CCY ²	Change in CCY%	JUNE 2018	Change in %
REVENUE	261	247	5.7	252	3.6
ADJUSTED OPERATING INCOME ¹	28	25	12.0	26	7.7
MARGIN % ¹	10.7	10.1		10.3	



OVERVIEW

- Good organic growth driven by an improving market position and a strategic focus on laboratory and Health & Safety
- High double-digit growth in China and solid results in Taiwan
- Ongoing momentum in Europe
- Contract wins with port authorities and large shipping lines in Marine

OUTLOOK

- Globalization of real-time air monitoring solutions
- Rollout of global back office solutions to new geographies
- U.S. margin to continue to improve in H2
- Inorganic growth remains a priority to expand competence and geographic reach

TESTING OFFSET BY REGULATED AND FIELD SERVICES

TRANSPORTATION (TRP)

(CHF million)	JUNE 2019	JUNE 2018 CCY ²	Change in CCY %	JUNE 2018	Change in %
REVENUE	257	268	(4.1)	279	(7.9)
ADJUSTED OPERATING INCOME ¹	35	41	(14.6)	43	(18.6)
MARGIN % ¹	13.6	15.3		15.3	



OVERVIEW

- Testing growth offset by Regulated and Field services declines
- Growth in Testing was strong
- Regulated services impacted by some contracts ending and increased competition
- Field services affected by completed supplier certification for new 2018 IATF standard

OUTLOOK

- Continued growth in Testing driven by more stringent regulations and new model launches
- Regulated services will continue to be held back by contracts ending over next 18 months until new programs are finalized and implemented
- Field services will continue to be impacted by the IATF certification cycle in H2 2019

DELAYS IN EXECUTION & COLLECTION TO IMPROVE IN H2

GOVERNMENTS AND INSTITUTIONS (GIS)

(CHF million)	JUNE 2019	JUNE 2018 CCY ²	Change in CCY%	JUNE 2018	Change in %
REVENUE	129	135	(4.4)	141	(8.5)
ADJUSTED OPERATING INCOME ¹	25	39	(35.9)	41	(39.0)
MARGIN % ¹	19.4	28.9		29.4	



OVERVIEW

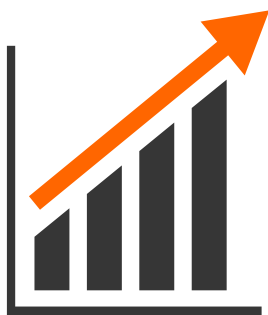
- Higher volume in Single Window offset by delay between signing to execution of new contracts
- Product Conformity Assessments declined moderately and a new global remote inspection center was established in Philippines
- Successful geographic expansion in TransitNet
- Temporary volume reduction in Scanning Services

OUTLOOK

- New market opportunities from ecological issues (e.g. deforestation, eWaste)
- Focus on new innovative digital services
- Benefit from global remote inspection center & cargo tracking platform
- Measures to improve collection in certain markets



HIGHLIGHTS
FINANCIAL REVIEW
BUSINESS REVIEW
OUTLOOK
Q&A
APPENDIX



**SOLID ORGANIC
REVENUE GROWTH**



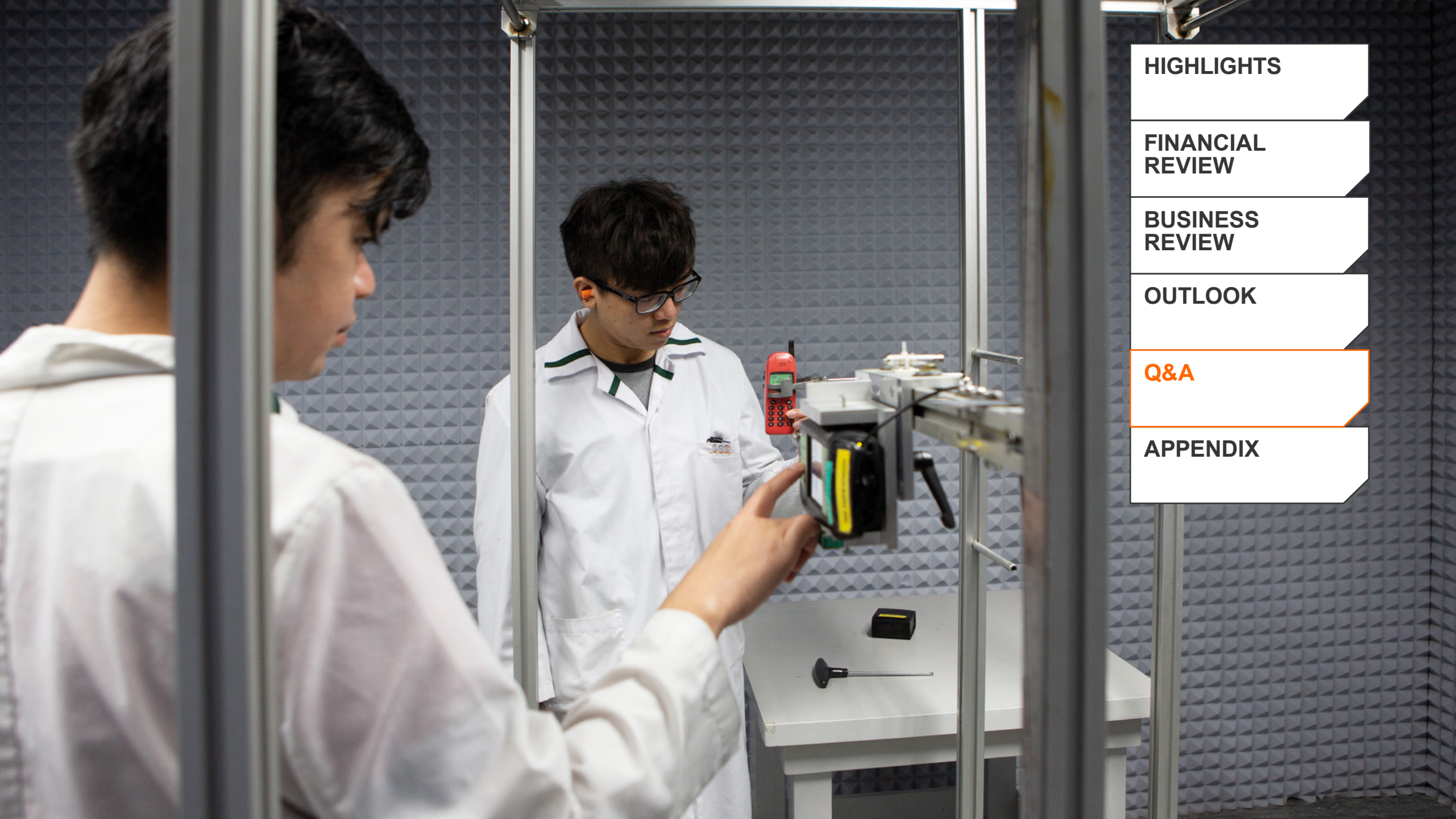
**HIGHER ADJUSTED
OPERATING INCOME**



**ROBUST
CASH FLOW**

OUTLOOK 2020

- To deliver mid-single-digit organic growth
- To accelerate mergers and acquisitions and remain disciplined on returns
- To achieve an adjusted operating income margin of above 17% by end of period supported by network optimization
- To ensure strong cash conversion
- To maintain best-in-class return on invested capital
- To at least maintain the dividend or grow it in line with the improvement in adjusted net earnings



HIGHLIGHTS
FINANCIAL REVIEW
BUSINESS REVIEW
OUTLOOK
Q&A
APPENDIX



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**FINANCIAL
REVIEW**

**BUSINESS
REVIEW**

OUTLOOK

Q&A

APPENDIX

ACRONYMS AND OTHER ABBREVIATIONS

E&E

Electrical & Electronics

IATF

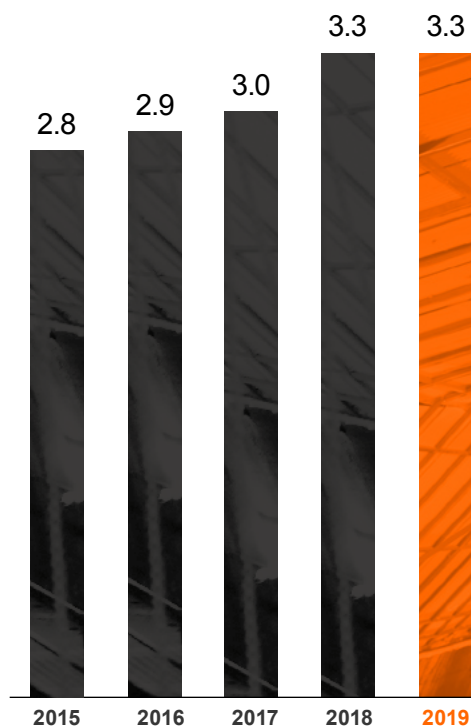
International Automotive Task Force

PSC

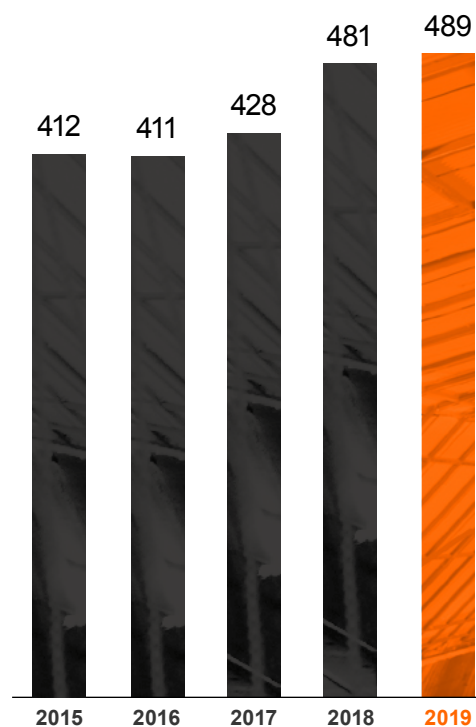
Petroleum Service Corporation

HISTORICAL DATA

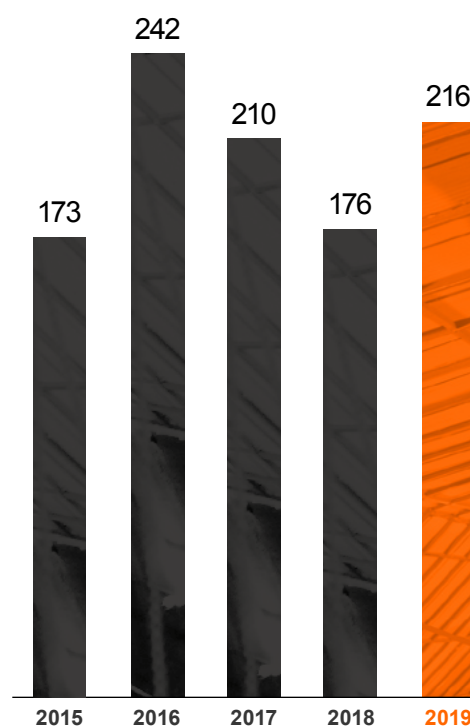
REVENUE



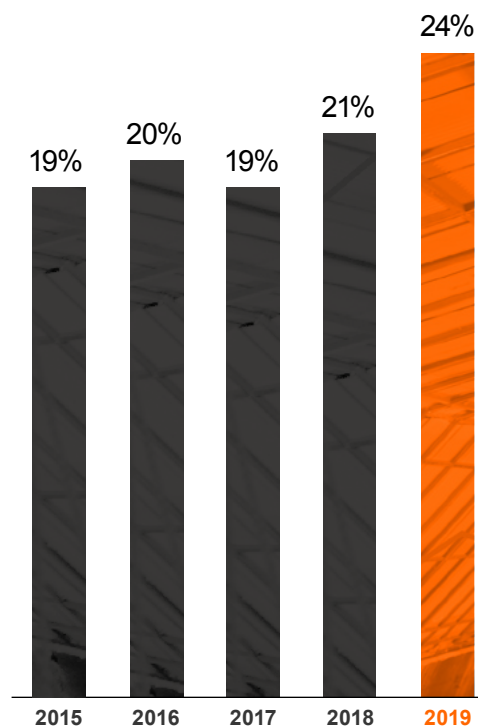
ADJUSTED OPERATING INCOME¹



FREE CASH FLOW²



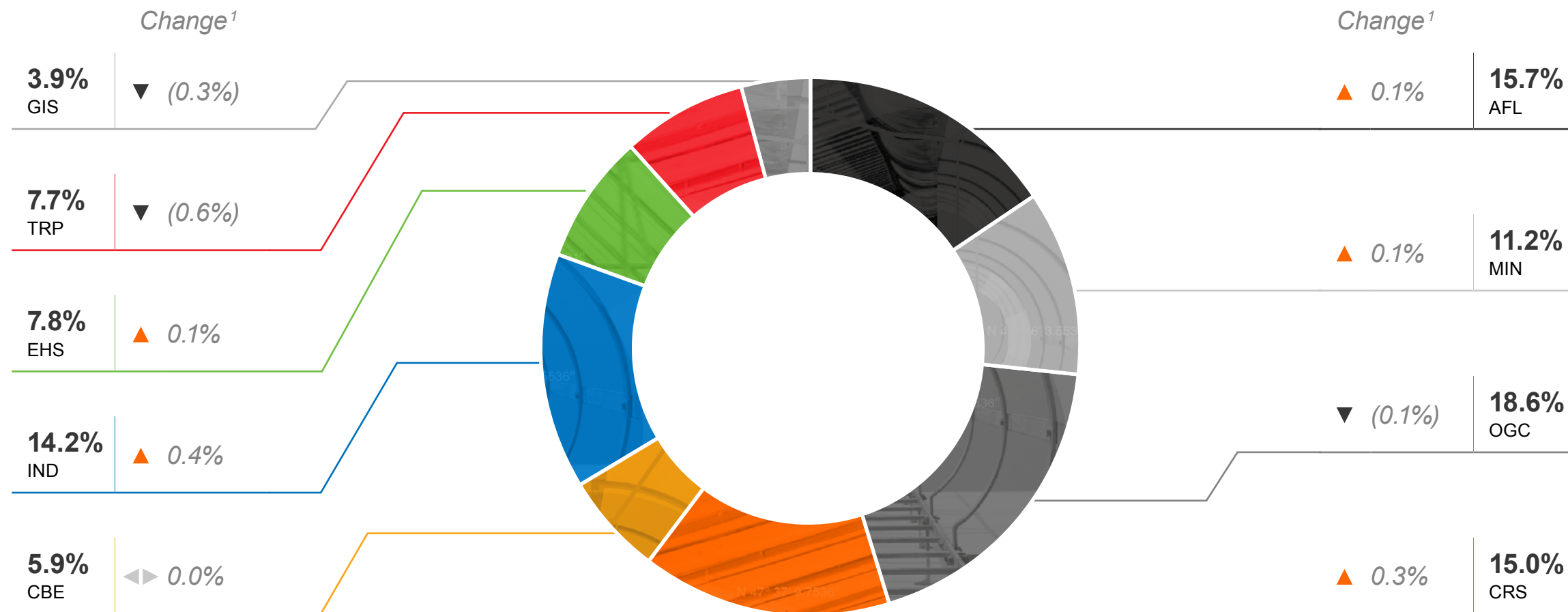
RETURN ON INVESTED CAPITAL³



1. Before amortization of acquired intangibles and other non-recurring items. – 2. Cash flow from operating activities net of capital expenditure. – 3. Profit for the period (last twelve months) / (Non-current assets + New working capital), excluding IFRS 16 impact.

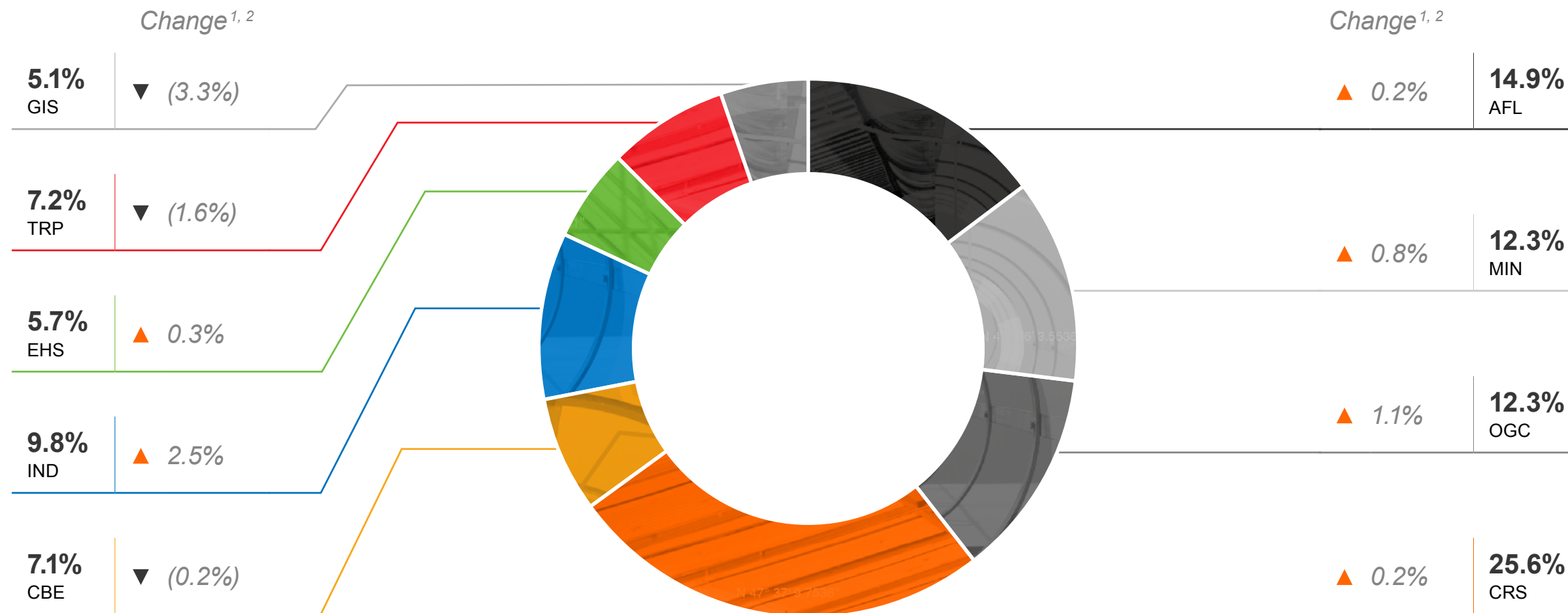
WELL-BALANCED REVENUE

H1 2019 REVENUE PORTFOLIO



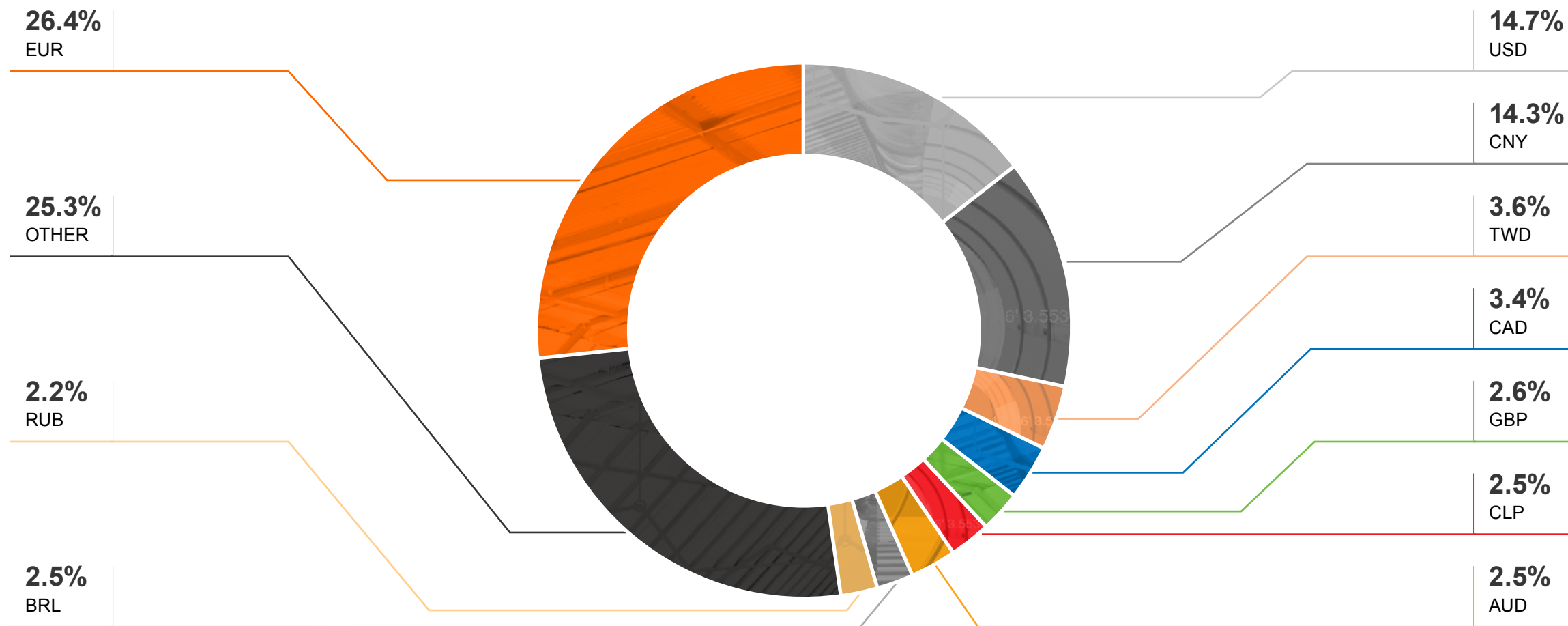
WELL-BALANCED CONTRIBUTION

H1 2019 ADJUSTED OPERATING INCOME¹ PORTFOLIO



EUR, USD AND CNY REPRESENT 55% OF H1 2019 REVENUE

H1 2019 FOREIGN CURRENCY REVENUES





UPCOMING INVESTOR RELATIONS EVENT DATES

INVESTOR DAYS – CHINA AND TAIWAN

Thursday and Friday

7 and 8 November 2019

2019 FULL YEAR RESULTS

Tuesday, 28 January 2020

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Tuesday 24 March 2020

Geneva, Switzerland



INVESTOR RELATIONS INFORMATION

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STOCK EXCHANGE TRADING

SIX Swiss Exchange

MEDIA RELATIONS

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m +41 (0)78 656 94 59
www.sgs.com

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

STOCK EXCHANGE LISTING

SIX Swiss Exchange, SGSN

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

