



SGS

SGS Group Results

2022 Half Year Results
Presentation

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.

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ENABLING A
BETTER, SAFER AND
MORE INTERCONNECTED
WORLD



A resilient operating performance delivered across our global network

A strong underlying performance despite challenging market conditions

H1 2022 highlights

Revenue

CHF 3.3 BN

+6.8% CCY¹ +5.8% Organic* +5.2%²



Adjusted operating income*

CHF 458 MIO

+1.6% CCY¹



Return on invested capital*

18.4%

+0.6pp³



Basic earnings per share

CHF 36.78

+1.4%



* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

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

2. Historical currency.

3. Percentage points.



Our COVID-19 protocols remain in place to protect our people

Employee safety is our paramount priority

- The global situation has improved, but remains uncertain and challenging in parts of our network
- Additional measures adopted by Operational Integrity are in place including: work from home, cleaning stations, additional hygiene and disinfection procedures, mask wearing, social distancing
- We continue to ensure that personal protective equipment is available globally
- Business continuity measures are ongoing and the Crisis Management Team remains mobilized



Key strategic milestones achieved in H1

Becoming a more resilient, sustainable, data-driven company

- Revenue under our Sustainability Solutions Framework increased from 45% to 47% in 2021
- 9% of revenue migrated to next generation digital platforms, services and solutions; 20% by 2023 target confirmed
- On track to open three new cybersecurity labs in 2022 led by SGS Brightsight
- Strengthening our platform for growth through investment in Level Up initiatives
- Launch of new CertIQ application platform in Knowledge
- Over 75% of drug development sites now live with new quality, document and training system in Health & Nutrition
- Focused capital allocation on strategic priority areas. For example, wireless accounted for over one fifth of large growth capex projects

Acquisitions focused on our strategic priority areas

H1 2022 Acquisitions



Gas Analysis Services

Division:
I&E

Location:
Ireland



Ecotecnos

Division:
I&E

Location:
Chile



AIEX

Division:
I&E

Location:
France



Advanced Metrology Solutions

(ACQUISITION OF THE REMAINING 32% MINORITY STAKE)

Division:
I&E

Location:
Spain



SGS Digicomply

(ACQUISITION OF THE REMAINING 49% MINORITY STAKE)

Division:
H&N

Location:
Switzerland

Acquisitions focused on our strategic priority areas

Subsequent acquisitions



proderm GmbH

Division:
H&N

Location:
Germany



Silver State Analytical Laboratories, Inc. and Excelchem Laboratories, Inc.

Division:
I&E

Location:
USA

Our people
have delivered a
strong operating
performance



Strong revenue growth while operational leverage was impacted by Covid restrictions in China

H1 2022 financial highlights

(CHF million)	June 2022	June 2021	Change in %	June CCY ¹	Change in CCY ¹ %
Revenue	3 255	3 094	5.2	3 047	6.8
Operating income (EBIT)	423	430	(1.6)	425	(0.5)
Operating income margin	13.0%	13.9%		13.9%	
Adjusted operating income*	458	457	0.2	451	1.6
Adjusted operating income margin*	14.1%	14.8%		14.8%	
Profit for the period	294	290	1.4		
Profit attributable to equity holders of SGS SA	276	272	1.5		
Basic EPS (CHF)	36.78	36.29	1.4		
Adjusted basic EPS (CHF)*	40.37	38.87	3.9		
Cash flow from operating activities	263	342	(23.1)		
Free cash flow*	11	93	(88.2)		

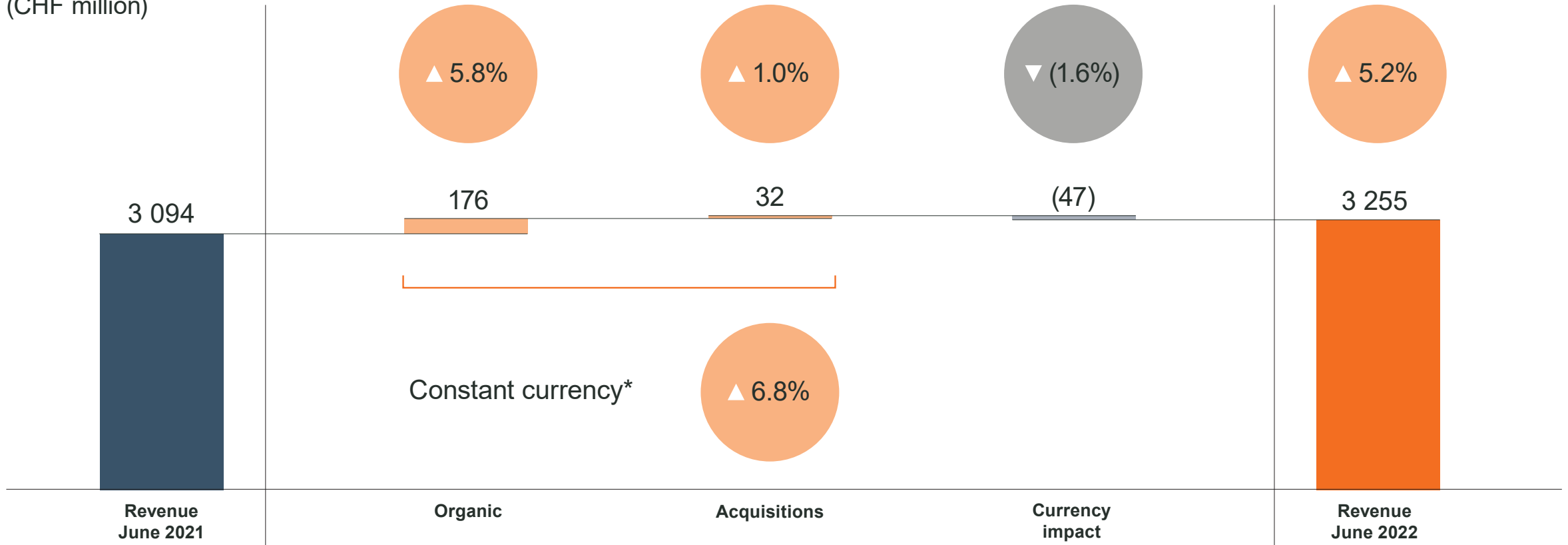
1. Constant currency (CCY)*.

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Strong organic growth

H1 2022 Revenue growth composition

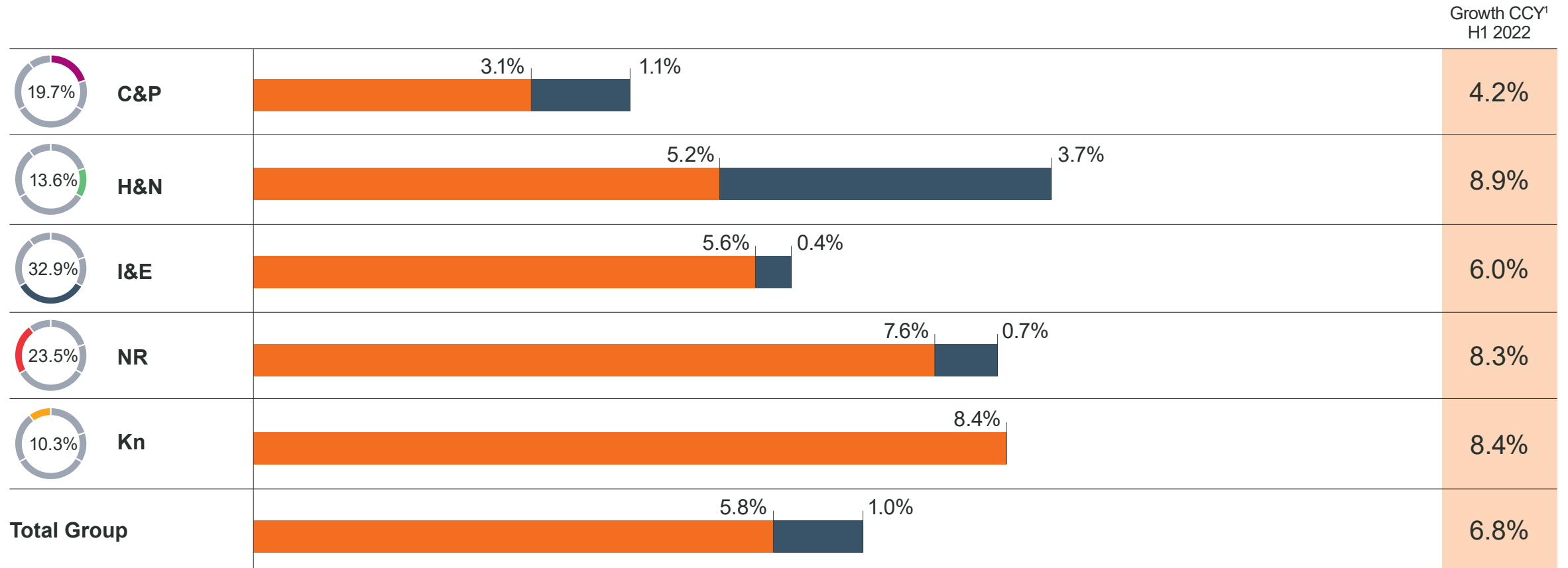
(CHF million)



* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Broad growth achieved across our business portfolio

H1 2022 revenue growth¹ by division



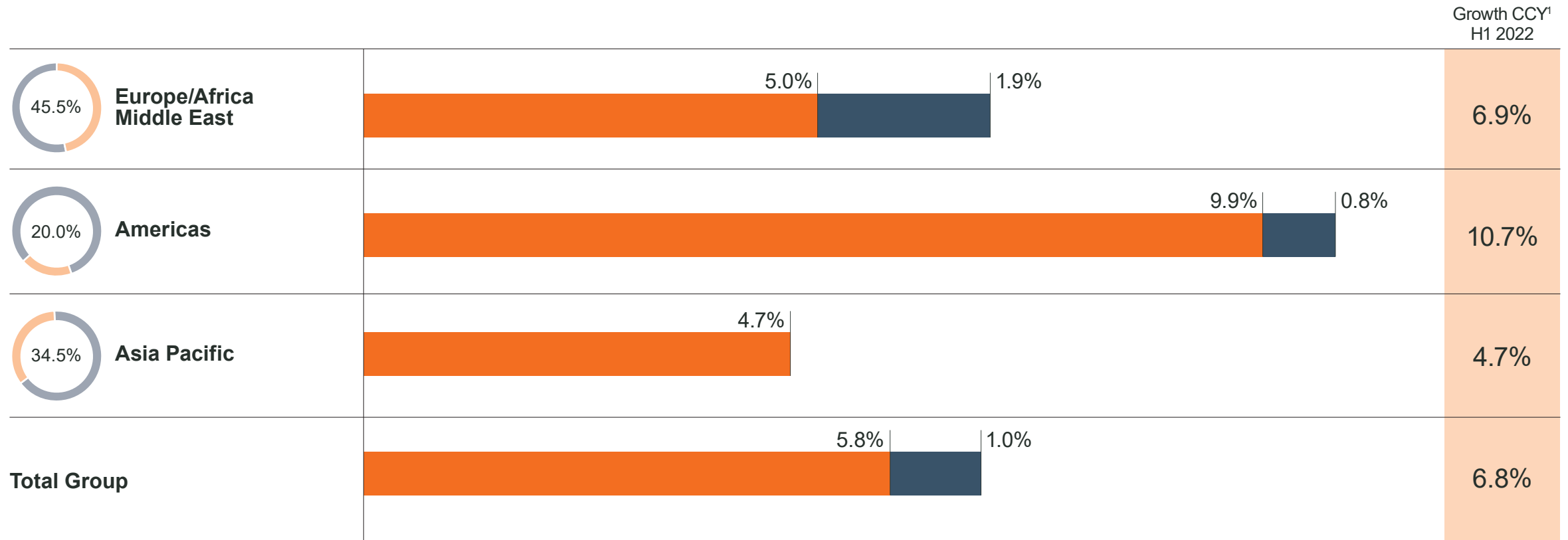
1. Constant currency (CCY)*.

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Organic Acquisitions

Strong growth achieved by our global network

H1 2022 revenue growth¹ by region



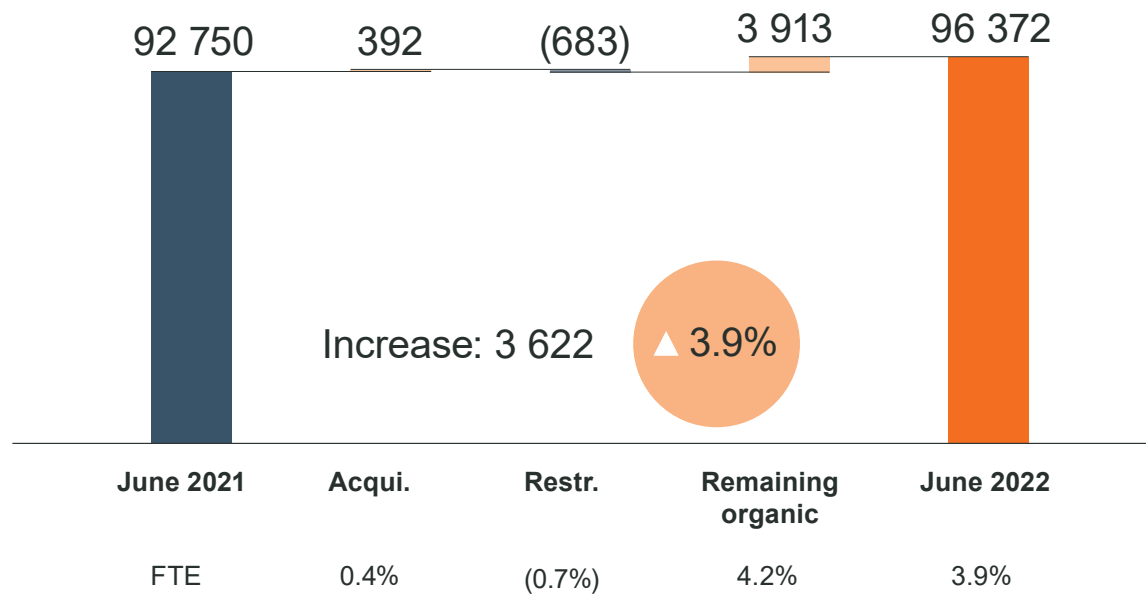
1. Constant currency (CCY)*.

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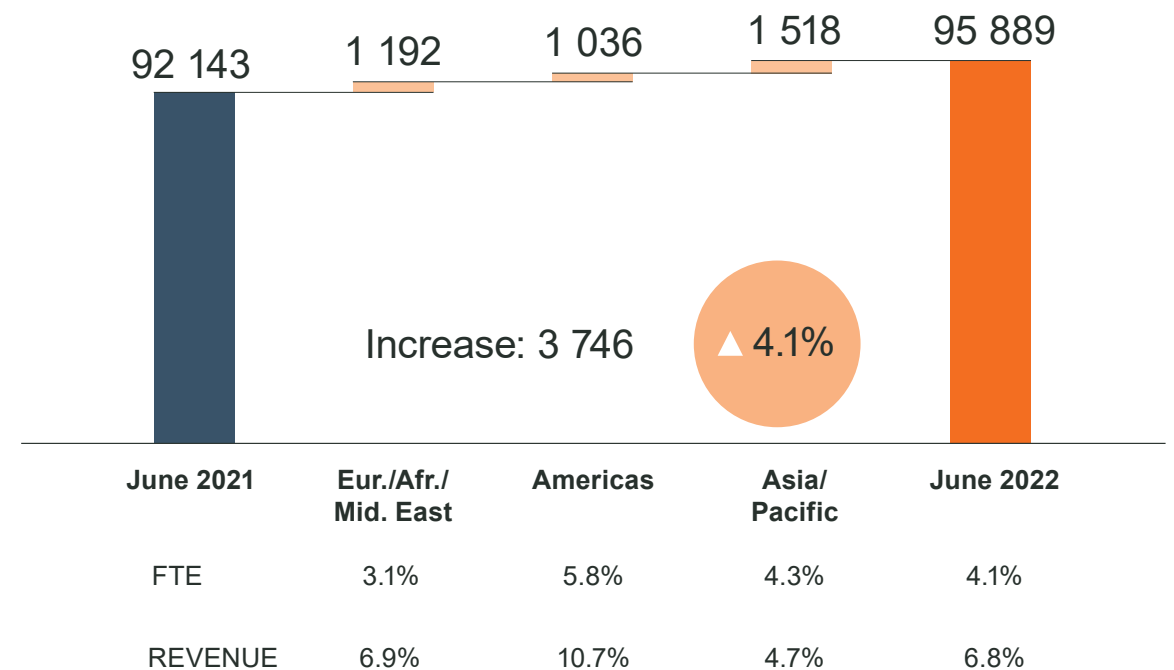
 Organic  Acquisitions

Disciplined workforce management

FTE¹ end of period



FTE¹ average by region

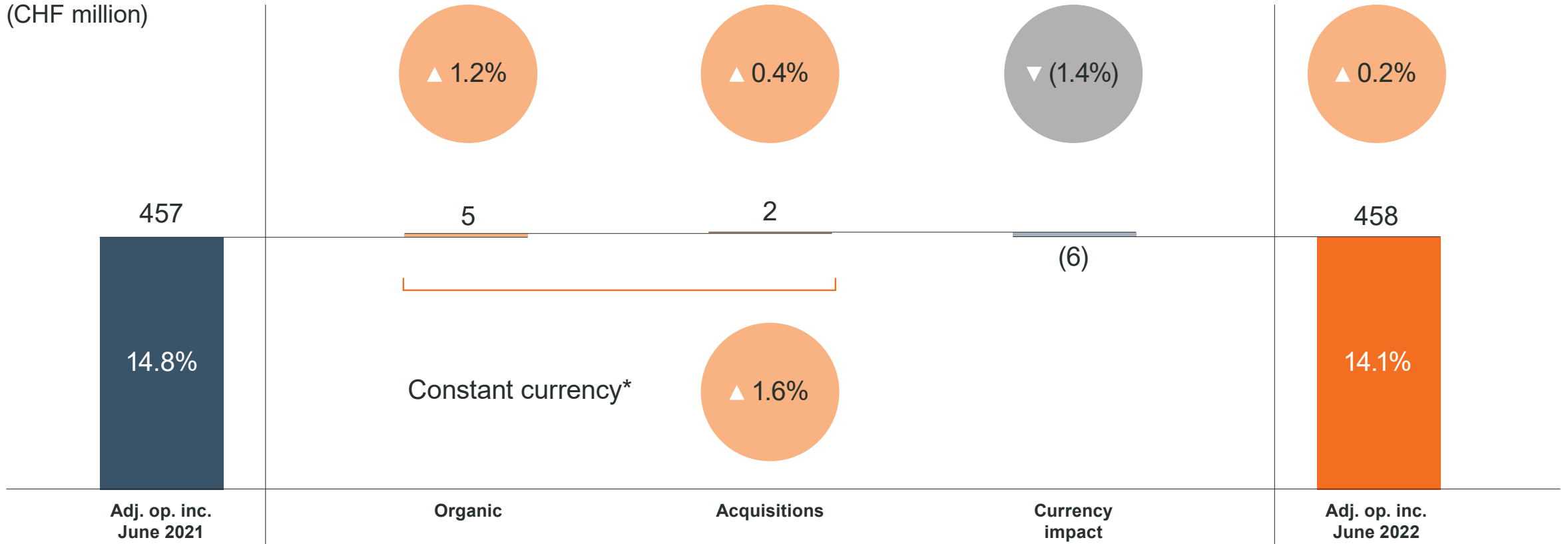


1. Full-Time Equivalent (FTE) Employees.

Operational leverage affected by Covid-related restrictions in China

H1 2022 adjusted operating income*

(CHF million)



* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Level Up initiatives are helping us to build a platform for growth

H1 2022 achievements

- Project “Prometheus”: transition towards outsourcing of IT infrastructure, application maintenance and development to reduce time to market for new solutions and achieve cost savings
- Establishment of the “Builders Organization” (BO) activating joint business and IT teams to design and develop technology-based products
- Introduced Salesforce as the global CRM
- Implemented CertIQ as the global platform for the Knowledge business
- 13 labs audited to date with 5 labs achieving the 3rd external WCM audit milestone

H2 2022 objectives

- Full transition of project “Prometheus” leveraging the capacities of a strong partner
- 20% of lab revenues transitioned to new digital lab concept (DLC)
- Continue to invest in the global digital lab core for Environment, Food and Industry businesses
- Leverage the BO to develop 5 MVP’s
- Add 15 countries to FSSC increasing the coverage to 60%*
- Implement Billing centralization in 12 additional countries leading to global coverage of 15%*
- Extend WCS implementation up to 3 additional labs

2023 objectives

- Full realization of cost saving potential of project “Prometheus”
- 30% of lab revenues covered by DLC and full realization of productivity gains for 2022 roll-out
- Leverage the BO to develop 12 MVP’s
- Go live of FSSC LATAM and add 20+ countries to FSSC increasing the coverage to 70%+*
- Implement billing centralization in 20+ additional countries leading to global coverage of 40%+*
- Reach 30 Labs in WCS perimeter and achieve first WCM award level (Bronze)

2025

2025 objectives

- 70% of lab revenues covered by DLC with realization of productivity gains for prior years roll-out
- Leverage the BO to develop 20 MVP’s
- Full revenue coverage by FSSC
- Billing centralization covering 80%*
- Progress in WCM award level audited labs towards SA2030 goals

2024

2024 objectives

- Leverage the BO to develop 15 MVP’s
- Add 15+ countries to FSSC covering 85%*
- Billing centralization covering 2/3*

2023

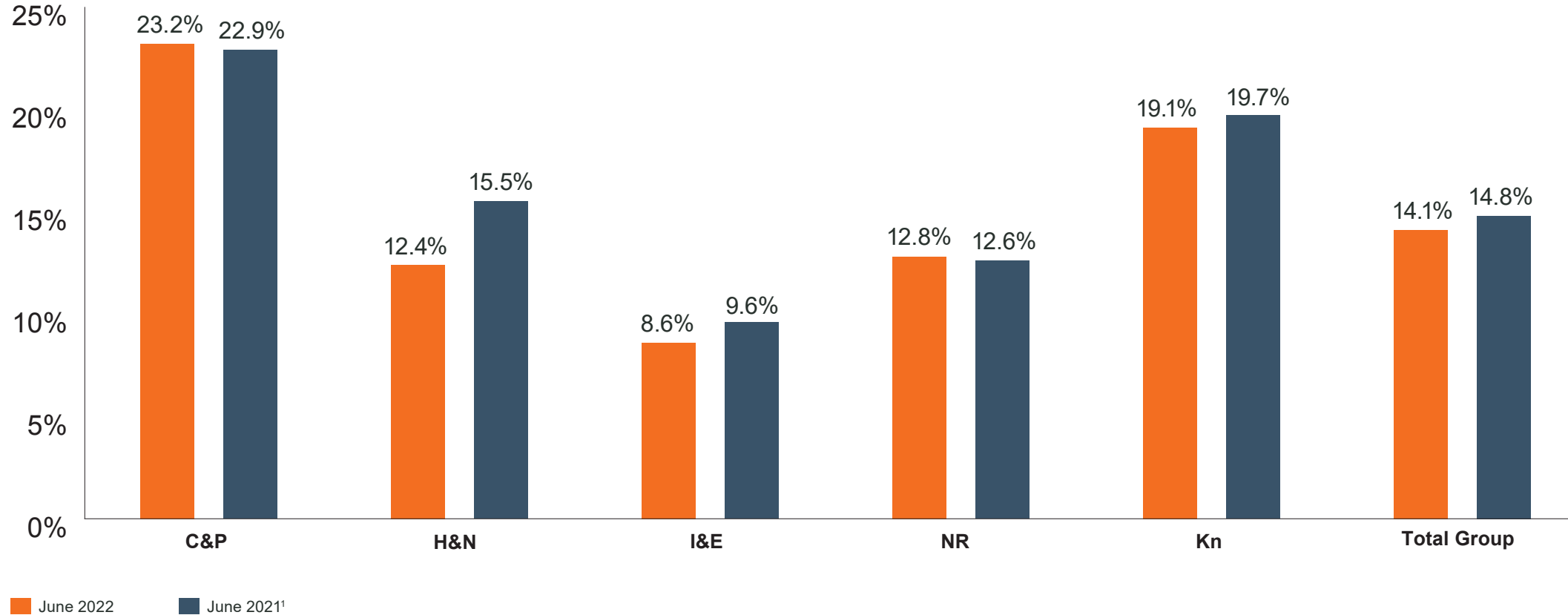
H1
2022

H2
2022

* % of Group revenue.

Margin was affected by Covid-related factors

H1 2022 adjusted operating income margin^{1,*}

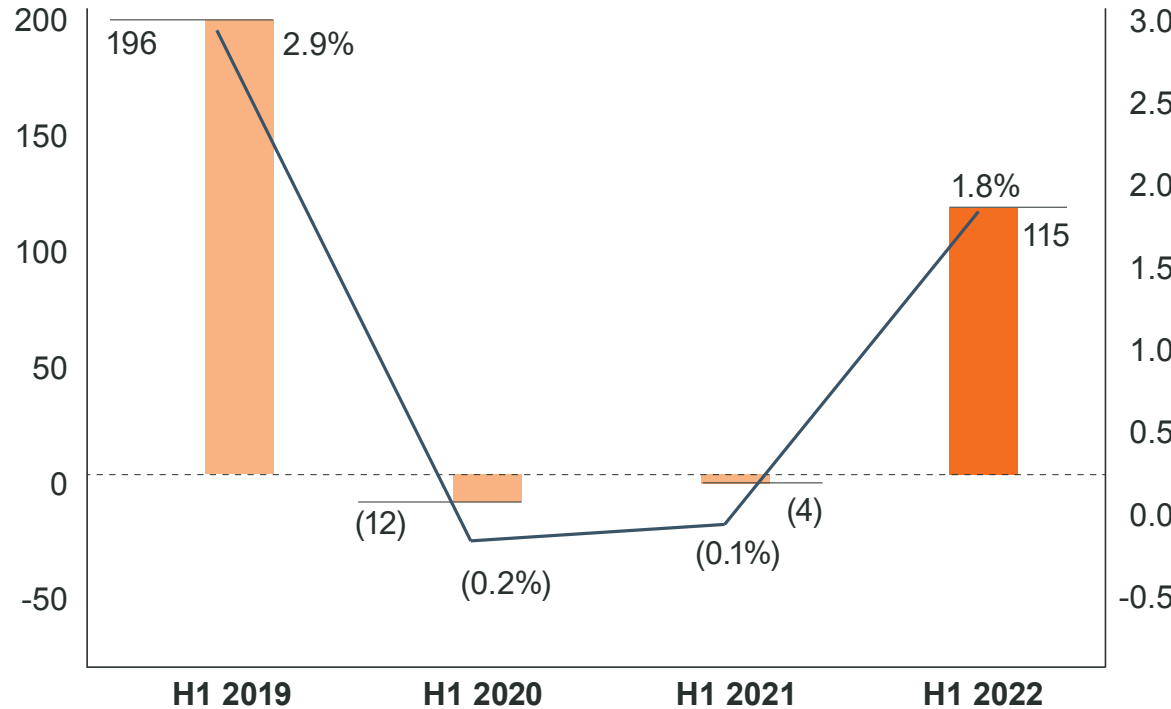


1. Constant currency (CCY)*.

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Controlled increase in net working capital to support revenue growth

Operating net working capital as a % of revenue*



■ Operating net working capital (CHF million) — As a % of revenue

- Higher net working capital requirement to support strong revenue growth
- Days Sales Outstanding (DSO) remains strong and sustainable

Continue to be driven by:

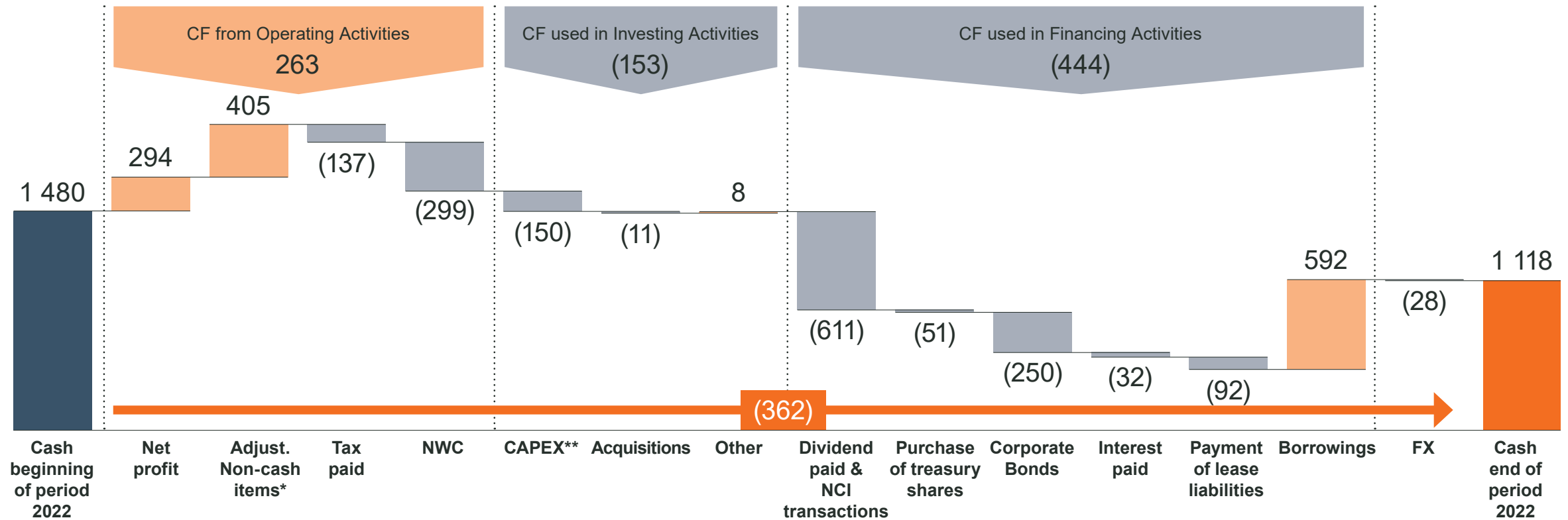
- Centralized cash collection
- Centralized in-country billing projects

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Cash flow continues to support our growth and capital allocation

Cash flow

(CHF million)



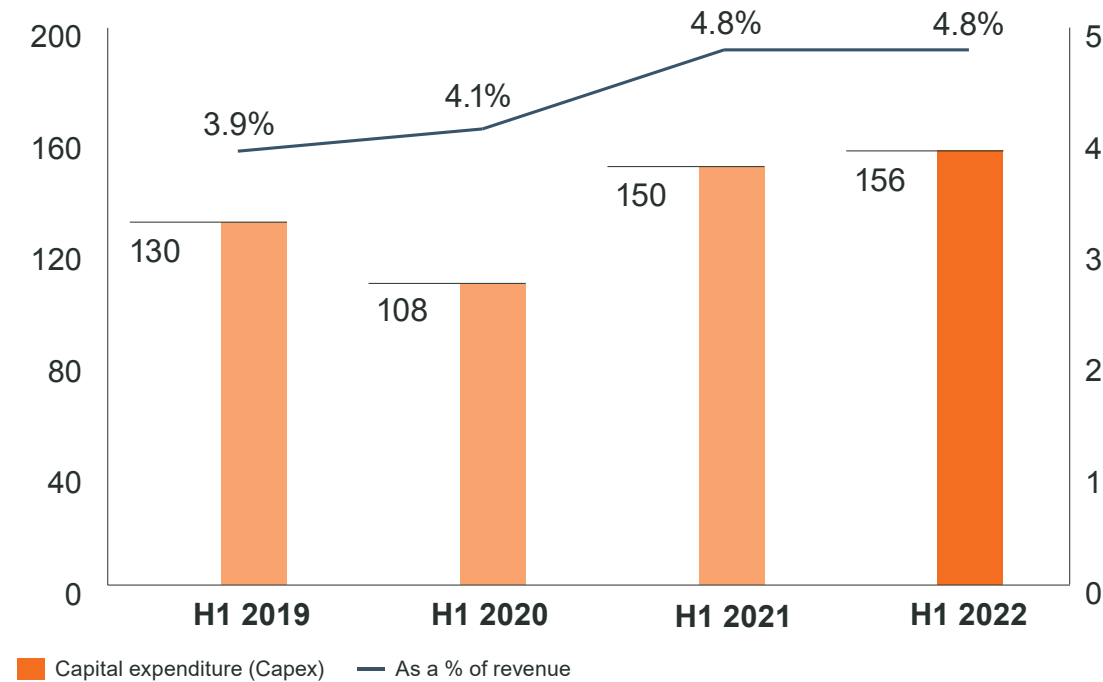
* Including mainly depreciation, amortization, impairment and taxes.

** Net of CHF 6 million disposals.

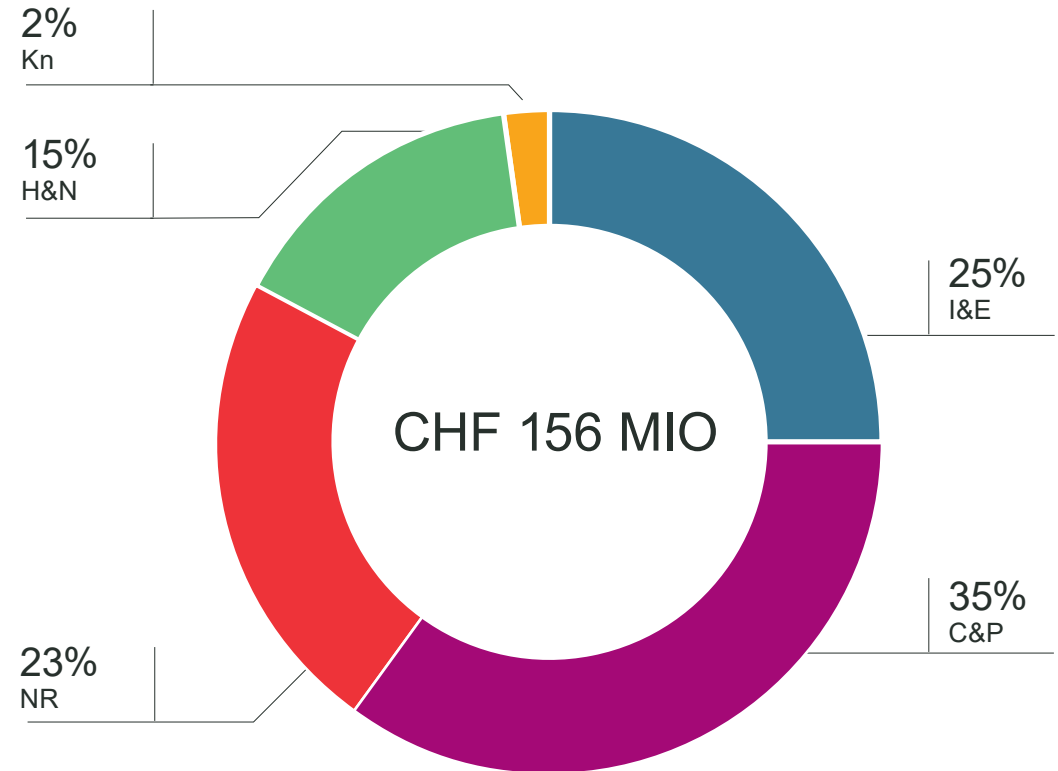
Investment focused on our strategic priority areas

Capex as a % of revenue

(CHF million)



Capital expenditure by business



H1 2022 financial summary

- Revenue increased by 6.8%¹ of which 5.8% organic*
- China has now resumed its strong growth trajectory
- Increase in adjusted operating income* of 1.6%¹
- Decrease in adjusted operating income margin* by (0.7) pp^{1,2} to 14.1%
- Profit for the period increased by 1.4% to CHF 294 million
- Net capex of CHF 150 million
- Free cash flow of CHF 11 million
- Return on invested capital* of 18.4% (+0.6 pp²)

1. Constant currency (CCY)*.

2. Percentage points.

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Divisional performance

+11,00.00

Strengthening our network in C&P

Connectivity & Products (C&P)

(CHF million)	June 2022	June 2021	Change in %	June 2021 CCY ¹	Change in CCY ¹ %
Revenue	642	618	3.9	616	4.2
Adjusted operating income*	149	142	4.9	141	5.7
Margin %*	23.2	23.0		22.9	

1. Constant currency (CCY)*

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.



Overview

- Organic growth of 3.1%, a strong performance given Covid-related restrictions in China
- Performance in Connectivity continues to benefit from our long-term investment strategy
- Softlines grew strongly
- Hardlines impacted by supply chain disruptions
- Trade Facilitation Services benefited from expansion of eCustoms in Europe

Outlook

- Easing of Covid-related restrictions in Asia should support growth across the division
- Connectivity to remain the major growth driver and to increasingly benefit from cybersecurity services
- Solid growth expected in Softlines
- Hardlines, Toys & Juvenile and Automotive testing to improve, Hardgoods to remain stable
- Trade Facilitation Services will be impacted by the end of some product conformity assessment contracts

A focused network expansion strategy

Health & Nutrition (H&N)

(CHF million)	June 2022	June 2021	Change in %	June 2021 CCY ¹	Change in CCY ¹ %
Revenue	442	414	6.8	406	8.9
Adjusted operating income*	55	64	(14.1)	63	(12.7)
Margin %*	12.4	15.5		15.5	

1. Constant currency (CCY)*

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.



Overview

- Organic growth of 5.2% with good performance in all geographies
- Food grew above the divisional average
- Health Science grew below the divisional average due to the reduction in Covid vaccine-related testing
- Cosmetics & Hygiene grew broadly in line with the divisional average benefiting from our clinical and panel activity
- Margin affected by reduction of Covid vaccine-related testing, disruption in China and significant investment

Outlook

- Growth to accelerate in H2 supported by the easing restrictions and the replacement of contracts in Health Services
- Network expansion in the Americas will support portfolio growth
- Crop Science performance should improve heading into the peak season in H2
- Further capacity expansion and continued integration, including proderm acquired in July

Growth progress continues

Industries & Environment (I&E)

(CHF million)	June 2022	June 2021	Change in %	June 2021 CCY ¹	Change in CCY ¹ %
Revenue	1 070	1 033	3.6	1 009	6.0
Adjusted operating income*	92	99	(7.1)	97	(5.2)
Margin %*	8.6	9.6		9.6	

1. Constant currency (CCY)*

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.



Overview

- Organic growth of 5.6% driven by strong volumes across all businesses except Public Mandates
- High-single digit growth in Specialty Services driven by upstream oil & gas
- Industrial and Public Health & Safety grew above the divisional average with health and safety services and material testing performing well
- Technical Assessment & Advisory grew by double digits driven by business expansion in Latin America, Eastern Europe and in the Middle East
- Profitability affected by Covid and collection delays

Outlook

- Maintain strong growth trajectory
- Continued development of new innovative solutions to enhance the service portfolio
- Environmental Testing to grow in H2 benefiting from contract wins and improved competitive positioning
- Strong pipeline of tenders in Field Services & Inspection

Growth led by the strong minerals market

Natural Resources (NR)

(CHF million)	June 2022	June 2021	Change in %	June 2021 CCY ¹	Change in CCY ¹ %
Revenue	766	716	7.0	707	8.3
Adjusted operating income*	98	90	8.9	89	10.1
Margin %*	12.8	12.6		12.6	

1. Constant currency (CCY)*

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.



Overview

- Organic growth at 7.6% driven by a strong trading environment, especially in the mining industry
- Trade & Inspection benefited from high-single digit growth in minerals, partially offset by Agricultural Commodities
- Double-digit growth in Laboratory Testing due to strong momentum in Geochemistry and new outsourcing contracts in oil & gas testing
- Double-digit growth in Metallurgy and Consulting resulting from major project wins and service diversification

Outlook

- Strong momentum in minerals, while a continued recovery in oil & gas and agriculture is more dependent on macro factors
- Laboratory Testing momentum to continue
- Expansion of biofuels testing capacity to meet demand
- Roll-out of sustainable solutions to support energy and mining customers' ESG goals
- Expansion of our Process Consulting services

A very strong performance in Consulting

Knowledge (Kn)

(CHF million)	June 2022	June 2021	Change in %	June 2021 CCY ¹	Change in CCY ¹ %
Revenue	335	313	7.0	309	8.4
Adjusted operating income*	64	62	3.2	61	4.9
Margin %*	19.1	19.8		19.7	

1. Constant currency (CCY)*

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.



Overview

- Organic growth of 8.4% with good performance across the division and in all geographies
- Certification grew below divisional levels due to a tough comparable in 2021, which was a re-certification year
- Consulting grew well-above the divisional average primarily driven by Maine Pointe
- Customized Audits grew below divisional average impacted by China; RBS and ESG are growing strongly
- Margin impacted by change in geographical and service mix

Outlook

- Demand for Knowledge services is expected to remain strong
- Certification to deliver solid growth led by medical devices
- Consulting to remain a key growth driver
- Further expansion of RBS and ESG services
- CertIQ, the new Knowledge Certification platform, will be fully implemented driving further efficiencies through the digitalization of audit data

Outlook



Outlook 2022

- Mid-single digit organic growth
- Improving adjusted operating income* with margin* at a similar level to prior year
- 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 and utilize our new share buyback program on an opportunistic basis as part of our flexible capital allocation strategy

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Mid-term targets 2020-2023

People

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

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

Supporting personal development

Support the personal development of our employees by increasing the completion rate of job-related training by 10%²

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

Planet

Reducing our CO₂ emissions

Support the transition to a low-carbon world by meeting our Science-based Target of reducing our CO₂ emissions per revenue by 35%¹

Sustainability Solutions

Support our customers on their journey to sustainability by increasing the proportion of revenue generated by our sustainability solutions to above 50%

Integrity principles

Reduce the impact that our supply chain has on society by committing our strategic suppliers to support our integrity principles

Energy efficiency

Increasing annually the number of energy efficiency measures in our 100 most energy intensive owned buildings

Performance

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

> 10% adjusted operating income* CAGR

Strong Economic Value Added discipline (EVA)

Maintain or grow the dividend per share

1. Against a 2014 baseline.

2. Against a 2019 baseline.

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Q&A

To register for questions press* and 1 on your telephone

Appendix

Acronyms and other abbreviations

CRE	Corporate Real Estate
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
EVA	Economic Value Added
FSSC	Financial Shared Service Center
ITSM	IT Service Management
LIMS	Laboratory Information Management System
MVP	Minimum Viable Product
NWC	Net Working Capital
RBS	Responsible Business Services
SBU	Strategic Business Unit
WCM	World Class Manufacturing
WCS	World Class Services

Long-term shareholder value creation

H1 Revenue CHF BN



H1 Adjusted Operating Income* CHF MIO



H1 Free Cash Flow* CHF MIO



H1 Return on Invested Capital* %

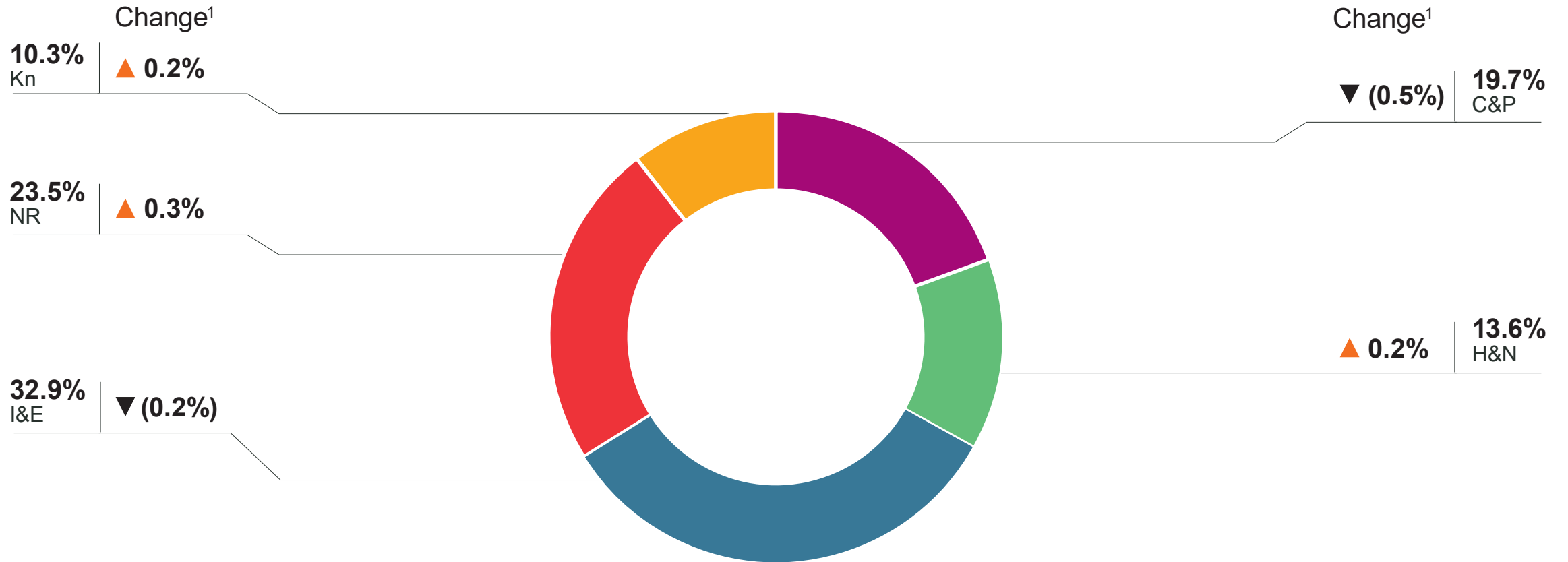


H1 Net Profit CHF MIO



* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

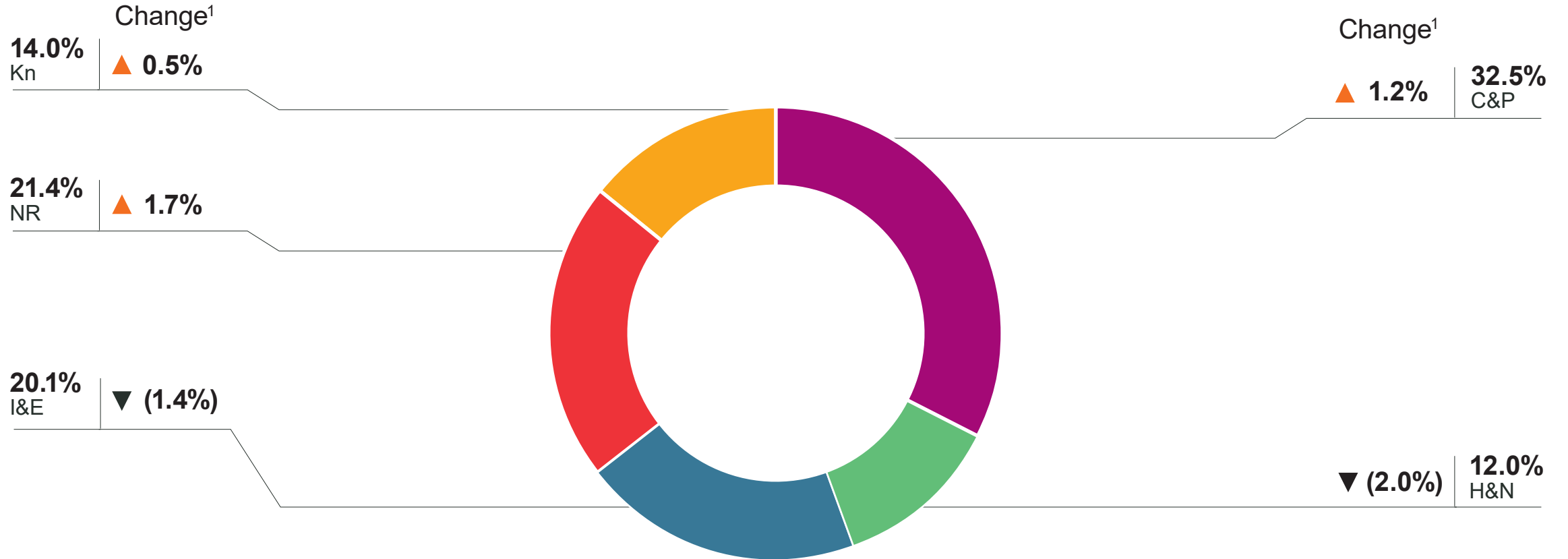
H1 2022 revenue portfolio



1. Constant currency (CCY)*.

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

H1 2022 adjusted operating income* portfolio



1. Constant currency (CCY)*.

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

H1 2022 condensed consolidated balance sheet

Assets

(CHF million)	June 2022	December 2021
Property, plant and equipment	930	925
Right-of-use assets	610	605
Goodwill	1 761	1 778
Other intangible assets	357	382
Investments in joint ventures, associates and other companies	27	26
Deferred tax assets	183	164
Other non-current assets	147	173
Non-current assets	4 015	4 053
Inventories	60	59
Unbilled revenues and work in progress	242	175
Trade receivables	975	928
Other receivables and prepayments	278	204
Current tax assets	107	108
Cash and cash equivalents	1 118	1 480
Current assets	2 780	2 954
Total	6 795	7 007
Net debt*	(2 363)	(1 691)

Equity and liabilities

(CHF million)	June 2022	December 2021
Equity holder of SGS SA	700	1 117
Non-controlling interests	99	85
Equity	799	1 202
Loans and other financial liabilities	2 522	2 889
Lease liabilities	479	481
Deferred tax liabilities	82	92
Defined benefit obligations	74	84
Provisions	91	90
Non-current liabilities	3 248	3 636
Trade and other payables	646	687
Contract liabilities	229	221
Current tax liabilities	162	169
Loans and other financial liabilities	959	282
Lease liabilities	162	155
Provisions	61	60
Other creditors and accruals	529	595
Current liabilities	2 748	2 169
Total	6 795	7 007

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM' document.

Cash flow

H1 2022 condensed cash flow statement

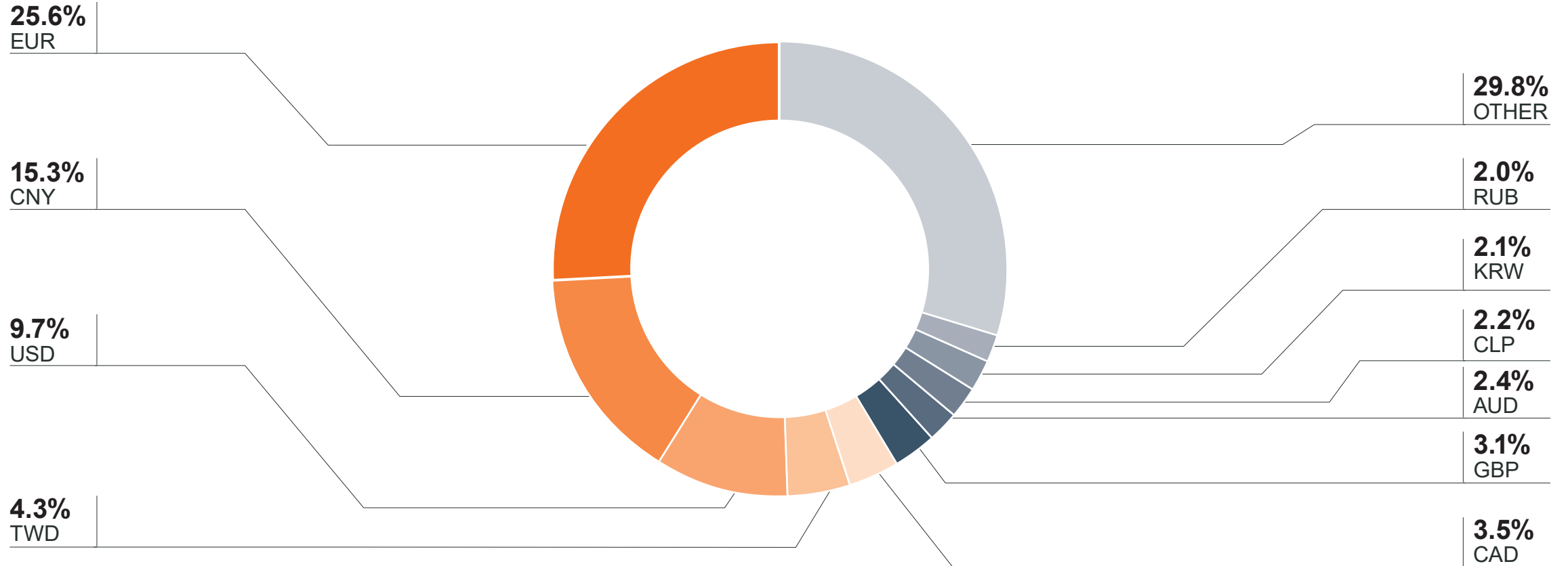
(CHF million)	June 2022	June 2021
Profit for the period	294	290
Non-cash and non-operating items	405	404
(Increase) in working capital	(299)	(202)
Taxes paid	(137)	(150)
Cash flow from operating activities	263	342
Net purchase of fixed assets	(150)	(147)
Acquisition of businesses	(11)	(103)
Interest received and other	8	9
Cash flow used by investing activities	(153)	(241)
Dividends paid to equity holders of SGS SA	(599)	(599)
Dividends paid to non-controlling interests	(3)	(4)
Transaction with non-controlling interests	(9)	(11)
Cash paid on treasury shares	(51)	–
Proceeds from corporate bonds	–	817
Payment of corporate bonds	(250)	(276)
Interest paid	(32)	(38)
Payment of lease liabilities	(92)	(91)
Proceeds from borrowings	592	44
Payment of borrowings	–	(553)
Cash flow used by financing activities	(444)	(711)
Currency translation	(28)	13
(Decrease) in cash and cash equivalents	(362)	(597)

(CHF million)	June 2022	June 2021
Cash flow from operating activities	263	342
Purchase of property, plant and equipment and other intangible assets	(156)	(150)
Disposal of property, plant and equipment and other intangible assets	6	3
Operating lease outflows	(102)	(102)
Free cash flow*	11	93

* Alternative Performance Measures (APM), refer to the '2022 Half Year APM document' .

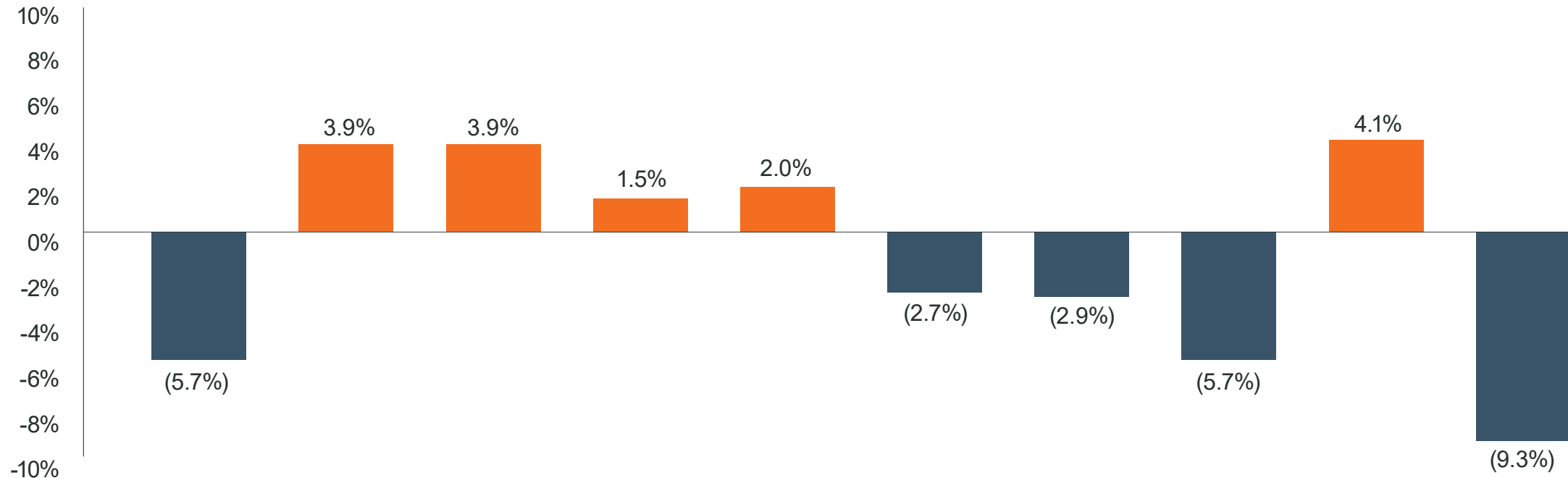
EUR, CNY and USD represent 50% of 2022 revenue

H1 2022 foreign currency revenues



Key currency movements in H1 2022

Foreign currency average rate change H1 2022 versus H1 2021 rate



	EUR	CNY	USD	TWD	CAD	GBP	AUD	KRW	RUB	CLP
June 2022	1.0323	0.1457	0.9435	0.0329	0.7423	1.2262	0.6797	0.0008	0.0127	0.0011
June 2021	1.0943	0.1403	0.9081	0.0324	0.7279	1.2601	0.7002	0.0008	0.0122	0.0013
Change	(5.7%)	3.9%	3.9%	1.5%	2.0%	(2.7%)	(2.9%)	(5.7%)	4.1%	(9.3%)

Investor relations information and events dates

Investor Days

17-20 November 2022
Istanbul, Turkey

2022 Full Year Results

Thursday, 26 January 2023

Annual General Meeting of Shareholders

Tuesday, 28 March 2023
Geneva, Switzerland

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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

Stock Exchange Listing

SIX Swiss Exchange, SGSN



Thank you

Learn more about how we're
enabling a better, safer and
more interconnected world.

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