Financial statements

Construction Site Inspection, Portugal

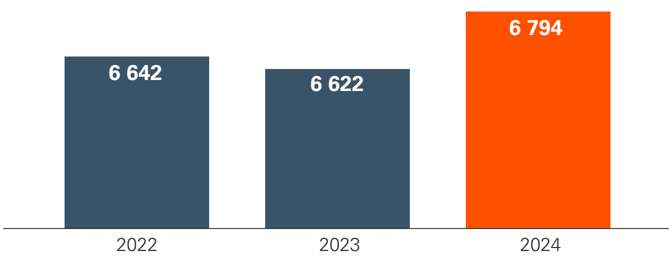
1. Financial and business highlights

Financial review

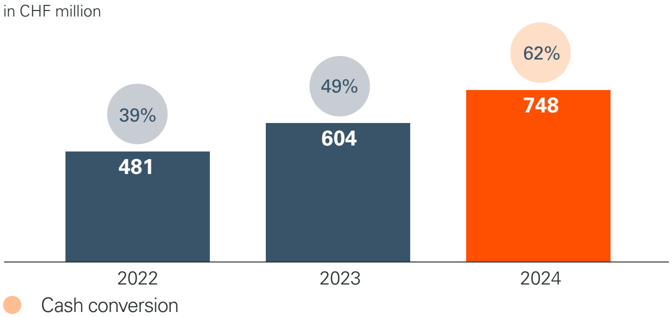
(CHF million)	2024	2023	Change in %	Change in organic[1] %
Sales	**6 794**	**6 622**	**2.6**	**7.5**
Adjusted operating income[1]	**1 040**	**971**	**7.1**	**14.0**
Adjusted operating income margin[1]	15.3%	14.7%		
Operating income (EBIT)	**904**	**857**	**5.5**	
Operating income margin	13.3%	12.9%		
Profit attributable to equity holders of SGS SA	**581**	**553**	**5.1**	
Basic EPS (CHF)	**3.10**	**3.00**	**3.3**	
Free cash flow[1]	**748**	**604**	**23.8**	
Return on invested capital[1]	**24%**	**22%**		
Net debt[1]	**2 670**	**2 839**		

- **Sales** reached a record level of CHF 6 794 million in 2024, up 2.6% compared to prior year. A strong organic[1] growth of 7.5% was delivered across all operations, and more than offset the adverse foreign exchange effect of -4.8%. The successful M&A program relaunch resulted in 11 acquisitions contributing to growth in 2024, partially compensating 2023 disposals and resulting in a net scope effect of -0.1%.
- **Adjusted operating income[1]** reached CHF 1 040 million, an increase of 7.1% compared to prior year. The adjusted operating income margin[1] on sales improved by 60 basis points, to 15.3%. Full speed execution of Strategy 27 resulted in CHF 50 million savings already accounted for (70 basis points margin improvement), while negative foreign exchange effect reduced in comparison to prior year to 30 basis points.
- **Profit attributable to equity holders** was CHF 581 million, an increase of 5.1%, despite restructuring costs of CHF 82 million. It resulted in a basic earnings per share of CHF 3.10, against CHF 3.00 in 2023.
- **Free cash flow[1]** generation was outstanding, up 23.8% to reach CHF 748 million. It marked a significant improvement compared to CHF 604 million in prior year, driven by lower net working capital requirements and focused cash allocation.
- **Net debt[1]** at 31 December 2024 amounted to CHF 2 670 million including lease liabilities, a decrease of CHF 169 million compared to December 2023. It led to a reduction in leverage[1], from x2.0 to x1.8.

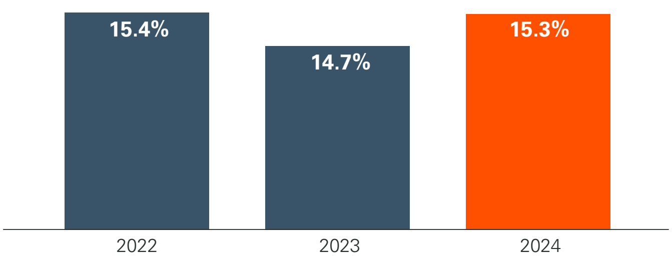
Sales
in CHF million



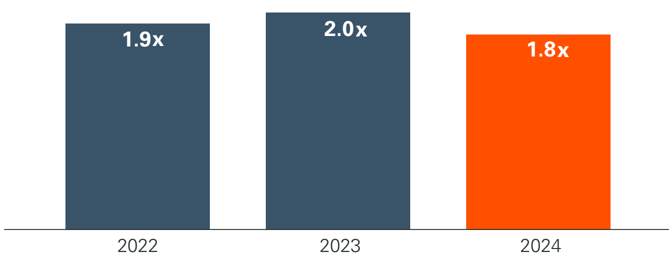
Free cash flow
in CHF million



Adjusted operating income margin
in % of sales



Leverage
Net debt/Adjusted EBITDA



1. Refer to alternative performance measures of this report.

Business highlights

Testing & Inspection: Industries & Environment

(CHF million)	2024	2023
Sales	**2 261**	**2 190**
Total change	3.2%	
of which organic[1]	**8.3%**	
of which scope	–0.2%	
of which FX	–4.9%	
Adjusted operating income[1]	287	248
Adjusted operating income margin[1]	**12.7%**	**11.3%**

Delivered an organic growth of 8.3% and an adjusted operating income margin of 12.7%:

- Continued double-digit growth in Environment boosted by PFAS with strong performance in North America and Europe
- Double-digit growth in Safety services supported by increased demand for global safety solutions
- High single-digit growth in Projects & Advisory driven by large railway and mining projects in Latin America and supply chain for Eastern Europe, Middle East & Africa
- Continued strong growth in Industrial Testing partly offset by completion of low-margin contracts in non-destructive testing

Testing & Inspection: Natural Resources

(CHF million)	2024	2023
Sales	**1 612**	**1 583**
Total change	1.8%	
of which organic[1]	**7.6%**	
of which scope	0.0%	
of which FX	–5.8%	
Adjusted operating income[1]	238	228
Adjusted operating income margin[1]	**14.8%**	**14.4%**

Delivered an organic growth of 7.6% and an adjusted operating income margin of 14.8%:

- Minerals boosted by strong trade and double-digit growth in critical battery metals testing in the Americas
- High single-digit growth in Oil, Gas and Chemicals supported by inspection and laboratory testing services
- Strong growth in Agriculture testing and inspection services, despite slowdown in Europe from the new crop season
- Strong momentum for services supporting the energy transition

1. Refer to alternative performance measures of this report.

Testing & Inspection: Connectivity & Products

(CHF million)	2024	2023
Sales	**1 282**	**1 246**
Total change	2.9%	
of which organic[1]	**8.2%**	
of which scope	–0.7%	
of which FX	–4.6%	
Adjusted operating income[1]	268	262
Adjusted operating income margin[1]	**20.9%**	**21.0%**

Delivered a strong organic growth of 8.2% and an adjusted operating income margin of 20.9%:

- High single-digit growth in Connectivity driven by product safety in Asia Pacific and wireless in North America
- Double-digit growth in Softlines led by strong volumes and sustainability
- High single-digit growth in Hardlines fueled by new regulations and capabilities expansion
- Strong organic growth in Government Services in Eastern Europe, Middle East & Africa and Asia Pacific

Testing & Inspection: Health & Nutrition

(CHF million)	2024	2023
Sales	**878**	**857**
Total change	2.5%	
of which organic[1]	**5.2%**	
of which scope	0.9%	
of which FX	–3.6%	
Adjusted operating income[1]	94	80
Adjusted operating income margin[1]	**10.7%**	**9.3%**

Delivered an organic growth of 5.2% and an adjusted operating income margin of 10.7%:

- Double-digit organic growth in Food with strong performance in all markets supported by regulation and food safety
- Strong recovery in Pharma in H2 driven by bio-safety and bio-analysis testing in Europe and Asia Pacific
- Cosmetics delivered solid performance supported by recovery in North America and Europe in H2
- Expansion of laboratory activities in Food, Pharma and Cosmetics, in particular in North America

1. Refer to alternative performance measures of this report.

Certification: Business Assurance

(CHF million)	2024	2023
Sales	**761**	**746**
Total change	2.0%	
of which organic[1]	**6.2%**	
of which scope	0.0%	
of which FX	–4.2%	
Adjusted operating income[1]	153	153
Adjusted operating income margin[1]	**20.1%**	**20.5%**

Delivered an organic growth of 6.2% and an adjusted operating income margin of 20.1%:

- Double-digit growth in Certification, supported by medical devices and digital trust
- Double-digit growth in ESG, driven by non-financial reporting assurance, social audits and greenhouse gas emissions verification
- Temporary slowdown in Training in Asia Pacific
- Consulting impacted by a high comparable

1. Refer to alternative performance measures of this report.

2. SGS Group consolidated financial statements

Consolidated Income Statement

For the years ended 31 December

(CHF million)	Notes	2024	2023
Sales	4	**6 794**	**6 622**
Salaries and wages		–3 427	–3 316
Subcontractors' expenses		–414	–400
Depreciation, amortization and impairment	11 to 14	–476	–545
Gain on business disposals	10	–	7
Other operating expenses	5	–1 573	–1 511
Operating income (EBIT)[1]	3	**904**	**857**
Financial income	6	34	29
Financial expenses	7	–94	–86
Share of profit of associates and joint ventures		3	2
Profit before taxes		**847**	**802**
Taxes	8	–222	–205
Profit for the period		**625**	**597**
Profit attributable to:			
Equity holders of SGS SA		581	553
Non-controlling interests		44	44
Basic earnings per share (in CHF)	9	**3.10**	**3.00**
Diluted earnings per share (in CHF)	9	**3.09**	**2.99**

1. Refer to note 3 for analysis of non-recurring items.

Consolidated statement of comprehensive income

For the years ended 31 December

(CHF million)	Notes	2024	2023
Actuarial (losses)/gains on defined benefit plans	23	–3	50
Income tax on actuarial (losses)/gains	8	2	–8
Items that will not be subsequently reclassified to income statement		**–1**	**42**
Exchange differences		12	–238
Items that may be subsequently reclassified to income statement		**12**	**–238**
Other comprehensive income/(loss) for the period		**11**	**–196**
Profit for the period		625	597
Total comprehensive income for the period		**636**	**401**
Attributable to:			
Equity holders of SGS SA		590	364
Non-controlling interests		46	37

Consolidated statement of financial position

At 31 December

(CHF million)	Notes	2024	2023
Assets			
Non-current assets			
Property, plant and equipment	11	837	823
Right-of-use assets	12	548	506
Goodwill	13	1 783	1 636
Other intangible assets	14	304	275
Investments in joint ventures, associates and other companies		19	16
Deferred tax assets	8	213	185
Other non-current assets	15	199	191
Total non-current assets		**3 903**	**3 632**
Current assets			
Assets classified as held for sale	11	17	–
Inventories		55	57
Unbilled sales and work in progress	4	247	223
Trade receivables	16	991	940
Other receivables and prepayments	17	217	213
Current tax assets		109	127
Cash and cash equivalents	18	1 210	1 569
Total current assets		**2 846**	**3 129**
Total assets		**6 749**	**6 761**
Equity and liabilities			
Capital and reserves			
Share capital	21	8	7
Reserves		844	723
Treasury shares		–55	–271
Equity attributable to equity holders of SGS SA		**797**	**459**
Non-controlling interests		80	69
Total equity		**877**	**528**
Non-current liabilities			
Loans and other financial liabilities	22	2 700	3 040
Lease liabilities	12	409	384
Deferred tax liabilities	8	73	73
Defined benefit obligations	23	64	66
Provisions	24	101	91
Total non-current liabilities		**3 347**	**3 654**
Current liabilities			
Trade and other payables	25	624	634
Contract liabilities	4	261	221
Current tax liabilities		186	176
Loans and other financial liabilities	22	612	841
Lease liabilities	12	159	143
Provisions	24	72	41
Other creditors and accruals		611	523
Total current liabilities		**2 525**	**2 579**
Total liabilities		**5 872**	**6 233**
Total equity and liabilities		**6 749**	**6 761**

Consolidated statement of cash flows

For the years ended 31 December

(CHF million)	Notes	**2024**	2023
Profit for the period		625	597
Non-cash and non-operating items	19.1	799	824
Decrease/(increase) in working capital	19.2	28	–55
Taxes paid		–228	–243
Cash flow from operating activities		**1 224**	**1 123**
Purchase of property, plant and equipment and other intangible assets		–251	–298
Disposal of property, plant and equipment and other intangible assets		12	15
Acquisition of businesses	10	–193	–12
Proceeds from disposal of businesses		–	22
Cash paid on other non-current assets		–3	–1
Proceeds received from investments in joint ventures, associates and other companies		1	8
Interest received		37	24
Proceeds from marketable securities		4	–
Cash flow used by investing activities		**–393**	**–242**
Dividends paid to equity holders of SGS SA		–207	–590
Dividends paid to non-controlling interests		–40	–44
Transaction with non-controlling interests		–	–34
Cash paid on treasury shares		–50	–10
Proceeds from corporate bonds	19.3	–	500
Repayment of corporate bonds	19.3	–250	–501
Interest paid		–98	–82
Payment of lease liabilities	19.3	–176	–178
Proceeds from borrowings	19.3	7	105
Repayment of borrowings	19.3	–380	–5
Cash flow used by financing activities		**–1 194**	**–839**
Effects of exchange rate changes on cash and cash equivalents		4	–96
(Decrease)/increase in cash and cash equivalents		**–359**	**–54**
Cash and cash equivalents at beginning of year		**1 569**	**1 623**
(Decrease)/increase in cash and cash equivalents		–359	–54
Cash and cash equivalents at end of year	18	**1 210**	**1 569**

Consolidated statement of changes in equity

For the years ended 31 December

(CHF million)	Share capital	Treasury shares	Share-based payment 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	Attributable to: Non-controlling interests	Total equity
Balance at 1 January 2023	**7**	**–279**	**144**	**–1 485**	**–205**	**2 500**	**682**	**81**	**763**
Profit for the period	–	–	–	–	–	553	553	44	597
Other comprehensive income for the period	–	–	–	–231	42	–	–189	–7	–196
Total comprehensive income for the period	**–**	**–**	**–**	**–231**	**42**	**553**	**364**	**37**	**401**
Dividends paid	–	–	–	–	–	–590	–590	–44	–634
Share-based payments	–	–	24	–	–	–	24	–	24
Movement in non-controlling interests	–	–	–	–	–	–25	–25	–5	–30
Movement in treasury shares	–	8	–4	–	–	–	4	–	4
Balance at 31 December 2023	**7**	**–271**	**164**	**–1 716**	**–163**	**2 438**	**459**	**69**	**528**
Balance at 1 January 2024	**7**	**–271**	**164**	**–1 716**	**–163**	**2 438**	**459**	**69**	**528**
Profit for the period	–	–	–	–	–	581	581	44	625
Other comprehensive income for the period	–	–	–	10	–1	–	9	2	11
Total comprehensive income for the period	**–**	**–**	**–**	**10**	**–1**	**581**	**590**	**46**	**636**
Dividends distributed[1]	–	–	–	–	–	–590	–590	–40	–630
Scrip effect on dividend distributed[1]	1	–	–	–	–	383	384	–	384
Share-based payments	–	–	19	–	–	–	19	–	19
Movement in non-controlling interests	–	–	–	–	–	–18	–18	5	–13
Cancellation of treasury shares[2]	–	250	–	–	–	–250	–	–	–
Movement in treasury shares	–	–34	–34	–	–	21	–47	–	–47
Balance at 31 December 2024	**8**	**–55**	**149**	**–1 706**	**–164**	**2 565**	**797**	**80**	**877**

1. Refer to alternative performance measures of this report. On 22 April 2024, SGS announced that 64.87% of the dividend for the financial year 2023 was elected to be paid in the form of new SGS shares, while the remaining 35.13% was to be paid out in cash. On 25 April 2024, the 2023 dividend, totalling CHF 590 million, was distributed as follow:
   – CHF 207 million in cash
   – CHF 383 million in new shares. 4 964 934 new SGS shares were created, generating an increase of share capital of CHF 0.2 million, as disclosed in note 21.
2. On 30 August 2024, 2 837 475 shares were cancelled (CHF 250 million).

Notes to consolidated financial statements

1. Activities of the Group

SGS SA and its subsidiaries ('the Group') operate around the world under the name SGS. The Group head office 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. These services are provided to governments, international institutions and customers engaged in the industrial, environmental and life science sectors.

2. Significant accounting policies and exchange rates

Basis of preparation of the financial statements

The consolidated financial statements of the Group are stated in millions of Swiss Francs (CHF million). They are prepared from the financial statements of the individual companies within the Group with all significant companies having a year end of 31 December 2024.

The consolidated financial statements comply with the accounting and reporting requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and Swiss law.

The accounting conventions and accounting policies are the same as those applied in the 2023 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2024. Several new amendments and interpretations were adopted effective 1 January 2024 but have no material impact on the Group's consolidated financial statements. There are no IFRS standards or interpretations which are not yet effective and which would be expected to have a material impact on the Group.

The financial statements are prepared on an accruals basis and under the historical cost convention, modified as required for the revaluation of certain financial instruments.

Scrip dividend

The company's Annual General Meeting held on 26 March 2024, had offered its shareholders the possibility to receive the 2023 dividend in cash or in new SGS shares. Final terms were announced on 22 April 2024:

- The scrip dividend take-up rate was 64.87% with the remaining 35.13% paid out in cash
- The reference share price was of CHF 82.00 and discount rate was 6% leading to a distribution value of CHF 77.08
- 4 964 934 new shares were created

Delivery of the new shares and payment of the total CHF 207 million cash dividend took place on 25 April 2024.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Group. Control is achieved when the Group:

- Has power over the investee
- Is exposed, or has the right, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its return

The Company reassesses whether or not the Group controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The principal operating companies of the Group are listed on pages 144 to 145.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Initially they are measured at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Associates

Associates are entities over which the Group has significant influence but no control, or joint control, over the financial and operating policies. The consolidated financial statements include the Group's share of associates' earnings on an equity accounting basis from the date that significant influence commences until the date that significant influence ceases.

Joint ventures

A joint venture is a contractual arrangement over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement. The consolidated financial statements include the Group's share of the earnings and net assets on an equity accounting basis of joint ventures that it does not control, effective from the date that joint control commences until the date that joint control ceases.

Joint operations

A joint operation is an arrangement whereby the parties that have joint control have separable specific rights to the assets and liabilities within the arrangement. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities (normally below 20% shareholding levels) are stated at fair value through profit and loss. Dividends received from these investments are included in financial income.

Transactions eliminated in consolidation

All intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Consolidation of foreign companies

All assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the exchange rate at the average exchange rate for the year, or at the rate on the date of the transaction for significant items. Translation differences resulting from the application of this method are recognized in other comprehensive income and reclassified to profit or loss on disposal. Average exchange rates are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

Sales recognition

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for sales arising from contracts with customers. Under IFRS 15, sales are recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes sales based on two main models: services transferred at a point in time and services transferred over time:

- The majority of SGS' sales are transferred at a point in time and recognized upon completion of performance obligations and measured according to the transaction price agreed in the contract. Once services are rendered, e.g. a report issued, the customer is invoiced and payment is due
- Services transferred over time mainly concern long-term contracts, where sales are recognized based on the measure of progress. When the Group has a right to consideration from a customer at the amount corresponding directly to the customer's value of the performance completed to date, the Group recognizes sales in the amount to which it has a right to invoice. In all other situations, the measure of progress is either based on observable output methods (usually the number of tests or inspections performed) or based on input methods such as the time incurred to date relative to the total expected hours to the satisfaction of the performance obligation. These invoices are usually issued per contractually agreed installments and prices. Payments are due upon invoicing

Segment information

In line with Strategy 27: Accelerating growth, building trust, the Group changed its operating segments in 2024, with Testing & Inspection and Business Assurance results now being reported separately. This change reflects the way the Group chief operating decision maker (i.e. the Executive Committee) currently reviews the operating results and allocates resources.

All segment sales reported are from external customers. Segment sales and operating income are attributed to countries based on the location in which the services are rendered.

Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Goodwill

In the case of business acquisitions, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value. The difference between the purchase price and the fair value is classified as goodwill and recorded in the statement of financial position as an intangible asset.

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses. The goodwill is allocated to a cash-generating unit or a group of cash-generating units (CGUs), that are expected to benefit, among others, from the synergies of the business combination.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected amounts recognized at that date.

Goodwill arising on the acquisition of a foreign entity is recorded in the relevant foreign currency and is translated using the end of period exchange rate.

On disposal of part or all of a business that was previously acquired, and which gave rise to the recording of acquisition goodwill, the relevant amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill acquired as part of business combinations is tested for possible impairment annually and whenever events or changes in circumstances indicate their value may not be fully recoverable.

For the purpose of impairment testing, the Group has adopted a uniform method for assessing goodwill recognized under the acquisition method of accounting. These assets are allocated to a cash generating unit or a group of cash generating units (CGU) which are expected to benefit from the business combination. The recoverable amount of a CGU or group of CGUs is determined through a value-in-use calculation.

If the value-in-use of the CGU or group of CGUs is less than the carrying amount of its net operating assets, then a fair value less costs to sell valuation is also performed with the recoverable amount of the CGU or the group of CGUs being the higher of its value-in-use and the fair value less costs to sell.

The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates, operating margins and expected changes to selling prices or direct costs during the period. Pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted for specific risks associated with the CGUs or group of CGUs' cash flow projections. The growth rates are based on industry growth forecasts.

Expected changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For all CGUs or groups of CGUs, a value-in-use calculation is performed using cash flow projections covering the next five years and including a terminal growth assumption. These cash flow projections take into account the most recent financial results and outlook approved by management.

If the recoverable amount of the CGU or of the group of CGUs is less than the carrying amount of the unit's net operating assets, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Even if the initial accounting for an intangible asset acquired in the reporting period is only provisional, this asset is tested for impairment in the year of acquisition.

Property, plant and equipment
Land is stated at historical cost and is not depreciated. Buildings and equipment are stated at historical cost less accumulated depreciation. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property and equipment. All other expenditures are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings 12–40 years
- Machinery and equipment 5–10 years
- Other tangible assets 5–10 years

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. They are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The Group elected to use the practical expedient to account for each lease component and any non-lease components as a single lease component. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In the case that the implicit rate cannot be readily determined, the Group uses an incremental borrowing rate considering the country and the lease duration. The rate is estimated by the combination of the reference rate, the financing spread and any asset-specific adjustment when required.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interests and reduced for the lease payments made. Subsequently, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group applies the short-term lease and low-value recognition exemptions. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Other intangible assets
Intangible assets, including software, licenses, trademarks and customer relationships are capitalized and amortized on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. The following useful lives are used in the calculation of amortization:

- Trademarks 5–20 years
- Customer relationships 2–20 years
- Computer software 3–5 years

Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably. Internally generated intangible assets are recognized if the asset created can be identified, it is probable that future economic benefits will be generated from it, the related development costs can be measured reliably and sufficient financial resources are available to complete the development. These assets are amortized on a straight-line basis over their useful lives, which usually do not exceed five years. All other development costs are expensed as incurred.

Impairment of assets excluding goodwill
At each balance sheet date, or whenever there is an indication that an asset may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether they have suffered an impairment loss. If indications of impairment are present, the assets are tested for impairment. If impaired, the carrying value of the asset is reduced to its recoverable value. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount of an asset is the greater of the fair value less cost of sale and its value-in-use. In assessing its value-in-use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

Reversal of impairment losses
Where an impairment loss on assets other than goodwill subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. A reversal of an impairment loss is recognized as income immediately.

Trade receivables
Trade receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. An expected credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the country risk, the credit risk profile, as well as available forward looking and historical data. The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- Significant financial difficulty of the customer; or
- It is becoming probable that the customer will enter bankruptcy or other financial reorganization

Unbilled sales and work in progress
Unbilled sales are recognized for services completed but not yet invoiced and are valued at net selling price.

Work in progress is recognized for the partially finished performance of obligations under a contract. The measure of progress is either based on observable output methods or based on input methods. A margin is recognized based on actual costs incurred, provided that the project is expected to be profitable once completed. Similarly to receivables, an allowance for unbilled sales and work in progress is made in compliance with the simplified approach using a provision matrix (expected credit loss model).

Cash and cash equivalents
Cash and cash equivalents include cash and deposits held with banks, with an original maturity of three months or less, and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current loans.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a fair value basis.

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value through the income statement (FVTPL). The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

Corporate bonds

The corporate bonds issued by the Group are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Group may use financial instruments to economically hedge interest rate risks relating to its corporate bonds. The changes in fair value of finance instruments is recognized in the income statement.

Liabilities related to put options granted to holders of non-controlling interests

Written put options in favor of holders of non-controlling interests give rise to the recognition of a financial liability at the present value of the expected cash outflow. The present value is determined by management's best estimate of the cash outflow required to settle the obligation on exercise of the option, discounted by the Group's cost of debt. The financial liability is initially recorded with the corresponding entry within equity and in the absence of specific guidance in IFRS, subsequent changes in the valuation of the liability shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

Fair value measurement

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

- Level 1 fair value measurements are those derived from the quoted price in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques as they cannot be derived from publicly available information. The assumptions and inputs used in the model take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions often do not exist. External valuers are involved for valuation for significant assets and liabilities

Capital management

Capital comprises equity attributable to equity holders, loans and other financial liabilities, lease liabilities and cash and cash equivalents.

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence, and to sustain the future development of the business. The Board recommends the level of dividends to be distributed to ordinary shareholders on an annual basis. The Group maintains sufficient liquidity at the Group and subsidiary level to meet its working capital requirements, fund capital purchases and small and medium-sized acquisitions.

Treasury shares are intended to be used to cover the Group's employee equity participation plan. Decisions to buy or sell are made on an individual transaction basis by management.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

Earnings per share

Basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit is also adjusted to reflect the after-tax impact of conversion.

Treasury shares

Treasury shares are reported as a deduction to equity. The original cost of treasury shares and the proceeds of any subsequent sale are recorded as movements in equity.

Employee benefits

Pension plans

The Group maintains several defined benefit and defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. Defined benefit pension plans are based on an employee's years of service and remuneration earned during a predetermined period. Contributions to these plans are normally paid into funds which are managed independently of the Group, except in rare cases where there is no legal obligation to fund.

In such cases, the liability is recorded in the Group's consolidated statement of financial position.

The Group's obligations towards defined benefit pension plans and the annual cost recognized in the income statement are determined by independent actuaries using the projected unit credit method. Remeasurement gains and losses are immediately recognized in the consolidated statement of financial position with the corresponding movement being recorded in the consolidated statement of comprehensive income.

Past service costs are immediately recognized as an expense. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Payments to defined contribution plans are recognized as an expense in the income statement as incurred.

Post-employment plans other than pensions

The Group operates some non-pension post-employment defined benefit schemes, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Equity compensation plans

The Group provides additional benefits to certain senior executives and employees through equity compensation plans. An expense is recognized in the income statement for shares and equity-linked instruments granted to senior executives and employees under these plans.

Trade payables

Trade payables are recognized at an amortized cost that approximates the fair value.

Provisions

The Group records provisions when: it has an obligation, legal or constructive, to satisfy a claim; it is probable that an outflow of Group resources will be required to satisfy the obligation; and a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on management's informed judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments.

Changes in provisions are reflected in the income statement in the period in which the change occurs.

Contract liabilities

Contract liabilities arise upon advance payments from clients and issuance of upfront invoices.

Restructuring costs

The Group recognizes costs of restructuring against operating income in the period in which management has committed to a formal plan, the costs of which can be reliably estimated, and has raised a valid expectation in those affected that the plan will be implemented and the related costs incurred. Where appropriate, restructuring costs include impairment charges arising from the implementation of the formal plan.

Taxes

Income taxes include all taxes based upon the taxable profits of the Group, including withholding taxes payable on the transfer of income from Group companies and tax adjustments from prior years. Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity or other comprehensive income, in which case the related income tax effect is recognized in equity or other comprehensive income. Provisions of income and withholding taxes that could arise on the remittance of subsidiary retained earnings are only made where there is a current intention to remit such earnings. Other taxes not based on income, such as property taxes and capital taxes, are included within operating expenses.

Deferred taxes are provided using the full liability method. They are calculated on all temporary differences that arise between the tax base of an asset or liability and the carrying values in the consolidated financial statements except for non-tax-deductible goodwill and for those differences related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Deferred income tax assets relating to the carry-forward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Current income tax assets and liabilities are offset where there is a legally enforceable right to offset. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Dividends

Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

Significant accounting estimates and judgments

Use of estimates

The key assumptions concerning the future, and other key sources of estimation, at the balance sheet date that may have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Business combinations

In a business combination, the determination of the fair value of the identifiable assets acquired, particularly intangibles, requires estimations which are based on all available information and in some cases on assumptions with respect to the timing and amount of future sales and expenses associated with an asset. The purchase price is allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The excess is reported as goodwill. As a result, the purchase price allocation impacts reported assets and liabilities, future net earnings due to the impact on future depreciation and amortization expense and impairment charges. The purchase price allocation is subject to a maximum adjustment period of 12 months, in conformity with IFRS 3.

Expected Credit Losses

Trade receivables, unbilled sales and work in progress are presented net of expected credit loss allowance. These allowances for potential uncollected amounts are estimated in compliance with the simplified approach using a provision matrix (expected credit loss model), which has been developed to reflect the country risk, the credit risk profile, as well as available historical data. In addition, an allowance is estimated based on individual client analysis when collection is no longer probable.

Impairment of goodwill

The Group determines whether goodwill is impaired at a minimum on an annual basis. This requires identification of CGUs and an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of expected future cash flows from the CGU or group of CGUs that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows.

Estimations of employee post-employment benefits obligations

The Group maintains several defined benefit pension plans in accordance with local conditions and practices in the countries in which it operates. The related obligations recognized in the statement of financial position represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions.

Income taxes

The Group is subject to income taxes in numerous jurisdictions and there are many transactions and calculations for which the ultimate tax determination is uncertain.

In assessing how an uncertain tax treatment may affect the determination of the taxable profit (tax loss), the Group assumes that a taxation authority will examine amounts and have full knowledge of all related information.

If the Group concludes it is not probable that a taxation authority will accept a particular tax treatment, the Group reflects the effect of each uncertainty in determining the taxable profit (tax loss) by using one of the following methods:

- The single most likely amount
- The sum of probability-weighted amount in a range of possible outcomes

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, including estimated interest and penalties where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Legal and warranty claims on services rendered

The Group is subject to litigation and other claims. Management bases its judgment on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent, and evaluation of applicable insurance cover where appropriate. The process of estimation is complex, dealing with uncertainty, requiring the use of informed estimates, actuarial assessment, evaluation of the insurance cover where appropriate and the judgment of management. The timing of cash outflows from pending litigation and claims is uncertain since it depends, in the majority of cases, on the outcome of administrative and legal proceedings. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by a cross-functional representation of management. Any changes in these estimates are reflected in the income statement in the period in which the estimates change.

Judgments

In the process of applying the entity's accounting policies described above, management has made the following judgment that has a significant effect on the amounts recognized in the financial statements.

Lease termination of contracts with renewal and exit options

The Group determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, for some of its leases, to lease the assets for additional terms. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

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	
			2024	2023	**2024**	2023
Australia	AUD	100	56.24	57.38	58.10	59.73
Canada	CAD	100	62.63	63.53	64.29	66.59
Chile	CLP	100	0.09	0.10	0.09	0.11
China	CNY	100	12.36	11.83	12.23	12.70
Eurozone	EUR	100	94.03	93.02	95.26	97.17
Korea	KRW	100	0.06	0.06	0.06	0.07
United Kingdom	GBP	100	113.45	107.16	112.49	111.69
Russia	RUB	100	0.87	0.94	0.95	1.07
Taiwan	TWD	100	2.75	2.74	2.74	2.89
USA	USD	100	90.19	84.11	88.04	89.87

3. Segment information

Description of segments and principal activities

In line with Strategy 2027: Accelerating growth, building trust, the Group has changed its operating segments in 2024, with Testing & Inspection and Certification results being presented separately. This change reflects the way the Group chief operating decision maker (i.e. the Executive Committee) now reviews the operating results and allocates resources.

The information presented is disclosed by operating segment and focuses on sales, operating income, depreciation and amortization, capital expenditures, and salaries and wages because these are the performance measures used by the Group chief operating decision maker (i.e. the Executive Committee) to assess segment performance.

Analysis of operating income

(CHF million)	2024	2023
Adjusted operating income[1]	**1 040**	**971**
Amortization and impairment of acquired intangibles	–30	–55
Restructuring costs	–82	–21
Goodwill impairment	–	–18
Gain on business disposals	–	7
Transaction and integration costs	–12	–5
Other non-recurring items	–12	–22
Operating income	**904**	**857**

Sales and operating income by segment

2024

(CHF million)	Sales	Adjusted operating income[1]	Amortization and impairment of acquired intangibles	Restructuring costs	Transaction and integration costs	Other non-recurring items	Operating income by segment
Testing & Inspection	6 033	887	–28	–75	–11	–12	761
Certification	761	153	–2	–7	–1	–	143
Total	**6 794**	**1 040**	**–30**	**–82**	**–12**	**–12**	**904**

2023 restated

(CHF million)	Sales	Adjusted operating income[1]	Amortization and impairment of acquired intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Other non-recurring items	Operating income by segment
Testing & Inspection	5 876	818	–52	–20	–18	7	–5	–20	710
Certification	746	153	–3	–1	–	–	–	–2	147
Total	**6 622**	**971**	**–55**	**–21**	**–18**	**7**	**–5**	**–22**	**857**

2023 published

(CHF million)	Sales	Adjusted operating income[1]	Amortization and impairment of acquired intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Other non-recurring items	Operating income by business
Industries & Environment	2 190	248	–15	–11	–18	3	–2	–16	189
Natural Resources	1 583	228	–1	–6	–	–	–	–2	219
Connectivity & Products	1 246	262	–5	–1	–	4	–1	–2	257
Health & Nutrition	857	80	–31	–2	–	–	–2	–	45
Business Assurance	746	153	–3	–1	–	–	–	–2	147
Total	**6 622**	**971**	**–55**	**–21**	**–18**	**7**	**–5**	**–22**	**857**

1. Refer to alternative performance measures of this report.

Restructuring costs

The Group incurred a pre-tax restructuring charge of CHF 82 million (2023: CHF 21 million). Total restructuring costs comprised personnel reorganization of CHF 62 million (2023: CHF 15 million), as well as a fixed asset impairment of CHF 6 million (2023: CHF 2 million) and other charges of CHF 14 million (2023: CHF 4 million).

Other non-recurring items

The Group reported as non-recurring items a charge of CHF 12 million in 2024 (2023: CHF 22 million), including fixed assets impairment of CHF 2 million and other charges of CHF 10 million (2023: CHF 16 million intangible impairment and other charges for CHF 6 million).

Other disclosure by segment

(CHF million)	2024			2023		
	Salaries & wages	**Depreciation, amortization and impairment**	**Capital addition**	Salaries & wages	Depreciation, amortization and impairment	Capital addition
Testing & Inspection	3 063	459	246	2 966	526	291
Certification	364	17	5	350	19	7
Total	**3 427**	**476**	**251**	**3 316**	**545**	**298**

Disclosure by business lines

Services delivered by the Group across its two operating segments continue to be organized by business lines, reflecting their end-markets.

The Testing & Inspection operating segment includes the following business lines:

- Industries & Environment (I&E): end-markets include Field Services and Inspection, Technical Assessment and Advisory, Industrial and Public Health & Safety, Environmental Testing and Public Mandates
- Natural Resources (NR): end-markets include Trade and Inspection of Minerals, Oil and Gas and Agricultural Commodities, Laboratory Testing, Metallurgy and Consulting and Market Intelligence
- Connectivity & Products (C&P): end-markets include Electrical and Electronic goods, Softlines, Hardlines and Trade Facilitation
- Health & Nutrition (H&N): end-markets include Food, Crop Science, Health Science and Cosmetics & Hygiene

The Certification operating segment is one business line: Business Assurance (BA): end-markets include Management System Certification, Customized Audits, Consulting and Academy.

(CHF million)	2024			2023		
	Sales	**Adjusted operating income[1]**	**Adjusted operating income margin[1]**	Sales	Adjusted operating income[1]	Adjusted operating income margin[1]
Industries & Environment	2 261	287	12.7%	2 190	248	11.3%
Natural Resources	1 612	238	14.8%	1 583	228	14.4%
Connectivity & Products	1 282	268	20.9%	1 246	262	21.0%
Health & Nutrition	878	94	10.7%	857	80	9.3%
Total Testing & Inspection	**6 033**	**887**	**14.7%**	**5 876**	**818**	**13.9%**
Certification – Business Assurance	**761**	**153**	**20.1%**	**746**	**153**	**20.5%**
Total	**6 794**	**1 040**	**15.3%**	**6 622**	**971**	**14.7%**

1. Refer to alternative performance measures of this report.

Sales from external customers by geographical area

(CHF million)	2024	%	2023	%
Asia Pacific	2 324	34	2 279	34
Europe	2 231	33	2 163	33
North America	827	12	817	12
Eastern Europe, Middle East and Africa	808	12	774	12
Latin America	604	9	589	9
Total	**6 794**	**100**	**6 622**	**100**

Sales in Switzerland from external customers for 2024 amounted to CHF 161 million (2023: CHF 155 million). No country represented more than 20% of sales from external customers in either 2024 or 2023.

Major customer information

In 2024 and 2023, no external customer represented 5% or more of the Group's total sales.

Specific non-current assets by geographical area

Specific non-current assets directly attributable to geographical segment mainly include property, land and equipment, right-of-use assets, goodwill and other intangible assets:

(CHF million)	2024	%	2023	%
Asia Pacific	596	17	593	18
Europe	1 907	53	1 841	56
North America	755	21	579	17
Eastern Europe, Middle East and Africa	137	4	133	4
Latin America	169	5	164	5
Total specific non-current assets	**3 564**	**100**	**3 310**	**100**

Specific non-current assets in Switzerland for 2024 amounted to CHF 150 million (2023: CHF 155 million). No country represented more than 20% of non-current assets in either 2024 or 2023.

Reconciliation with total non-current assets

(CHF million)	2024	2023
Specific non-current assets as above	3 564	3 310
Deferred tax assets	213	185
Retirement benefit assets	138	133
Non-current loans to third parties	5	4
Total	**3 920**	**3 632**

Average number of Full Time Equivalents (FTEs) by geographical area

(Average number of FTEs)	2024	2023
Asia Pacific	38 230	37 845
Europe	21 823	21 932
North America	5 699	5 726
Eastern Europe, Middle East and Africa	17 984	18 055
Latin America	15 446	14 987
Total	**99 182**	**98 545**
Number of FTEs at year end	99 483	99 589

4. Sales from contracts with customers

As presented in note 3, since the redefinition of its operating segments in 2024, the Group discloses two operating segments: Testing & Inspection and Certification. The comparative information is restated accordingly.

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

	2024		2023 restated	
(CHF million)	Services transferred at a point in time	Services transferred over time	Services transferred at a point in time	Services transferred over time
Testing & Inspection	80%	20%	80%	20%
Certification	93%	7%	89%	11%
Total	**82%**	**18%**	**81%**	**19%**

	2023 published	
(CHF million)	Services transferred at a point in time	Services transferred over time
Industries & Environment	71%	29%
Natural Resources	84%	16%
Connectivity & Products	86%	14%
Health & Nutrition	84%	16%
Business Assurance	89%	11%
Total	**81%**	**19%**

Assets and liabilities related to contracts with customers

(CHF million)	2024	2023
Unbilled sales and work in progress	247	223
Trade receivables	991	940
Contract liabilities	261	221

Sales evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2024, SGS has recognized sales of CHF 178 million related to contract liabilities at 31 December 2023. In 2023, the sales recognized from contract liabilities at 31 December 2022 amounted to CHF 170 million. Sales recognized from performance obligations satisfied in previous periods were immaterial in 2024 and 2023.

The remaining performance obligations (unsatisfied or partially satisfied) expected to be recognized for long-term contracts amount to CHF 1 356 million at 31 December 2024, of which CHF 675 million are expected to be recognized in sales within one year, CHF 380 million between one year and two years and CHF 301 million after the next two years.

As at 31 December 2024, the Group has unbilled sales and work in progress of CHF 247 million (2023: CHF 223 million) which is net of an allowance for expected credit losses of CHF 36 million (2023: CHF 20 million).

SGS is applying the practical expedient IFRS 15.121 and does not disclose unsatisfied or partially unsatisfied performance obligations from contracts with an original duration of one year or less, or where SGS may recognize sales from the satisfaction of the performance obligation in accordance with IFRS 15.B16. This paragraph permits as a practical expedient to exclude contracts where SGS has a right to payment for performance completed to date.

Assets recognized from costs to fulfill a contract in 2024 and 2023 were not significant, while amortization and impairment losses were nil.

5. Other operating expenses

(CHF million)	2024	2023
Consumables, repairs and maintenance	547	546
Travel costs	329	333
Rental expense, insurance, utilities and sundry supplies	153	166
External consultancy fees	122	116
IT expenses	136	135
Communication costs	42	48
Allowance for expected credit losses	22	11
Gain on disposal of property, plant and equipment	–2	–3
Miscellaneous operating expenses	224	159
Total	**1 573**	**1 511**

6. Financial income

(CHF million)	2024	2023
Interest income	27	20
Foreign exchange gains/(losses)	3	2
Other financial income	4	6
Net financial income on defined benefit plans	–	1
Total	**34**	**29**

7. Financial expenses

(CHF million)	2024	2023
Interest expense	73	70
Fair value losses on derivatives	18	13
Other financial expenses	3	3
Total	**94**	**86**

8. Taxes

Major components of tax expense

(CHF million)	**2024**	2023
Current taxes	255	262
Deferred tax (credit) relating to the origination and reversal of temporary differences	–33	–57
Total	**222**	**205**

The Group has operations in various countries that have different tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

Reconciliation of tax expense

(CHF million)	**2024**		2023	
Profit before taxes	847		802	
Tax at statutory rates applicable to the profits earned in the country concerned/rate	**163**	**19%**	**147**	**18%**
Tax effect of non-deductible or non-taxable items	10		13	
Tax effect on losses not currently treated as being recoverable in future years	17		18	
Tax effect on losses previously considered irrecoverable, now expected to be recoverable	–1		–	
Non-creditable foreign withholding taxes	43		41	
Minimum taxes	5		5	
Prior period adjustments	–4		24	
Rate changes	1		1	
Other[1]	–12		–44	
Tax charge/rate	**222**	**26%**	**205**	**26%**

1. Other includes the tax impact of an internal legal reorganization and some write-offs.

Deferred tax after netting

(CHF million)	**2024**	2023
Deferred tax assets	213	185
Deferred tax liabilities	–73	–73
Total	**140**	**112**

Components of deferred income tax balances

	2024		2023	
(CHF million)	**Assets**	**Liabilities**	Assets	Liabilities
Right of use assets	–	114	–	109
Fixed assets	46	6	41	8
Trade receivable, unbilled sales and work in progress	23	10	21	8
Defined benefit obligation	7	24	6	22
Provisions and other[2]	145	16	105	16
Lease liabilities	117	–	111	–
Intangible assets	3	71	3	66
Tax losses carried forward	40	–	54	–
Deferred income taxes	**381**	**241**	**341**	**229**

2. Other includes the tax impact of an internal legal reorganization.

Net change in deferred tax assets/(liabilities)

(CHF million)	Total
Net deferred income tax asset (liability) at 1 January 2023	**74**
Acquisition of subsidiaries	–1
(Charged)/credited to the income statement	57
(Charged)/credited to other comprehensive income	–8
Exchange differences and other	–10
Net deferred income tax asset (liability) at 31 December 2023	**112**
Acquisition of subsidiaries	–5
(Charged)/credited to the income statement	33
(Charged)/credited to other comprehensive income	2
Exchange differences and other	–2
Net deferred income tax asset (liability) at 31 December 2024	**140**

Unrecognized tax losses carryforwards

(CHF million)	**2024**	2023
Expiring in the next 3 years	37	14
Expiring in 4-10 years	26	40
Available without limitation	269	193
Total unrecognized tax losses	**332**	**247**

At 31 December 2024, the unrecognized deferred tax assets amount to CHF 84 million (2023: CHF 66 million).

At 31 December 2024, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 190 million (2023: CHF 2 212 million) of undistributed earnings that may be subject to tax if remitted to the parent company.

Pillar Two

The Group is subject to income taxes in numerous jurisdictions and monitors developments which could affect the Group's tax liability. In particular, the Organisation for Economic Co-operation and Development (OECD) published the Global Anti-Base Erosion Model Rules (Pillar Two). The Pillar Two model framework introduced a global minimum tax rate concept of 15%, which is achieved through a system of top-up taxes in jurisdictions where tax rate would be lower.

The legislation was previously enacted in certain jurisdictions where the Group operates and is effective since 1 January 2024.

In line with the assessment carried out in 2023, Pillar Two legislation has no material impact on the Group tax charge. At 31 December 2024, current tax expense included less than CHF 1 million of top-up tax.

In accordance with IAS 12 requirements, the Group applied the mandatory exception from accounting for deferred tax arising from Pillar Two.

9. Earnings per share and dividend per share

Basic earnings per share are calculated as follows:

	2024	2023
Profit attributable to equity holders of SGS SA (CHF million)	581	553
Weighted average number of shares (million)	188	184
Basic earnings per share (CHF)	**3.10**	**3.00**

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares only includes the dilutive effect of the Group's equity compensation plans detailed in note 27. For the year ended 31 December 2024, the Group calculated 523 052 dilutive potential shares (2023: 742 208):

	2024	2023
Profit attributable to equity holders of SGS SA (CHF million)	581	553
Diluted weighted average number of shares (million)	188	185
Diluted earnings per share (CHF)	**3.09**	**2.99**

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2025) the approval of an optional scrip dividend of CHF 3.20 per share (2023: optional scrip dividend of CHF 3.20 per share).

10. Acquisitions and divestments

Acquisitions 2024

In 2024, the Group completed the following business combinations for a total purchase price of CHF 213 million.

- 100% of ArcLight Wireless Inc., a world-class leader in systems engineering, network services, technical outsourcing and field testing for the wireless industry, based in North Carolina, USA (effective 1 May 2024)
- 100% of Gossamer, a world-class provider of cybersecurity evaluation, testing and consulting services for connected services, headquartered in Maryland, USA (effective 1 August 2024)
- 100% of AQM and Cromanal, two key players in the Colombian pharmaceutical testing industry, headquartered in Bogota (effective 1 October 2024)
- 96.05% of Institut d'Expertise Clinique, a leading cosmetics Clinical Research Organization active in the field of advanced clinical testing solutions, headquartered in Lyon, France (effective 1 October 2024)
- 100% of Hazgo and Express Solutions, two Belgium-based companies specializing in supply chain services for sensitive products, including pharmaceuticals, chemical samples and dangerous goods (effective 1 October 2024)
- 100% of Beta Analytic, the global leader in Carbon 14 testing for governmental, academic and commercial organizations worldwide. Beta Analytic is based in Miami, Florida, USA (effective 1 November 2024)
- 100% of AMA Analytical Services, a Maryland-based specialist in environmental testing, with a focus on asbestos, metals and microbial analysis (effective 1 November 2024)
- 67.6% of CertX, a Swiss-based certification specialist in cybersecurity, artificial intelligence (AI), and functional safety (effective 1 December 2024)
- 100% of MP Machinery Testing, a company based in State College, Pennsylvania, USA, and active in the field of high material testing and analysis, specializing in the nuclear sector (effective 1 December 2024)

These companies were acquired for CHF 213 million and the total goodwill recognized on these transactions amounted to CHF 114 million.

All the above transactions contributed CHF 18 million in sales and CHF 4 million in operating income in 2024. Had all acquisitions been effective 1 January 2024, the sales for the period from these acquisitions would have been CHF 71 million and the operating income would have been CHF 18 million.

Acquisitions 2023

In 2023, the Group completed two business combinations for a total purchase price of CHF 9 million.

- 100% of Seafood Testing Business, from Asmecruz, a cooperative of mussels producers in Spain (effective 17 March 2023)
- 60% of Nutrasource, a company providing clinical trial management, full regulatory support, testing services as well as product development R&D in Canada and USA (effective 1 May 2023)

These companies were acquired for CHF 9 million and the total goodwill generated on these transactions amounted to CHF 9 million.

All the above transactions contributed CHF 7 million in sales and CHF nil million in operating income in 2023. Had all acquisitions been effective 1 January 2023, the sales for the period from these acquisitions would have been CHF 11 million and the operating income would have been CHF 1 million.

None of the goodwill arising on the 2023 acquisitions is expected to be tax deductible.

Assets and liabilities arising from acquisitions

(CHF million)	Beta Analytic fair value	Fair value on other acquisitions	**Total fair value on acquisitions December 2024**	Total fair value on acquisitions December 2023
Property, plant and equipment	7	14	21	–
Right-of-use assets	–	3	3	2
Intangible assets	24	45	69	4
Trade receivable	2	12	14	2
Other current assets	6	4	10	2
Cash and cash equivalents	1	16	17	–
Current liabilities	–4	–22	–26	–3
Non-current liabilities	–	–8	–8	–7
Non-controlling interests	–	–1	–1	–
Net assets acquired	**36**	**63**	**99**	**–**
Goodwill	32	82	114	9
Total purchase price	**68**	**145**	**213**	**9**
Acquired cash and cash equivalents	–1	–16	–17	–
Consideration receivable/(payable)	1	–11	–10	–
Payment on prior year acquisitions	–	7	7	3
Net cash outflow on acquisitions	**68**	**125**	**193**	**12**

In compliance with IFRS 3, fair value on acquisition remains provisional for a 12-month period following the date of acquisition, during which the Group can finalize the purchase price allocation.

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets. CHF 75 million (2023: nil) of the goodwill recognized is expected to be tax deductible.

Consideration payable relates mainly to environmental and commercial warranty clauses and the fair value of contingent future earn-out payments.

The Group incurred transaction-related costs of CHF 12 million (2023: CHF 2 million) related to external legal fees and due diligence expenses. These expenses are reported within other operating expenses in the consolidated income statement.

Divestments 2024
There were no disposals in 2024.

Divestments 2023
In 2023, the Group completed three divestments, for a total consideration of CHF 22 million, resulting in a gain on disposal of CHF 7 million:

- Subsurface Consultancy business, in the Netherlands (effective 1 March 2023)
- Automotive Asset Assessment and Retail Network Services operations, in multiple countries (effective 1 July 2023)
- Powertrain Testing Operations, in North America (effective 1 October 2023)

In December 2023, SGS signed an agreement to divest its crop science operations to Eurofins. In 2024, despite both parties' efforts, not all closing conditions were satisfied by the agreed long-stop date. Consequently, SGS decided to make use of its right to terminate the agreement. Eurofins challenges the termination and has initiated arbitration proceedings, which are ongoing.

11. Property, plant and equipment

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2024				
At cost				
At 1 January	427	2 188	659	3 274
Additions	25	129	76	230
Acquisition of subsidiaries	14	7	8	29
Disposals	–6	–130	–46	–182
Assets classified as held-for-sale	–46	–	–	–46
Exchange differences and other	11	82	–27	66
At 31 December	425	2 276	670	3 371
Accumulated depreciation and impairment				
At 1 January	251	1 738	462	2 451
Depreciation	14	169	49	232
Impairment	–6	4	1	–1
Acquisition of subsidiaries	2	3	3	8
Disposals	–5	–128	–45	–178
Assets classified as held-for-sale	–29	–	–	–29
Exchange differences and other	5	36	10	51
At 31 December	232	1 822	480	2 534
Net book value at 31 December 2024	**193**	**454**	**190**	**837**

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2023				
At cost				
At 1 January	460	2 340	702	3 502
Additions	14	138	108	260
Disposals	–18	–79	–36	–133
Disposals from subsidiaries	–7	–31	–4	–42
Exchange differences and other	–22	–180	–111	–313
At 31 December	427	2 188	659	3 274
Accumulated depreciation and impairment				
At 1 January	269	1 837	489	2 595
Depreciation	16	173	50	239
Impairment	–	3	–	3
Disposals	–11	–78	–33	–122
Disposals from subsidiaries	–6	–25	–3	–34
Exchange differences and other	–17	–172	–41	–230
At 31 December	251	1 738	462	2 451
Net book value at 31 December 2023	**176**	**450**	**197**	**823**

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware, as well as construction-in-progress assets amounting to CHF 33 million (2023: CHF 47 million).

At 31 December 2024, the Group had commitments of CHF 3 million (2023: CHF 3 million) for the acquisition of land, buildings and equipment.

12. Right-of-use assets and lease liabilities

	Right-of-use assets			Total	Lease liabilities
(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets		
At 1 January 2024	**431**	**69**	**6**	**506**	**527**
Additions	143	66	3	212	203
Acquisition of subsidiaries	3	–	–	3	3
Depreciation expense	–131	–47	–3	–181	–
Interest expense	–	–	–	–	19
Payment of lease liabilities and interests	–	–	–	–	–193
Exchange difference and other	8	–	–	8	9
At 31 December 2024	**454**	**88**	**6**	**548**	**568**

Analyzed as:	**2024**
Current liabilities	159
Non-current liabilities	409
Total	**568**

	Right-of-use assets			Total	Lease liabilities
(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets		
At 1 January 2023	**502**	**69**	**6**	**577**	**604**
Additions	103	48	3	154	147
Acquisition of subsidiaries	2	–	–	2	2
Depreciation expense	–135	–42	–3	–180	–
Interest expense	–	–	–	–	17
Payment of lease liabilities and interests	–	–	–	–	–193
Exchange difference and other	–41	–6	–	–47	–50
At 31 December 2023	**431**	**69**	**6**	**506**	**527**

Analyzed as:	2023
Current liabilities	143
Non-current liabilities	384
Total	**527**

Included in machinery & equipment are mainly vehicles for CHF 83 million (2023: CHF 63 million).

The following table summarizes the main foreign currencies of the lease liabilities:

(CHF million)	2024	2023
Euro (EUR)	236	219
US Dollar (USD)	71	71
Chinese Renminbi (CNY)	64	52
Australian Dollar (AUD)	24	19
Taiwan Dollar (TWD)	22	21
Canadian Dollar (CAD)	20	16
British Pound Sterling (GBP)	14	7
Indian Rupee (INR)	11	11
Chilean Peso (CLP)	7	6
Korean Won (KRW)	7	9
Swedish Krona (SEK)	6	6
Turkish Lira (TRY)	5	4
Malaysian Ringgit (MYR)	5	4
New Zealand Dollar (NZD)	4	5
Other	72	77
Total	**568**	**527**

(CHF million)	2024	2023
IFRS 16 Other quantitative information		
Expense relating to short-term leases	4	3
Expense relating to leases of low value assets	2	2
Total expense recognized in income statement	**6**	**5**

The Group leases mainly offices, laboratory spaces and vehicles. During the year ended 31 December 2024, an additional CHF 6 million (2023: CHF 5 million) was recognized as an expense in the income statement.

13. Goodwill

(CHF million)	2024	2023
At cost		
At 1 January	**1 636**	**1 755**
Additions	114	9
Impairment	–	–18
Exchange differences	33	–110
At end of the period	**1 783**	**1 636**

In 2023, for the Vehicle Compliance Spain CGU, the recoverable amount, determined based on a value-in-use calculation, was CHF 122 million and fell below the carrying amount by CHF 18 million, resulting in a goodwill impairment in 2023 for the same amount. This was mainly driven by discount rate increase (+1.9 percentage points, to 10.9%) and unfavorable market conditions.

Impairment test for goodwill

As a result of the change of the operating segments in 2024, disclosed in note 3, the Group chief operating decision maker (i.e. the Executive Committee) regularly reviews operating results and assesses its performance at operating segment level (Testing & Inspection and Certification). As part of its goodwill monitoring exercise, the Group chief operating decision maker implemented a monitoring on business line level (Industries & Environment (I&E), Natural Resources (NR), Connectivity & Products (C&P), Health & Nutrition (H&N) and Business Assurance).

As a consequence, the Group changed the level of goodwill impairment testing to a business line level for the purpose of the preparation of the 2024 consolidated financial statements. The five business lines reflect the level of which the goodwill is monitored since 2024. At the date of changing the level of monitoring goodwill for impairment testing purposes, the Group performed an impairment testing based on the prior year's level of monitoring, which resulted in no impairment. Similarly, the impairment test at business line level did not result in any impairment either.

A business line-level summary of the goodwill allocation is presented below:

Allocation of goodwill to CGUs or group of CGUs

Goodwill allocated to the main CGUs or groups of CGUs, as of 31 December is broken down as follows:

(CHF million)	**2024**	2023
Industries & Environment	896	833
Natural Resources	104	105
Connectivity & Products	196	155
Health & Nutrition	488	452
Business Assurance	99	91
Total	**1 783**	**1 636**

Pre-tax discount rate used in 2024 for the main CGUs or group of CGUs impairment testing

	2024	2023
Industries & Environment[1]	7.4%	8.4%-10.9%
Natural Resources	7.6%	8.6%
Connectivity & Products	7.6%	8.9%
Health & Nutrition	7.1%	8.5%
Business Assurance[1]	7.2%	7.4%-8.8%

1. In accordance with the methodology of the Group for the identification of CGUs for the purpose of goodwill impairment testing in 2023, Industries & Environment and Business Assurance had several CGUs and therefore we disclose the range of the discount rates applicable for these CGUs.

The Group tests goodwill for impairment on an annual basis. For the 2024 and 2023 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. For the subsequent years, the Group assumes a long-term growth rate of 1%, in line with market long-term inflation rates projections (2023: range of 1%-1.7%), and stable operating margins depending on each CGU or group of CGUs.

14. Other intangible assets

			Computer software and other assets		
(CHF million)	**Trademarks and other**	**Customer relationships**	**Internally generated**	**Purchased**	**Total**
2024					
At cost					
At 1 January	84	406	235	191	916
Additions	–	–	7	14	21
Acquisition of subsidiaries	5	62	–	2	69
Disposals	–3	–1	–9	–5	–18
Exchange differences and other	2	7	9	–7	11
At 31 December	88	474	242	195	999
Accumulated amortization and impairment					
At 1 January	69	217	197	158	641
Amortization	4	25	18	11	58
Impairment	–	–	2	3	5
Disposals	–3	–1	–9	–5	–18
Exchange differences and other	2	5	–	2	9
At 31 December	72	246	208	169	695
Net book value at 31 December 2024	**16**	**228**	**34**	**26**	**304**

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets		Total
			Internally generated	Purchased	
2023					
At cost					
At 1 January	89	446	220	205	960
Additions	–	–	17	21	38
Acquisition of subsidiaries	–	4	–	–	4
Disposals	–	–3	–10	–21	–34
Disposals of subsidiaries	–	–17	–	–	–17
Exchange differences and other	–5	–24	8	–14	–35
At 31 December	84	406	235	191	916
Accumulated amortization and impairment					
At 1 January	68	199	176	167	610
Amortization	7	27	21	13	68
Impairment	–	21	14	2	37
Disposals	–	–3	–10	–21	–34
Disposals of subsidiaries	–	–14	–	–	–14
Exchange differences and other	–6	–13	–4	–3	–26
At 31 December	69	217	197	158	641
Net book value at 31 December 2023	**15**	**189**	**38**	**33**	**275**

15. Other non-current assets

(CHF million)	**2024**	2023
Non-current loans or amounts receivable from third parties	5	4
Pension fund assets	138	133
Other non-current assets	56	54
Total	**199**	**191**

Other non-current assets are measured at fair value through profit and loss except, non-current loans or amounts receivable from third parties that are measured at amortized cost.

Depending on the nature of the balances, currency and date of maturity, interest rates on long-term balances or loans to third parties range mainly between 0.0% and 3.1%.

In 2024, other non-current assets included deposits for guarantees and restricted cash of CHF 37 million (2023: CHF 34 million).

Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2024 and 2023, the fair value of the Group's other non-current assets approximates their carrying value.

16. Trade receivables

(CHF million)	**2024**	2023
Trade receivables	1 123	1 078
Allowance for expected credit losses	–132	–138
Total	**991**	**940**

The movement of allowance for expected credit losses is analyzed as follows:

(CHF million)	**2024**	2023
At 1 January	–138	–161
Acquisition of subsidiaries	–1	–1
(Increase) in allowance recognized in the income statement	–9	–9
Utilizations	14	16
Exchange differences	2	17
Total at 31 December	**–132**	**–138**

17. Other receivables and prepayments

(CHF million)	**2024**	2023
Accrued income, prepayments	96	83
Derivative assets	3	17
Other receivables	118	113
Total	**217**	**213**

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties. Other receivables consist mainly of sales taxes and other taxes recoverable, as well as advances to suppliers.

18. Cash and cash equivalents

(CHF million)	**2024**	2023
Cash and short-term deposits	1 210	1 569
Total	**1 210**	**1 569**

19. Cash flow statement

19.1. Non-cash and non-operating items

(CHF million)	Notes	**2024**	2023
Depreciation of property, plant and equipment	11	232	239
Impairment of property, plant and equipment and other intangible assets	11 and 14	4	40
Depreciation/impairment right-of-use asset	12	181	180
Amortization of intangible assets	14	58	68
Impairment of goodwill	13	–	18
ECL[1] on trade receivables, unbilled sales and work in progress		23	11
Net financial expenses	6 and 7	60	57
Increase/(decrease) in provisions and employee benefits		5	–6
Share-based payment expenses		19	24
Gain on disposals	10	–	–7
Gain on disposals of property, land and equipment		–2	–3
Share of results from associates and other entities		–3	–2
Taxes	8	222	205
Non-cash and non-operating items		**799**	**824**

1. Expected Credit Losses.

19.2. (Increase)/decrease in working capital

(CHF million)	**2024**	2023
(Increase) in unbilled sales and inventories	–36	–43
(Increase) in trade receivables	–32	–66
(Increase)/decrease in other receivables and prepayments	–14	7
(Decrease)/increase in trade and other payables	–21	33
Increase in other creditors and accruals	75	13
Increase in contract liabilities	31	12
Increase/(decrease) in other provisions	25	–11
(Increase) in working capital	**28**	**–55**

19.3. Changes in liabilities arising from financing and investing activities

		Cash impact		Non cash impact				
(CHF million)	**1 January**	**Financing cash flows**	**Investing cash flows**	**Equity movement**	**Acquisition and disposals**	**New leases**	**Other movements[1]**	**31 December**
2024								
Corporate bonds	3 269	–250	–	–	–	–	8	3 027
Bank loans	558	–373	–	–	9	–	15	209
Put options on acquisitions	24	–	–	16	–	–	–	40
Lease liabilities	527	–176	–	–	3	203	11	568
Other financial liabilities	22	–	–7	–	11	–	–3	23
Total	**4 400**	**–799**	**–7**	**16**	**23**	**203**	**31**	**3 867**

		Cash impact		Non cash impact				
(CHF million)	1 January	Financing cash flows	Investing cash flows	Equity movement	Acquisition and disposals	New leases	Other movements[1]	31 December
2023								
Corporate bonds	3 310	–1	–	–	–	–	–40	3 269
Bank loans	469	100	–	–	5	–	–16	558
Put options on acquisitions	29	–12	–	7	–	–	–	24
Lease liabilities	604	–178	–	–	2	147	–48	527
Other financial liabilities	26	–	–3	–	–	–	–1	22
Total	**4 438**	**–91**	**–3**	**7**	**7**	**147**	**–105**	**4 400**

1. Other movements mainly include currency effects.

20. Financial risk management

Risk management framework

The Group's activities expose it primarily to market, credit and liquidity risk. Market risk includes foreign exchange, interest rate and equity price risks.

A robust and comprehensive Enterprise Risk Management (ERM) and Internal Control process is implemented throughout the Group, supported by effective systems and monitoring.

The Audit Committee oversees how management monitors compliance with the Group's risk management framework and is assisted in its oversight role by Internal Audit.

Risk management activities

The Group uses foreign exchange contracts to manage the Group's exposure to fluctuations in foreign currency exchange rates. These activities are carried out in accordance with the Group's policies and objectives in areas such as counterparty exposure and economic hedging practices. Counterparties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table summarizes foreign exchange contracts outstanding at year end. The notional amount of derivatives summarized below represents the gross amount of the contracts and includes transactions, which have not yet matured. Therefore, the figures do not reflect the Group's net exposure at year end. The market value approximates the costs to settle the outstanding contracts. These market values should not be viewed in isolation but in relation to the market values of the underlying hedged transactions and the overall reduction in the Group's exposure to adverse fluctuations in foreign exchange rates.

Currently, the Group has certain exposure to interest and credit risks and no exposure to equity price risk.

	Notional amount		Market value	
(CHF million)	**2024**	2023	**2024**	2023
Foreign exchange forward contracts				
Currency:				
Australian Dollar (AUD)	–11	–9	–	–
Brazilian Real (BRL)	–3	–5	–	–
Canadian Dollar (CAD)	–12	–13	–	–
Chilean Peso (CLP)	–3	–33	–	–1
Chinese Renminbi (CNY)	–28	–22	–	1
Colombian Peso (COP)	–24	–10	–	–
Euro (EUR)	182	392	–	1
British Pound Sterling (GBP)	–128	–114	–	–
Hong Kong Dollar (HKD)	29	17	–	–
Japanese Yen (JPY)	–2	–4	–	–
Kenyan Shilling (KES)	–	–2	–	–
New Zealand Dollar (NZD)	–5	–6	–	–
Peruvian Sol (PEN)	19	8	–	–
Philippines Peso (PHP)	–8	–11	–	–
Polish Zloty (PLN)	–6	–6	–	–
Taiwan Dollar (TWD)	–27	–23	1	–1
Turkish Lira (TRY)	4	3	–	–
US Dollar (USD)	–435	–307	–11	9
South African Rand (ZAR)	6	–4	–	–
Other	–12	–19	–	–
Total	**–464**	**–168**	**–10**	**9**

Credit risk management

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. It arises principally from the Group's commercial activities. Trade receivable, unbilled sales and work in progress are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits and approval procedures. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivable, unbilled sales and work in progress.

As at 31 December 2024, the Group has unbilled sales and work in progress of CHF 247 million (2023: CHF 223 million) which is net of an allowance for expected credit losses of CHF 36 million (2023: CHF 20 million).

Receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. A credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the country risk, the credit risk profile and available historical data. Similarly to receivables, an allowance for unbilled sales and work in progress is made using a provision matrix.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2024:

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 - 90 days	0%-5%	929	4
91 - 120 days	10%-25%	41	8
121 - 180 days	20%-50%	36	14
181 - 240 days	35%-75%	16	10
241 - 300 days	50%-75%	13	9
301 - 360 days	75%-100%	8	7
> 360 days	100%	80	80
Total		**1 123**	**132**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2023:

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 - 90 days	0%-5%	866	3
91 - 120 days	10%-25%	46	9
121 - 180 days	20%-50%	39	14
181 - 240 days	35%-75%	20	11
241 - 300 days	50%-75%	14	9
301 - 360 days	75%-100%	9	8
> 360 days	100%	84	84
Total		**1 078**	**138**

As part of financial management activities, the Group enters into various types of transactions with international banks, usually with a credit rating of at least A. Exposure to these risks is closely monitored and kept within predetermined parameters. The Group does not expect any non-performance from these counterparties. The maximum credit risk to which the Group is theoretically exposed at 31 December 2024 is the carrying amount of financial assets including derivatives.

In addition, the Group has issued CHF 188 million (2023: CHF 166 million) financial guarantees to certain financial institutions that have provided credit facilities and foreign exchange lines to its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

Analysis of financial assets by class and category at 31 December 2024:

			Fair value					
	Amortized cost		**At fair value through equity**		**At fair value through P&L**		**Total**	
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash-equivalents	1 210	1 210	–	–	–	–	1 210	1 210
Trade receivables	991	991	–	–	–	–	991	991
Other receivables[1]	123	123	–	–	–	–	123	123
Unbilled sales and work in progress	247	247	–	–	–	–	247	247
Loans to third parties – non-current	5	5	–	–	–	–	5	5
Derivatives	–	–	–	–	3	3	3	3
Total financial assets	**2 576**	**2 576**	**–**	**–**	**3**	**3**	**2 579**	**2 579**

1. Excluding VAT and other tax related items.

Analysis of financial assets by class and category at 31 December 2023:

			Fair value					
	Amortized cost		At fair value through equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash-equivalents	1 569	1 569	–	–	–	–	1 569	1 569
Trade receivables	940	940	–	–	–	–	940	940
Other receivables[1]	123	123	–	–	–	–	123	123
Unbilled sales and work in progress	223	223	–	–	–	–	223	223
Loans to third parties – non-current	4	4	–	–	–	–	4	4
Derivatives	–	–	–	–	17	17	17	17
Total financial assets	**2 859**	**2 859**	**–**	**–**	**17**	**17**	**2 876**	**2 876**

1. Excluding VAT and other tax related items.

Derivative assets (2024: CHF 3 million; 2023: CHF 17 million) consist of foreign currency forward contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract. All outstanding derivative instruments qualify as Level 2 fair value measurement category, in accordance with the fair value hierarchy.

Liquidity risk management

The objective of the Group's liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding are primarily managed by Group Treasury in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position, liquidity risk is limited. The Group has various committed and uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by class and category at 31 December 2024:

			Fair value					
	Amortized cost		**At fair value through equity**		**At fair value through P&L**		**Total**	
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade payables	310	310	–	–	–	–	310	310
Other payables[1]	120	120	–	–	–	–	120	120
Loans and other financial liabilities	3 247	3 264	40	40	12	12	3 299	3 316
Lease liabilities	568	568	–	–	–	–	568	568
Derivatives	–	–	–	–	13	13	13	13
Total financial liabilities	**4 245**	**4 262**	**40**	**40**	**25**	**25**	**4 310**	**4 327**

1. Excluding VAT and other tax related items.

The corporate bonds qualify as fair value Level 1, which amounts to CHF 3 044 million (2023: CHF 3 205 million).

Other financial liabilities include CHF 40 million qualifying as fair value Level 3 (2023: CHF 24 million), which represents the estimated present value of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised.

Subsequent changes in the valuation of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

The remaining financial liabilities qualify as Level 2, determined in accordance with generally accepted pricing models.

Analysis of financial liabilities by class and category at 31 December 2023:

			Fair value					
	Amortized cost		At fair value through equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	335	335	–	–	–	–	335	335
Other payables[1]	123	123	–	–	–	–	123	123
Loans and other financial liabilities	3 842	3 778	24	24	7	7	3 873	3 809
Lease liabilities	527	527	–	–	–	–	527	527
Derivatives	–	–	–	–	8	8	8	8
Total financial liabilities	**4 827**	**4 763**	**24**	**24**	**15**	**15**	**4 866**	**4 802**

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2024:

(CHF million)	**Trade payables**	**Other payables[1]**	**Gross settled derivative financial instruments outflows**	**Gross settled derivative financial instruments inflows**	**Loans and other financial liabilities**	**Lease liabilities**	**Total**
On demand or within one year	310	120	1 130	–1 142	626	173	1 217
Within the second year	–	–	–	–	760	133	893
Within the third year	–	–	–	–	975	91	1 066
Within the fourth year	–	–	–	–	194	60	254
Within the fifth year	–	–	–	–	364	42	406
After five years	–	–	–	–	499	113	612

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2023:

(CHF million)	Trade payables	Other payables[1]	Gross settled derivative financial instruments outflows	Gross settled derivative financial instruments inflows	Loans and other financial liabilities	Lease liabilities	Total
On demand or within one year	335	123	1 141	–1 134	856	155	1 476
Within the second year	–	–	–	–	417	114	531
Within the third year	–	–	–	–	736	84	820
Within the fourth year	–	–	–	–	957	56	1 013
Within the fifth year	–	–	–	–	191	39	230
After five years	–	–	–	–	863	103	966

1. Excluding VAT and other tax related items.

The Group economically hedges its foreign exchange exposure on a net basis. The net position of the gross settled derivative financial instruments of CHF –12 million (2023: CHF 7 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2024.

Sensitivity analyses

The estimated changes in the value of net foreign currency positions are based on an instantaneous 5% weakening of the Swiss Franc against all other currencies from the level applicable at 31 December 2024 and 2023 with all other variables remaining constant.

Sensitivity analysis is based on net hedged positions at 31 December 2024 and 2023. The net impact on the income statement would have been CHF 2 million (2023: CHF 2 million), mainly due to the USD. The impact on equity would be nil.

Interest rate risk management

The Group is exposed to fair value interest rate risk because the Group borrows funds at fixed interest rates. Where appropriate, the risk is managed by the Group using Interest Rate Swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

As at 31 December 2024, if interest rates were 100 basis points higher/lower, annual interest expense would increase/decrease by CHF 2 million (2023: CHF 5 million).

21. Share capital and treasury shares

	Shares in circulation	Treasury shares	Total shares issued	Total share capital (CHF million)
Balance at 1 January 2023	**7 369 054**	**125 978**	**7 495 032**	**7**
Treasury shares released into circulation	1 964	–1 964	–	–
Balance at 12 April 2023 before share split	**7 371 018**	**124 014**	**7 495 032**	**7**
Share split 25-1	176 904 432	2 976 336	179 880 768	–
Balance at 12 April 2023 after share split	**184 275 450**	**3 100 350**	**187 375 800**	**7**
Treasury shares released into circulation	35 665	–35 665	–	–
Balance at 31 December 2023	**184 311 115**	**3 064 685**	**187 375 800**	**7**
Treasury shares released into circulation	178 348	–178 348	–	–
Treasury shares purchased for equity compensation plans	–561 008	561 008	–	–
New shares issued from scrip dividend	4 964 934	–	4 964 934	1
Cancellation of treasury shares	–	–2 837 475	–2 837 475	–
Balance at 31 December 2024	**188 893 389**	**609 870**	**189 503 259**	**8**

Issued share capital

The company's Annual General Meeting, held on 26 March 2024, offered shareholders the possibility to receive the 2023 dividend in cash or in new SGS shares. The scrip dividend take-up rate was 64.87% which led to the creation of 4 964 934 new shares, delivered on 25 April 2024.

As at 31 December 2024, SGS SA has a share capital of CHF 7 580 130 (2023: CHF 7 495 032) fully paid. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that came into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

Treasury shares
On 31 December 2024, SGS SA held 609 870 treasury shares (2023: 3 064 685 shares).

In 2024, 178 348 treasury shares were sold, or given, in relation to the equity compensation plans, 561 008 were repurchased and 2 837 475 were cancelled.

Authorized and Conditional issue of share capital
SGS SA has conditionally increased its share capital by a nominal amount of CHF 1 100 000, divided into 27 500 000 registered shares with a par value of CHF 0.04 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee equity participation plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorized to issue. The right to subscribe to such conditional capital is reserved for beneficiaries of employee equity participation plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorized to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed ten years from the date of issuance of the equity-linked instruments.

22. Loans and other financial liabilities

(CHF million)	**2024**	2023
Bank loans and commercial paper	209	558
Corporate bonds	3 027	3 269
Put option on acquisition	40	24
Other financial liabilities	23	22
Derivatives	13	8
Total	**3 312**	**3 881**
Current	612	841
Non-current	2 700	3 040

In 2024, the Group continued to use its EUR 1 billion Euro Commercial Paper (ECP) program. As at 31 December 2024, the amount of commercial paper outstanding was for EUR 215 million or CHF 202 million (2023: EUR 596 million or CHF 554 million).

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0.00% and 13.22% and on short-term loans from third parties, between 0.00% and 44.00%.

Loans from third parties exposed to fair value interest rate risk amounted to CHF 3 235 million (2023: CHF 3 825 million) and loans from third parties exposed to cash flow interest rate risk amounted to less than CHF 2 million (2023: less than CHF 0.7 million).

SGS SA issued the following corporate bonds listed on the SIX Swiss Exchange:

Date of issue	Face value in CHF million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	225	0.750	2025	100.068	100.000
29.10.2018	175	1.250	2028	101.157	100.000
06.05.2020	325	0.950	2026	100.182	100.000
05.09.2022	150	1.250	2025	100.000	100.000
05.09.2022	350	1.700	2029	100.197	100.000
17.11.2023	240	2.000	2027	100.038	100.000
17.11.2023	260	2.300	2031	100.127	100.000

SGS Nederland Holding BV has issued the following corporate bond, which is guaranteed by SGS SA and is listed on the Luxembourg Stock Exchange:

Date of issue	Face value in EUR million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
21.04.2021	750	0.125	2027	99.761	100.000

The currency composition of bank loans, corporate bonds and other financial liabilities is as follows:

	Bank loans and corporate bonds		Put options and other financial liabilities	
(CHF million)	**2024**	2023	**2024**	2023
Swiss Franc (CHF)	2 324	2 573	14	12
Euro (EUR)	906	1 251	4	7
Singapore Dollar (SGD)	1	2	11	11
Argentinian Peso (ARS)	1	–	–	–
US Dollar (USD)	–	–	11	1
Turkish Lira (TRY)	4	–	–	–
Canadian Dollar (CAD)	–	–	23	12
New Zealand Dollar (NZD)	–	–	–	3
Other	–	1	–	–
Total	**3 236**	**3 827**	**63**	**46**

23. Defined benefit obligations

The Group mainly operates defined benefit pension plans in Switzerland, the USA, the UK, the Netherlands, Germany, Italy, France, Belgium, South Korea and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities.

The Group also operates post-employment benefit plans, principally healthcare plans, in the USA and Switzerland. They represent a defined benefit obligation at 31 December 2024 of CHF 6 million (2023: CHF 6 million). The method of accounting and frequency of valuation are similar to those used for defined benefit pension plans. Healthcare cost trend assumptions do not have a significant effect on the amounts recognized in the income statement.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to recover any deficit that arises.

The Group's material defined benefit plans are in Switzerland, the USA and the UK.

Switzerland

The Group operates a retirement foundation in Switzerland jointly with employees. The assets and liabilities of the retirement foundation are held separately from the Group. The foundation board is equally composed of representatives of the employees and representatives of the employer. It covers all employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which they and the Group contribute at a rate set out in the foundation rules, based on a percentage of salary. Every year, the foundation decides the level of interest, if any, to apply to retirement accounts based on the agreed policy. At retirement, employees can elect either to withdraw all or part of the balance of their retirement account, or to convert it into annuities at pre-defined conversion rates.

As the foundation board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees, no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contribution.

According to IFRS, the foundation has to be classified as a defined benefit plan due to underlying benefit guarantees and has to be accounted for on this basis.

The weighted average duration of the expected benefit payment is approximately 13 years (2023: 12 years).

The Group expects to contribute CHF 5 million to this plan in 2025.

The Group also operates an employer fund. The assets are held separately from the Group. This foundation has unilateral power to provide benefits and consequently has no obligations. Therefore, this foundation has no pension liabilities.

United States of America

The Group operates a non-contributory defined benefit plan, which is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

The assets of the plan are held separately from the Group by the trustee-custodian and the plan's third-party pension administrator, who disburses payments directly to retirees or beneficiaries under the plan. Both the trustee-custodian and the administrator ensure adherence to ERISA rules.

Funding valuations are calculated on an actuarial basis and contributions are made as necessary. The funding target is to provide the plan with sufficient assets to meet future plan obligations.

Effective 16 March 2004, non-exempt participants ceased accruing any additional benefits; only exempt employees of certain SGS business units in the USA are eligible for annual benefit accrual. In addition, the pension benefit was changed and is defined as a percentage of the current year's pensionable compensation; the cost of additional benefit accrual is evaluated annually. The Group reserves the right to make future changes to the benefit accrual structure of the plan.

Eligible employees become participants in the plan after the completion of one year of service and after reaching the age of 21. Participants become fully vested in the plan after five years of service.

The weighted average duration of the expected benefit payment is approximately 9 years (2023: 10 years).

The Group expects to contribute CHF nil million to this plan in 2025.

United Kingdom

The Group operates a defined benefit plan through a trust, with the assets of the plans held separately from the Group, and trustees who ensure the plan's rules are strictly adhered to. This plan has been closed to new entrants since 2002 and, effective 31 October 2020, all remaining participants ceased accruing any additional benefits in the defined benefit plan. Employees are now offered membership in defined contribution plans operated by the Group.

Funding valuations of the defined benefit plans are carried out and agreed between the Group and the plan trustees at least once every three years. The funding target is for the plans to hold assets equal in value to the accrued benefits based on projected salaries. As part of the valuation process, if there is a shortfall against this target, then the Group and trustees will agree on deficit contributions to meet this deficit over a specified period.

The weighted average duration of the expected benefit payments from the combined plans is approximately 13 years (2023: 13 years).

The Group expects to contribute CHF nil million to this plan in 2025.

Other countries

The Group sponsors defined retirement benefits plans in other countries where the Group operates. No individual countries, other than those described above, are considered material and need to be separately disclosed. The Group expects to contribute CHF 6 million to those plans in 2025.

The assets and liabilities recognized in the statement of financial position at 31 December for defined benefit obligations and for post-employment benefit plans are as follows:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2024					
Fair value of plan assets	506	120	129	77	832
Present value of funded defined benefit obligation	–401	–101	–119	–84	–705
Funded/(unfunded) status	**105**	**19**	**10**	**–7**	**127**
Present value of unfunded defined benefit obligation	–6	–	–2	–45	–53
Net asset/(liability) at 31 December	**99**	**19**	**8**	**–52**	**74**

(CHF million)	CH	UK	USA	Other	Total
2023					
Fair value of plan assets	496	128	145	75	844
Present value of funded defined benefit obligation	–395	–111	–137	–84	–727
Funded/(unfunded) status	**101**	**17**	**8**	**–9**	**117**
Present value of unfunded defined benefit obligation	–5	–	–2	–41	–48
Unrecognized asset due to asset ceiling	–	–	–	–2	–2
Net asset/(liability) at 31 December	**96**	**17**	**6**	**–52**	**67**

The net asset of CHF 74 million (2023: net asset of CHF 67 million) includes CHF 138 million (2023: CHF 133 million) of pension fund assets recognized in the item other non-current assets in note 15 and CHF 64 million (2023: CHF 66 million) of pension fund liability recognized in the item defined benefit obligation in statement of financial position.

Amounts recognized in the income statement:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2024					
Service cost expense	4	–	–4	5	5
Net interest income on defined benefit plan	–2	–	1	1	–
Total expense due to defined benefit obligation at 31 December	**2**	**–**	**–3**	**6**	**5**
Expense charged in:					
Salaries and wages	4	–	–4	5	5
Financial expenses	–2	–	1	1	–
Total expense due to defined benefit obligation at 31 December	**2**	**–**	**–3**	**6**	**5**

(CHF million)	CH	UK	USA	Other	Total
2023					
Service cost expense	5	–	–	7	12
Net interest income on defined benefit plan	–1	–1	–1	2	–1
Administrative expenses	–	1	1	–	2
Total expense due to defined benefit obligation at 31 December	**4**	**–**	**–**	**9**	**13**
Expense charged in:					
Salaries and wages	5	1	1	7	14
Financial expenses	–1	–1	–1	2	–1
Total expense due to defined benefit obligation at 31 December	**4**	**–**	**–**	**9**	**13**

Amounts recognized in the statement of other comprehensive income:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2024					
Remeasurement on net defined benefit liability					
Change in financial assumptions	19	–13	–5	2	3
Experience adjustments on benefit obligations	11	–2	–1	2	10
Actual return on plan assets excluding net interest expense	–30	14	8	–	–8
Asset ceiling	–	–	–	–2	–2
Total recognized in the statement of other comprehensive income at 31 December	**–**	**–1**	**2**	**2**	**3**

(CHF million)	CH	UK	USA	Other	Total
2023					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	–2	–	–	–2
Change in financial assumptions	31	3	2	6	42
Experience adjustments on benefit obligations	10	1	1	3	15
Actual return on plan assets excluding net interest expense	–1	–	–6	2	–5
Asset ceiling	–100	–	–	–	–100
Total recognized in the statement of other comprehensive income at 31 December	**–60**	**2**	**–3**	**11**	**–50**

Change in unrecognized asset due to the asset ceiling:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2024					
Unrecognized asset at 1 January	**–**	**–**	**–**	**2**	**2**
Other changes in unrecognized asset due to the asset ceiling	–	–	–	–2	–2
Unrecognized asset at 31 December	**–**	**–**	**–**	**–**	**–**

(CHF million)	CH	UK	USA	Other	Total
2023					
Unrecognized asset at 1 January	**98**	**–**	**–**	**1**	**99**
Interest on unrecognized asset recognized in P&L	2	–	–	1	3
Other changes in unrecognized asset due to the asset ceiling	–100	–	–	–	–100
Unrecognized asset at 31 December	**–**	**–**	**–**	**2**	**2**

The Group determines the maximum economic benefit by applying the common approach prescribed by IFRIC 14, and reflects the present value of reductions in future contributions to the plan. In making this estimate, assumptions used for future service costs are consistent with those used to determine the defined benefit obligation as at 31 December 2024.

Movements in the net asset/(liability) during the period:

(CHF million)	CH	UK	USA	Other	Total
2024					
Net asset/(liability) at 1 January	**96**	**17**	**6**	**–52**	**67**
Expense recognized in the income statement	–2	–	3	–6	–5
Remeasurements recognized in other comprehensive income	–	1	–2	–2	–3
Contributions paid by the Group	6	–	–	6	12
Employer benefit payments	–	–	–	3	3
Exchange differences	–1	1	1	–1	–
Net asset/(liability) at 31 December	**99**	**19**	**8**	**–52**	**74**

(CHF million)	CH	UK	USA	Other	Total
2023					
Net asset/(liability) at 1 January	**34**	**19**	**3**	**–44**	**12**
Expense recognized in the income statement	–4	–	–	–9	–13
Remeasurements recognized in other comprehensive income	60	–2	3	–11	50
Contributions paid by the Group	6	–	–	8	14
Employer benefit payments	–	–	–	2	2
Exchange differences	–	–	–	2	2
Net asset/(liability) at 31 December	**96**	**17**	**6**	**–52**	**67**

Change in the defined benefit obligation is as follows:

(CHF million)	CH	UK	USA	Other	Total
2024					
Opening present value of the defined benefit obligation	400	111	139	125	775
Current service cost	6	–	–	5	11
Interest cost	5	6	8	4	23
Plan participants' contributions	4	–	–	1	5
Past service cost	–2	–	–	–	–2
Settlements	–	–	–20	–	–20
Actual net benefit payments	–37	–6	–9	–8	–60
Actual taxes paid	–	–	–	–1	–1
(Gains)/losses due to changes in financial assumptions	19	–13	–5	2	3
Experience differences	11	–2	–1	2	10
Exchange rate (gains)/losses	1	5	9	–1	14
Defined benefit obligation at 31 December	**407**	**101**	**121**	**129**	**758**

(CHF million)	CH	UK	USA	Other	Total
2023					
Opening present value of the defined benefit obligation	362	115	153	120	750
Current service cost	5	–	–	6	11
Interest cost	7	5	7	4	23
Plan participants' contributions	5	–	–	1	6
Past service cost	–	–	–	1	1
Actual net benefit payments	–20	–6	–10	–7	–43
(Gains)/losses due to changes in demographic assumptions	–	–2	–	–	–2
(Gains)/losses due to changes in financial assumptions	31	3	2	6	42
Experience differences	10	1	1	3	15
Exchange rate (gains)/losses	–	–5	–14	–9	–28
Defined benefit obligation at 31 December	**400**	**111**	**139**	**125**	**775**

Change in fair value of plan assets is as follows:

(CHF million)	CH	UK	USA	Other	Total
2024					
Opening fair value of plan assets	496	128	145	75	844
Interest income on plan assets	7	6	7	3	23
Return on plan assets excluding amounts included in net interest income	30	–14	–8	–	8
Actual employer contributions	6	–	–	9	15
Actual plan participants' contributions	4	–	–	1	5
Actual net benefit payments	–37	–6	–9	–8	–60
Actual taxes paid	–	–	–	–1	–1
Settlements	–	–	–16	–	–16
Exchange differences	–	6	10	–2	14
Fair value of plan assets at 31 December	**506**	**120**	**129**	**77**	**832**

(CHF million)	CH	UK	USA	Other	Total
2023					
Opening fair value of plan assets	494	134	156	77	861
Interest income on plan assets	10	6	8	3	27
Return on plan assets excluding amounts included in net interest income	1	–	6	–2	5
Actual employer contributions	6	–	–	10	16
Actual plan participants' contributions	5	–	–	1	6
Actual net benefit payments	–20	–6	–10	–7	–43
Actual administrative expenses paid	–	–1	–1	–	–2
Exchange differences	–	–5	–14	–7	–26
Fair value of plan assets at 31 December	**496**	**128**	**145**	**75**	**844**

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 31 million (2023: gain of CHF 32 million).

The major categories of plan assets at the balance sheet date are as follows:

(CHF million)	CH	UK	USA	Other	Total
2024					
Cash and cash equivalents	17	3	–	13	33
Equity securities	150	12	–	–	162
Debt securities	69	129	129	–	327
Assets held by insurance company	–	–	–	25	25
Properties	227	–	–	–	227
Investment funds	33	–	–	–	33
Other	10	–24	–	39	25
Total plan assets at 31 December	**506**	**120**	**129**	**77**	**832**

(CHF million)	CH	UK	USA	Other	Total
2023					
Cash and cash equivalents	16	14	–	12	42
Equity securities	138	24	–	–	162
Debt securities	78	88	145	2	313
Assets held by insurance company	3	–	–	22	25
Properties	226	–	–	–	226
Investment funds	32	–	–	–	32
Other	3	2	–	39	44
Total plan assets at 31 December	**496**	**128**	**145**	**75**	**844**

In 2024 and 2023, the Group did not occupy any property that was included in the plan assets.

Properties are rented at fair market rental rates. There are no SGS SA shares or any other financial securities used by the Group included in the plan assets.

The plan assets are primarily held within instruments with quoted market prices in an active market, with the exception of the property and insurance policy holdings.

The investment strategy in Switzerland is to invest, within the statutory and legal requirements, in a diversified portfolio with the aim of generating long-term returns, which will enable the board of the foundation to grow the accounts of the members of the pension fund, whilst taking on the lowest possible risk in order to do so.

In the USA, the pension plan target policy is determined both quantitatively and qualitatively by assessing the risk tolerance level and return requirements of the plan, as determined by the Investment Committee. In 2023 the investment portfolio asset was shifted to 100% Liability Driven Investment as the company decided to freeze the plan effective 31 December 2022. In the UK, the trustees review the investment strategy of the scheme and the plan on a regular basis to ensure that they remain appropriate. The last review for both the scheme and plan was recently undertaken and is in the process of being implemented.

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2024 and 2023 are as follows:

(Weighted average %)	CH	UK	USA	Other
2024				
Discount rate	1.0	5.5	5.5	3.5
Mortality assumption	LPP 2020, CMI 2019 1.25%	SPA03M103%/ F99% CMI 2023 1.25%	PRI 2012 MP 2021	
Salary progression rate	1.5	2.6	–	3.1
Future increase for pension in payments	–	3.1	–	0.3
Healthcare cost trend assumed for the next year	–	–	6.4	–
Ultimate trend rate	–	–	4.5	–
Year that the rate reaches the ultimate trend rate			2030	

(Weighted average %)	CH	UK	USA	Other
2023				
Discount rate	1.4	4.5	5.1	4.2
Mortality assumption	LPP 2020, CMI 2019 1.25%	SPA03M103%/ F99% CMI 2022 1.25%	PRI 2012 MP 2021	–
Salary progression rate	1.7	2.5	–	3.1
Future increase for pension in payments	–	3.0	–	0.4
Healthcare cost trend assumed for the next year	–	–	6.4	–
Ultimate trend rate	–	–	4.5	–
Year that the rate reaches the ultimate trend rate			2030	

The weighted average rate for each assumption used to measure the benefits obligation is also shown above. The assumptions used to determine the end-of-year benefits obligation are also used to calculate the following year's cost.

In Switzerland, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 26 million; a 0.5% increase in assumed salary would increase the obligation by CHF 1 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 10 million.

In the USA, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 6 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 2 million.

In the UK, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 6 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 3 million.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assume no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

The amount recognized as an expense in respect of defined contribution plans during 2024 was CHF 87 million (2023: CHF 80 million).

24. Provisions

(CHF million)	Legal and warranty claims on services rendered	Demobilization and reorganization	Other provisions	Total
At 1 January 2024	**36**	**47**	**49**	**132**
Charge to income statement	22	67	18	107
Release to income statement	–4	–6	–4	–14
Payments	–14	–35	–3	–52
Exchange differences	–	1	–1	–
At 31 December 2024	**40**	**74**	**59**	**173**

Analyzed as:	**2024**	2023
Current liabilities	72	41
Non-current liabilities	101	91
Total	**173**	**132**

A number of Group companies are subject to litigation and other claims arising out of the normal conduct of their business that can be best viewed as claims on services rendered. The claim provision represents the sum of estimates of amounts payable on identified claims and of losses incurred but not yet reported. They therefore reflect estimates of the future payments required to settle both reported and unreported claims. In the opinion of management, based on all currently available information, the provisions adequately reflect the Group's exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, operational results or cash flows.

Demobilization and reorganization provisions relate to present legal or constructive obligations of the Group towards third parties, such as termination payments to employees upon leaving the Group, which in some jurisdictions are a legal obligation. For specific long-term contracts, typically with two to five years' duration, the Group is required to dismantle infrastructure and terminate the services of personnel upon completion of the contract. These demobilization costs are provided for during the life of the contract. Experience has shown that these contracts may be either extended or terminated earlier than expected.

Other provisions include present legal or constructive obligations towards tax authorities for indirect tax exposure as well as other provisions towards third parties.

25. Trade and other payables

(CHF million)	**2024**	2023
Trade payables	310	335
Other payables	314	299
Total	**624**	**634**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2024 and 2023, the fair value of the Group's trade accounts and other payables approximates their carrying value.

26. Contingent liabilities

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. Management does not expect that the outcome of any of these legal proceedings will have a material adverse effect on the Group's financial position, operational results or cash flows.

Guarantees and performance bonds

(CHF million)	**2024**	2023
Guarantees	199	186
Performance bonds	188	191
Total	**387**	**377**

The Group has issued unconditional guarantees of CHF 199 million (2023: CHF 186 million), as well as performance bonds and bid bonds of CHF 188 million (2023: CHF 191 million) to commercial customers on behalf of its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

27. Equity compensation plans

Selected employees of the SGS Group are eligible to participate in equity compensation plans.

Grants to members of the Board of Directors

In 2024, a total of 6 242 restricted shares were granted to members of the Board of Directors, in settlement of part of their remuneration for the mandate from the 2024 AGM to the 2025 AGM. The restricted shares are blocked for a period of three years from the grant date, until May 2027. The value at grant date of the restricted shares granted was CHF 514 840 (defined as the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting 2024).

Grants to members of the Executive Committee

In 2024, a total of 82 831 Performance Share Units (PSUs) under the long-term incentive plan 2024-2026 were granted to members of the Executive Committee. The PSUs vest after a three-year performance period 2024-2026, in March 2027, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 6 852 609.

More information on the long-term incentive plan for members of the Executive Committee in disclosed the SGS Remuneration report on pages 54 to 77.

In 2024, a total of 26 914 restricted shares were granted to members of the Executive Committee, in settlement of 50% of the annual incentive related to the 2023 performance. The restricted shares are blocked for a period of three years from the grant date, until May 2027. The value at grant date of the restricted shares granted, being defined as the average closing price of the share during a 20-day period following the payment of the dividends after the 2024 Annual general Meeting, was CHF 2 219 867.

50% of the Annual Incentive related to the 2024 performance of the Executive Committee members will be settled in restricted shares. The grant of the restricted shares will be done after the 2025 Annual General Meeting; the total number of restricted shares to be granted will be calculated dividing 50% of the annual Incentive amount by the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting 2025, rounded up to the nearest integer. The restricted shares will be blocked for a period of three years from the grant date, until May 2028.

More information on the Short-Term Incentive for the members of the Executive Committee in disclosed the SGS Remuneration report on pages 54 to 77.

Grants to other employees

In 2024, a total of 176 740 Performance Share Units (PSUs) under the long-term incentive plan 2024-2026 were granted to selected senior managers. The PSUs vest after a three-year performance period, 2024-2026, in March 2027, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 14 621 700.

In 2024, a total of 83 288 Restricted Share Units (RSUs) were granted to selected key employees under the restricted share units plan 2024. The RSUs vest three years after the grant date. The value at grant date of the RSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 6 890 416.

Performance share unit (PSU) and restricted share unit (RSU) plans

Description	Vesting period from	Units outstanding at 31 December 2023	Granted	Forfeited	Vested	**Units outstanding at 31 December 2024**
SGS-PSU-21	February 24	355 125	–	–249 993	–105 132	–
SGS-PSU-22	February 25	206 750	–	–42 196	–654	163 900
SGS-PSU-23	March 26	286 561	–	–79 089	–462	207 010
SGS-PSU-24	March 27	–	259 571	–5 909	–80	253 582
SGS-RSU-21	April 24	39 325	–	–650	–38 675	–
SGS-RSU-22	April 25	66 350	–	–6 450	–150	59 750
SGS-RSU-23	April 26	86 950	–	–8 297	–39	78 614
SGS-RSU-24	March 27	–	83 288	–1 586	–	81 702
Total		**1 041 061**	**342 859**	**–394 170**	**–145 192**	**844 558**

The Group does not issue new shares to grant employees in relation to the equity-based compensation plans but uses treasury shares, acquired through share buyback programs.

In total, as of 31 December 2024, the equity overhang, defined as the total number of unvested share units (844 558 units) divided by the total number of outstanding shares (189 503 259 shares) amounted to 0.45%.

The Company’s burn rate, defined as the number of equities granted (restricted shares and share units) granted in 2024 (376 015 units) divided by the total number of outstanding shares, was 0.20%.

The Group recognized during the year a total expense of CHF 21 million (2023: CHF 27 million) in relation to equity compensation plans.

Shares available (required) for future plans:

	Total
At 1 January 2023	**–17 856**
At 1 January 2023 restated after stock-split	**–446 400**
Granted SGS-RSU-23 plan	–89 475
Granted SGS-PSU-23 plan	–289 509
Shares for PSU forfeited	36 633
Shares for RSU forfeited	8 680
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	–33 780
At 31 December 2023	**–813 851**
Repurchased shares	561 008
Granted SGS-RSU-24 plan	–83 288
Granted SGS-PSU-24 plan	–259 571
Shares for PSU forfeited	377 187
Shares for RSU forfeited	16 983
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	–33 156
At 31 December 2024	**–234 688**

At 31 December the Group had the following shares available to satisfy various programs:

	2024 Total	2023 Total
Number of shares held	609 870	227 210
Shares allocated for 2021 RSU plan	–	–39 325
Shares allocated for 2021 PSU plan	–	–355 125
Shares allocated for 2022 RSU plan	–59 750	–66 350
Shares allocated for 2022 PSU plan	–163 900	–206 750
Shares allocated for 2023 RSU plan	–78 614	–86 950
Shares allocated for 2023 PSU plan	–207 010	–286 561
Shares allocated for 2024 RSU plan	–81 702	–
Shares allocated for 2024 PSU plan	–253 582	–
Shares required for future equity compensation plans at 31 December	**–234 688**	**–813 851**

28. Related-party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed.

Compensation to Directors and members of the Executive Committee

The remuneration of Directors and members of the Executive Committee during the year was as follows:

(CHF million)	**2024**	2023
Short-term benefits	20	15
Post-employment benefits	1	1
Share-based payments[1]	11	12
Total	**32**	**28**

1. 2024 represents the value at grant of restricted share units and performance share units granted in 2024 while 2023 represents the value at grant of restricted share units and performance share units granted in 2023.

The remuneration of Directors and members of the Executive Committee is determined by the Remuneration Committee. Additional information is disclosed in the SGS Remuneration report.

During 2024 and 2023, no member of the Board of Directors or of the Executive Committee had a personal interest in any business transactions of the Group.

The Executive Committee participates in the equity compensation plans as disclosed in note 27.

The total compensation, including social charges, received by the Board of Directors amounted to CHF 2 654 000 (2023: CHF 2 820 000).

The total compensation (cash and shares/options), including social charges, received by the Executive Committee amounted to CHF 29 542 000 (2023: CHF 24 678 000).

Loans to members of governing bodies

As at 31 December 2024, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from previous year).

Transactions with other related parties

In 2024 and 2023, the Group did not engage in any activities that generated sales to other related parties.

During 2024 and 2023, no related trade receivable balances remained unpaid, nor were any expenses recognized for bad or doubtful debts owed by these related parties.

29. Significant shareholders

As at 31 December 2024, Groupe Bruxelles Lambert (acting directly and through Serena SARL, URDAC and FINPAR X) held 19.13% (December 2023: 19.31%), UBS Fund Management (Switzerland) AG held 6.32% (December 2023: 3.03%) and BlackRock Inc. held 5.21% (December 2023: 5.18%) of the share capital and voting rights of the Company. At the same date, the Group held 0.32% of the share capital of the Company (December 2023: 1.64%).

30. Approval of financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 10 February 2025, and will be submitted for approval on 26 March 2025 during the Annual General Meeting.

31. Subsequent events

On 8 January 2025, SGS completed the acquisition of Aster Global Environmental Solutions, Inc., an industry-leading company focused on validation and verification of greenhouse gas (GHG) emissions and offsets, as well as forestry, ecosystem, and corporate and social responsibility services based in the USA. The acquisition is effective from 1 January 2025.

On 15 January 2025, SGS completed the acquisition of Stella Operazioni Doganal, an independent customs operations and consulting company based in Italy. The acquisition is effective from 1 January 2025.

On 20 January 2025, SGS completed the acquisition of RTI Laboratories, a leading provider of environmental and materials testing services based in Detroit, Michigan, USA. The acquisition is effective from 1 February 2025.

Report of the statutory auditor
to the General Meeting of SGS SA, Geneva

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SGS SA and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2024, the consolidated statement of financial position as at 31 December 2024, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 86 to 124 and pages 144 to 145) give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall group materiality: CHF 41 million

We concluded full scope audit work at 15 components. In addition, specific scope audits were performed on a further 19 components. Our audit scope addressed over 65% of Group's sales.

As key audit matters the following areas of focus have been identified:

- Measurement of work in progress (WIP)
- Taxation

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	CHF 41 million
Benchmark applied	Three-years average profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. The three-years average reflects current market volatility. Moreover, profit before tax is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Due to the nature of its business and its organisation, the Group has a decentralised structure and operates in 115 countries in five main geographical areas (Asia Pacific, Europe, North America, Eastern Europe/Middle East and Africa, Latin America). We instructed audit teams in 13 countries to perform a full scope audit and audit teams in another 13 countries to perform a specific scope audit (principally sales, account receivables, work in progress and unbilled sales). These teams audit the respective account balances as well as classes of transactions and report to us on their audit results in response to the audit instructions we sent to them.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Measurement of work in progress (WIP)

Key audit matter	How our audit addressed the key audit matter
Work-in-progress balances are calculated and reported under the consolidated financial statement line entitled ‘Unbilled sales and work in progress’ the total of both amounting to CHF 247 million as of 31 December 2024 (CHF 223 million as of 31 December 2023) Work-in-progress is recognized for partially completed performance obligations under a contract. Progress is measured using observable output or input methods. A proportion of the expected margin upon completion is recognized based on the actual costs incurred relative to the total expected costs, provided the project is expected to be profitable upon completion. Assessing the degree of progress and estimating the expected margin require significant management judgment. Given the significance and relevance for the consolidated financial statements, we deemed the measurement of work-in-progress as a key audit matter. Refer to the corresponding accounting policy in Note 2 – Significant accounting policies and exchange rates, and to Note 4 – Sales from contracts with customers in the notes to the consolidated financial statements.	We reviewed SGS's sales recognition policy and obtained an understanding of how work-in-progress balances are accounted for. Our audit approach consisted of the following procedures, in particular: • We assessed the design and implementation of the key controls relating to the monitoring of work-in-progress balances. • We selected samples of work-in-progress balances and traced them to underlying contracts and invoices with customers. • We obtained comfort over the degree of progress from discussions with project managers and performed reconciliations to actual numbers recognised in the financial statements in selected cases. • We selected samples of work-in-progress balances recorded at the previous period-end and compared them to subsequent invoices and cash received from clients in order to evaluate the reliability of management's estimation process. • We analysed the aging of the open balances and assessed the appropriateness of provisions recognised in accordance with the Group’s provision grid. • For entities with significant work-in-progress balances not subject to our Group audit, we performed central audit procedures. On the basis of the procedures performed, we consider management’s approach for assessing the degree of progress and for expected margin estimation to be reasonable.

Taxation

Key audit matter	How our audit addressed the key audit matter
The Group is subject to taxation in many jurisdictions and management makes judgements about the incidence and magnitude of tax liabilities that are subject to the future outcome of assessments by the relevant tax authorities. Accordingly, the calculation of tax expense and the related liability are subject to inherent uncertainty. To make these judgements, the Group has a structured process whereby management systematically monitors and assesses the existence, development and settlement of tax risks in each of its jurisdictions. The Group’s main tax risks are i) that the tax authorities might not accept the transfer prices applied and ii) potential adverse results of ongoing tax audits. In accordance with its methodology, provisions for uncertain tax positions are calculated and included within current tax liabilities (CHF 186 million as at 31 December 2024). Refer to the corresponding accounting policy in Note 2 – Significant accounting policies and exchange rates and to Note 8 - Taxes in the notes to the consolidated financial statements.	Our audit approach consisted of the following procedures, in particular: • We assessed the existence of tax exposures by means of inquiry with local and Group management. • We discussed management’s process to assess the risk of tax liabilities in the different jurisdictions as a result of potential challenges to the tax positions, and tested measurement and timing of recognition of the provisions when applicable. • With the support of PwC's internal tax experts, we examined the documentation outlining the matters in dispute or at risk and the benchmarks relied upon for transfer pricing, and used our knowledge of the tax laws and other similar taxation matters to assess the available evidence, management’s judgmental processes and the provisions. On the basis of the procedures performed, we conclude that management’s process for determining uncertain tax positions was reasonable.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements, that give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISA and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet	Mario Berckmoes
Licensed audit expert Auditor in charge	Licensed audit expert

Geneva, 10 February 2025

3. SGS SA financial statements

Income statement

For the years ended 31 December

(CHF million)	Notes	2024	2023
Dividends from subsidiaries		328	646
Total operating income		**328**	**646**
Other operating expenses		–13	–6
Total operating expenses		**–13**	**–6**
Operating result		**315**	**640**
Financial income	6	110	98
Exchange gain, net		–	1
Financial expenses	6	–79	–79
Financial result		**31**	**20**
Extraordinary losses	7	–53	–26
Profit before taxes		**293**	**634**
Taxes		–11	–8
Profit for the period		**282**	**626**

Statement of financial position at 31 December

(Before appropriation of available retained earnings)

(CHF million)	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents		15	419
Derivative assets		3	18
Amounts due from subsidiaries		375	449
Other receivables and prepayments		6	6
Total current assets		**399**	**892**
Non-current assets			
Loans to subsidiaries		2 021	1 667
Other financial assets		4	4
Other assets		1	2
Investments in subsidiaries		1 824	2 003
Total non-current assets		**3 850**	**3 676**
Total assets		**4 249**	**4 568**
Shareholders' equity and liabilities			
Current liabilities			
Bank overdraft		–	8
Derivative liabilities		13	14
Trade and other payables		8	1
Amounts due to subsidiaries		404	625
Corporate bonds	3	375	250
Accrued expenses		13	12
Total current liabilities		**813**	**910**
Non-current liabilities			
Amounts due to subsidiaries		702	570
Corporate bonds	3	1 950	2 325
Total non-current liabilities		**2 652**	**2 895**
Shareholders' equity			
Share capital	4 and 5	8	7
Legal reserve	4 and 5	34	34
Retained earnings	4 and 5	797	951
Treasury shares	4 and 5	–55	–250
Reserve for treasury shares held by a subsidiary	4 and 5	–	21
Total shareholders' equity		**784**	**763**
Total shareholders' equity and liabilities		**4 249**	**4 568**

Notes

SGS SA ('the Company') is the ultimate parent company of the SGS Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The head office is located in Geneva, Switzerland.

The average number of employees in 2024 is less than 10 people for this company (2023: less than 10).

1. Significant accounting policies

The financial statements are prepared in accordance with accounting principles required by Swiss law (32nd chapter of the Swiss Code of Obligations).

Investments in subsidiaries

Investments in subsidiaries are valued individually at acquisition cost less an adjustment for impairment where required.

Foreign currencies

Balance sheet items denominated in foreign currencies are converted into Swiss Francs at year-end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate.

Foreign currency transactions are translated using the actual exchange rates prevailing during the year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognized in the income statement.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a mark-to-market basis.

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value through the income statement (FVTPL). The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

Dividends from subsidiaries

Dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of profit in the year to which they relate or for which they are proposed by the Board of Directors.

As a result, dividends are recognized as an income in the year in which they are received, on a cash basis. Dividends are recorded in the currency defined for each affiliate and converted at spot rate in the income statement.

Bonds

Bonds are recorded at nominal value.

2. Subsidiaries

The list of principal Group subsidiaries appears in the annual report on pages 144 to 145.

In 2020, the Company acquired 80% of the capital of Ryobi Geotechnique Pte Ltd in Singapore. The share purchase agreement includes an option to acquire the remaining 20% of Ryobi Geotechnique Pte Ltd in 2026.

In 2024, the Company acquired 67.6% of the capital of CertX based in Switzerland. The share purchase agreement includes an option to acquire the remaining 32.4% of CertX in 2028.

3. Corporate bonds

The Company made the following bond issuances:

Date of issue	Face value in CHF million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
29.10.2018	225	0.750	2025	100.068	100.000
05.09.2022	150	1.250	2025	100.000	100.000
Short-term bonds	**375**				
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	175	1.250	2028	101.157	100.000
06.05.2020	325	0.950	2026	100.182	100.000
05.09.2022	350	1.700	2029	100.197	100.000
17.11.2023	240	2.000	2027	100.038	100.000
17.11.2023	260	2.300	2031	100.127	100.000
Long-term bonds	**1 950**				

As at 31 December 2024, two bonds in the above table are classified as short-term liabilities as the due date is less than a year.

The Company has listed all bonds on the SIX Swiss Exchange.

4. Total equity

(CHF million)	Share capital	Legal reserve	Reserve for treasury shares held by a subsidiary	Treasury shares	Retained earnings	Total
Balance at 1 January 2023	**7**	**34**	**29**	**–250**	**907**	**727**
Dividends paid	–	–	–	–	–590	–590
Decrease in the reserve for treasury shares	–	–	–8	–	8	–
Profit for the year	–	–	–	–	626	626
Balance at 31 December 2023	**7**	**34**	**21**	**–250**	**951**	**763**
Capital increase from scrip dividend[1]	1	–	–	–	–	1
Dividends paid[1]	–	–	–	–	–207	–207
Decrease in the reserve for treasury shares	–	–	–21	–	21	–
Cancellation of treasury shares[2]	–	–	–	250	–250	–
Movement on treasury shares	–	–	–	–55	–	–55
Profit for the year	–	–	–	–	282	282
Balance at 31 December 2024	**8**	**34**	**–**	**–55**	**797**	**784**

1. On 22 April 2024, SGS announced that 64.87% of the dividend for the financial year 2023 was elected to be paid in the form of new SGS shares, while the remaining 35.13% was to be paid out in cash. On 25 April 2024, the 2023 dividend, totalling CHF 590 million, was distributed as follows:
   – CHF 207 million in cash
   – CHF 383 million in new shares. 4 964 934 new SGS shares were created, generating an increase of share capital of CHF 0.2 million.
2. On 30 August 2024, 2 837 475 shares were cancelled (CHF 250 million).

5. Share capital

	Shares in circulation	Treasury shares	Total shares issued	Total share capital CHF (million)
Balance at 1 January 2023	**7 369 054**	**125 978**	**7 495 032**	**7**
Treasury shares released into circulation	1 964	–1 964	–	–
Balance at 12 April 2023 before share split	**7 371 018**	**124 014**	**7 495 032**	**7**
Share split 25-1	176 904 432	2 976 336	179 880 768	–
Balance at 12 April 2023 after share split	**184 275 450**	**3 100 350**	**187 375 800**	**7**
Treasury shares released into circulation	35 665	–35 665	–	–
Balance at 31 December 2023	**184 311 115**	**3 064 685**	**187 375 800**	**7**
Treasury shares released into circulation	178 348	–178 348	–	–
Treasury shares purchased for equity compensation plans	–561 008	561 008	–	–
New shares issued from scrip dividend	4 964 934	–	4 964 934	1
Cancellation of treasury shares	–	–2 837 475	–2 837 475	–
Balance at 31 December 2024	**188 893 389**	**609 870**	**189 503 259**	**8**

Issued share capital

The company's Annual General Meeting held on 26 March 2024 had offered its shareholders the possibility to receive the 2023 dividend in cash or in new SGS shares. The scrip dividend take-up rate was 64.87% which led to the creation of 4 964 934 new shares, delivered on 25 April 2024.

As at 31 December 2024, the Company has a share capital of CHF 7 580 130 (2023: CHF 7 495 032) fully paid-in and divided into 189 503 259 (2023: 187 375 800) registered shares of a par value of CHF 0.04 (2023: CHF 0.04). All shares, other than treasury shares, participate equally in the dividends declared by the Company and have equal voting rights.

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

Treasury shares

On 31 December 2024, SGS SA held 609 870 treasury shares directly. All shares from the affiliate company were transferred to SGS SA.

In 2024, 178 348 shares were released into circulation, 561 008 were repurchased and 2 827 475 were cancelled.

On 31 December 2023, SGS SA held 3 064 685 treasury shares, thereof 2 837 475 directly and 227 210 through an affiliate company.

In 2023, 84 765 shares were released into circulation.

6. Financial income and financial expenses

(CHF million)	2024	2023
Interest income third party	3	5
Interest income Group	106	93
Other financial income	1	–
Financial income	**110**	**98**
Interest expenses third party	–42	–31
Interest expenses Group	–35	–41
Other financial expenses	–2	–7
Financial expenses	**–79**	**–79**

7. Extraordinary losses

The extraordinary losses are composed of impairment on investments in subsidiaries of CHF –46 million (2023: CHF –27 million) and on loans to subsidiaries of CHF –7 million (2023: CHF 1 million).

8. Guarantees and comfort letters

(CHF million)	2024 issued	2024 utilized	2023 issued	2023 utilized
Guarantees	3 164	1 143	3 105	1 467
Performance bonds	72	45	68	38
Total	**3 236**	**1 188**	**3 173**	**1 505**

The Company has unconditionally guaranteed or provided comfort to financial institutions providing credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds to commercial customers on behalf of its subsidiaries.

The Company is part of a VAT Group with other group companies in Switzerland.

9. Remuneration

9.1. Remuneration awarded to the Board of Directors

This section appears in the SGS Remuneration report paragraph 6 in the annual report on pages 65 to 69.

9.2. Remuneration awarded to the Executive Committee members

This section appears in the SGS Remuneration report paragraph 7 in the annual report on pages 70 to 77.

10. Shares and options held by members of governing bodies

10.1. Shares and options held by members of the Board of Directors

The following table shows the shares held by members of the Board of Directors as at 31 December 2024:

Name	Shares
C. Grieder	16 712
J. Riedl	1 238
P. Cheung	1 732
K. Sorenson	3 946
I. Gallienne	1 713
S. Atiya	4 032
T. Hartmann	1 688
J. Vergis	1 732

The following table shows the shares held by members of the Board of Directors as at 31 December 2023:

Name	Shares
C. Grieder	14 128
S.R. du Pasquier	2 257
J. Riedl	607
P. Cheung	1 082
K. Sorenson	3 207
I. Gallienne	1 082
S. Atiya	3 382
T. Hartmann	1 082
J. Vergis	1 082

10.2. Shares and options held by Executives

The following table shows the shares and restricted shares held by Executive Committee members as at 31 December 2024:

Name	Corporate responsibility	Restricted shares	Shares
G. Picaud	Chief Executive Officer	192	920
T. Abasov	Head of Eastern Europe, Middle East and Africa	5 001	22 964
S. Du	Head of Asia Pacific	4 211	3 668
D. Govender	Head of North America	4 653	13 651
E. Jokubauskas	Head of Industries & Environment and Natural Resources	–	2 504
C. Ly Wa Hoi	Head of Connectivity & Products and Health & Nutrition	3 982	7 644
J. McDonald	Head of Business Assurance	5 356	10 023
R. Navazo	Head of Latin America	–	–
M. Oesch	Group General Counsel	–	–
D. Plaza	Chief Information Officer	–	–
M. Reid	Head of Europe	4 590	40 416
J. Roberts	Chief People Officer	–	–
M. Vlatchkova	Chief Financial Officer	–	–

The following table shows the shares and restricted shares held by former senior management as at 31 December 2023:

Name	Corporate responsibility	Restricted shares	Shares
F. Ng	Chief Executive Officer	14 726	95 000
G. Picaud	Chief Financial Officer (from 1 December 2023)	–	500
O. Merkt	General Counsel and Chief Compliance Officer	3 001	8 750

Details of the various plans are explained in the SGS Remuneration report.

11. Significant shareholders

As at 31 December 2024, Groupe Bruxelles Lambert (acting directly and through Serena SARL, URDAC and FINPAR X) held 19.13% (December 2023: 19.31%), UBS Fund Management (Switzerland) AG held 6.32% (December 2023: 3.03%) and BlackRock Inc. held 5.21% (December 2023: 5.18%) of the share capital and voting rights of the Company.

At the same date, the SGS Group held 0.32% of the share capital of the Company (December 2023: 1.64%).

12. Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 10 February 2025 and will be submitted for approval by the Annual General Meeting to be held on 26 March 2025.

Proposal of the Board of Directors for the appropriation of available retained earnings

(CHF)	2024	2023
Profit for the year	282 329 483	625 502 400
Balance brought forward from previous years	701 175 157	657 434 309
Dividend distributed[1]	–207 576 155	–589 608 000
Movement on Treasury Shares	–54 396 478	–
(Transfer to)/Reversal from the reserve for treasury shares	21 042 758	7 846 448
Total retained earnings available for appropriation	**742 574 765**	**701 175 157**

1. No dividend is paid on own shares held directly or indirectly by the Company.

Distribution to shareholders

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2025) the approval of an optional scrip dividend of CHF 3.20 per share (CHF 604 million), subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax- and cost-effective option for shareholders.

Depending on the choices of the shareholders the above total amount of retained earnings will be reduced:

- By CHF 3.20 for each share for which a cash dividend is paid in (no dividends are paid on treasury shares)
- By CHF 0.04 for each dividend share

The remaining amount will constitute the balance being carried forward.

Report of the statutory auditor
to the General Meeting of SGS SA, Geneva

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SGS SA (the Company), which comprise the income statement for the year ended 31 December 2024, the statement of financial position as at 31 December 2024, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements presented on pages 130 to 135, comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 41 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative

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considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 41 million
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company, which has limited operating activities and which mainly holds investments in subsidiaries and intra-group loans, is commonly measured, and it is a generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2024, SGS SA's investments in subsidiaries amount to CHF 1'824 million. Given the significance of this amount in the financial statements and because of the judgement used by management in determining its value, we consider the valuation of investments in subsidiaries a key audit matter. The Company measures individually the investment in each subsidiary at acquisition cost less adjustment for impairment where required. The Company conducts an annual risk assessment based on several impairment indicators to identify investments with an impairment risk. For those investments in subsidiaries with a higher identified risk of impairment, the recoverable amount is determined based on a five-year discounted cashflow forecast. The main judgements applied by management relate to revenue and margin growth throughout the period of the five-year plan, the long-term growth rate beyond the detailed forecast period and the discount rate. An impairment is recognised if the recoverable amount of an individual investment is lower than its carrying value.	We obtained the Company’s work on the valuation of investments in subsidiaries, and we performed the following procedures: • We obtained an understanding of management's process over the valuation of investments in subsidiaries. • We tested the mathematical accuracy of the calculations, the reasonableness of the applied model, considered the appropriateness of the accounting treatment and reconciled the balances to the financial statements. • We challenged the appropriateness of management’s process to identify impairment indicators by comparing the triggers used to common indicators such as historical profitability and capacity to pay dividends. • We also performed testing by calculating revenue and operating profit multipliers based on the market capitalisation of the Group and comparing those to the respective multiples of the individual investments in subsidiaries.

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Key audit matter	How our audit addressed the key audit matter
The results of management's impairment testing indicated that some investments in subsidiaries were impaired. As a result, management recognised an impairment in the amount of CHF 46 million. Refer to Note 1 – Significant accounting policies and Note 7 - Extraordinary losses	For those investments in subsidiaries with a higher identified risk of impairment, we critically assessed the reasonableness of the underlying key assumptions and judgements applied by performing the following procedures in particular: • We assessed the quality of the five-year cashflow forecast projections by comparing forecasted revenue and margin growth to historical results as well as by holding discussions with group management to assess their intention and ability to execute the strategic initiatives. • We evaluated, with the support of PwC's valuation specialists, the reasonableness of the discount rate and long-term growth rate applied to those future cash flows. We consider management's approach as an acceptable and reasonable basis for the valuation of the investments in subsidiaries.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

Based on our audit according to article 728a para. 1 item 2 CO, we confirm that the Board of Directors' proposal complies with Swiss law and the Company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet	Mario Berckmoes
Licensed audit expert Auditor in charge	Licensed audit expert

Geneva, 10 February 2025

4. Historical data

SGS Group – five-year statistical data consolidated income statements

For the years ended 31 December

(CHF million)	2024	2023	2022	2021	2020
Sales	**6 794**	**6 622**	**6 642**	**6 405**	**5 604**
Salaries and wages	–3 427	–3 316	–3 331	–3 180	–2 797
Subcontractors' expenses	–414	–400	–399	–385	–352
Depreciation, amortization and impairment	–476	–545	–521	–499	–517
Gain on business disposals	–	7	–	–	63
Other operating expenses	–1 573	–1 511	–1 493	–1 364	–1 206
Operating income (EBIT)	**904**	**857**	**898**	**977**	**795**
Financial income	34	29	20	16	12
Financial expenses	–94	–86	–71	–69	–66
Share of profit of associates and joint ventures	3	2	2	–	1
Profit before taxes	**847**	**802**	**849**	**924**	**742**
Taxes	–222	–205	–219	–269	–237
Profit for the year	**625**	**597**	**630**	**655**	**505**
Profit attributable to:					
Equity holders of SGS SA	581	553	588	613	480
Non-controlling interests	44	44	42	42	25
Operating income margins in %	**13**	**13**	**14**	**15**	**14**
Average number of Full Time Equivalents	**99 182**	**98 545**	**96 759**	**93 297**	**89 098**

SGS Group – five-year statistical data consolidated statements of financial position

At 31 December

(CHF million)	**2024**	2023	2022	2021	2020
Property, plant and equipment	837	823	907	925	872
Right-of-use assets	548	506	577	605	590
Goodwill	1 783	1 636	1 755	1 778	1 651
Other intangible assets	304	275	350	382	333
Investments in joint-ventures, associates and other	19	16	20	26	34
Deferred tax assets	213	185	153	164	161
Other non current-assets	199	191	125	173	154
Total non-current assets	**3 903**	**3 632**	**3 887**	**4 053**	**3 795**
Assets classified as held for sale	17	–	–	–	–
Inventories	55	57	59	59	57
Unbilled revenues and work in progress	247	223	210	175	160
Trade receivables	991	940	988	928	856
Other receivables and prepayments	217	213	223	204	188
Current tax assets	109	127	132	108	77
Marketable securities	–	–	–	–	9
Cash and cash equivalents	1 210	1 569	1 623	1 480	1 766
Total current assets	**2 846**	**3 129**	**3 235**	**2 954**	**3 113**
Total assets	**6 749**	**6 761**	**7 122**	**7 007**	**6 908**

Share capital	8	7	7	7	8
Reserves	844	723	954	1 118	1 282
Treasury shares	–55	–271	–279	–8	–230
Equity attributable to equity holders of SGS SA	**797**	**459**	**682**	**1 117**	**1 060**
Non-controlling interests	80	69	81	85	74
Total equity	**877**	**528**	**763**	**1 202**	**1 134**
Loans and other financial liabilities	2 700	3 040	2 833	2 889	2 390
Lease liabilities	409	384	442	481	470
Deferred tax liabilities	73	73	79	92	53
Defined benefit obligations	64	66	47	84	136
Provisions	101	91	96	90	88
Total non-current liabilities	**3 347**	**3 654**	**3 497**	**3 636**	**3 137**
Trade and other payables	624	634	671	687	658
Contract liabilities	261	221	228	221	189
Current tax liabilities	186	176	165	169	140
Loans and other financial liabilities	612	841	1 009	282	863
Lease liabilities	159	143	162	155	151
Provisions	72	41	58	60	85
Other creditors and accruals	611	523	569	595	551
Total current liabilities	**2 525**	**2 579**	**2 862**	**2 169**	**2 637**
Total liabilities	**5 872**	**6 233**	**6 359**	**5 805**	**5 774**
Total equity and liabilities	**6 749**	**6 761**	**7 122**	**7 007**	**6 908**

SGS Group – five-year statistical share data

(CHF unless indicated otherwise)	**2024**	2023	2022	2021	2020
Share information					
Registered shares					
Number of shares issued	189 503 259	187 375 800	7 495 032	7 495 032	7 565 732
Number of shares with dividend rights	188 893 389	184 311 115	7 369 054	7 491 672	7 469 238
Price					
High	98	94	3 076	3 059	2 843
Low	70	72	2 002	2 595	1 974
Year-end	91	73	2 150	3 047	2 670
Par value	0.04	0.04	1	1	1
Key figures by shares					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	4.22	2.49	92.56	149.20	141.91
Basic earnings per share[1]	3.10	3.00	78.86	81.91	64.05
Dividend per share ordinary	3.20	3.20	80.00	80.00	80.00
Total dividend per share	3.20	3.20	80.00	80.00	80.00
Dividends (CHF million)					
Ordinary[2]	604	590	590	599	598
Total	**604**	**590**	**590**	**599**	**598**

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 9 of SGS Group Results.
2. The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2025) the approval of an optional scrip dividend of CHF 3.20 per share (CHF 604 million), subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax- and cost-effective option for shareholders.

SGS Group share information

Share transfer

SGS SA has no restrictions as to share ownership, except that registered shares acquired in a fiduciary capacity by third parties may not be registered in the shareholders' register, unless a special authorization has been granted by the Board of Directors.

Market capitalization

At the end of 2024 market capitalization was approximately CHF 17 167 million (2023: CHF 13 370 million). Shares are quoted on the SIX Swiss Exchange.

Credit rating

(as of publication date of Integrated Report)

Rating agency	**Long-term rating**	**Short-term rating**
Moody's Investor Services	A3, negative outlook	P-2

Closing prices for SGS and the Swiss market index (SMI) 2023-2024

5. List of significant subsidiaries

The disclosure of significant subsidiaries is limited to entities whose contribution to the Group consolidated financial statements in 2024 represent at least 0.5% of consolidated sales or 1% of consolidated assets as well as the material direct subsidiaries of SGS SA.

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Argentina	SGS Argentina S.A., Buenos-Aires	ARS	1 139 599 536	100	D
Australia	SGS Australia Pty. Ltd., Bentley	AUD	200 000	100	I
Australia	SGS Australia Holdings Pty. Ltd., Bentley	AUD	182 132 400	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	35 995 380	100	I
Brazil	SGS do Brasil Ltda, Barueri-SP	BRL	648 683 068	100	D
Brazil	SGS Industrial – Instalaçãoes, Testes e Comissionamentos Ltda, Barueri-SP	BRL	91 266 840	100	D
Canada	SGS Canada Inc., Mississauga	CAD	20 900 000	100	D
Chile	SGS Minerals S.A., Santiago de Chile	CLP	29 725 583 703	100	I
Chile	SGS Chile Limitada, Santiago de Chile	CLP	98 282 986 251	100	D
China	SGS-CSTC Standards Technical Services Co. Ltd., Beijing	USD	3 966 667	85	I
China	SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd., Shanghai	CNY	180 000 000	85	I
China	SGS-CSTC Standards Technical Services (Tianjin) Co., Ltd., Tianjin	CNY	3 000 000	85	I
China	SGS-CSTC Standard Technical Services (Qingdao) Co., Ltd., Qingdao	CNY	20 000 000	85	I
Colombia	SGS Colombia S.A.S., Bogota	COP	135 546 166 036	100	D
France	SGS France SAS, Arcueil	EUR	3 976 579	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 100	100	I
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Analytics Germany GmbH, Fellbach	EUR	255 000	100	I
Germany	SGS-TÜV Saar GmbH, Sulzbach	EUR	750 000	74.9	I
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Great britain	SGS Quay Pharmaceuticals Ltd, Deeside	GBP	107 647	100	I
Hong kong	SGS Hong Kong Limited, Hong Kong	HKD	200 000	100	D
India	SGS India Private Ltd., Mumbai	INR	960 000	100	D
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	D
Japan	SGS Japan Inc., Yokohama	JPY	100 000 000	100	D
Malaysia	SGS (Malaysia) Sdn. Bhd., Kuala Lumpur	RM	500 000	100	D
Mexico	SGS de Mexico, S.A. de C.V., Mexico	MXN	281 370 828	100	D
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
Netherlands	SGS Brightsight BV, Delft	EUR	245 100	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	12 022 190	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	91 901 082	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	28 217 200	100	D
Russia	AO SGS Vostok Limited, Moscow	RUB	18 000 000	100	D
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Singapore	Ryobi Geothechnique International Pte Ltd., Singapore	SGD	1 500 000	80	D
Singapore	SGS Testing and Control Services Singapore Pte Ltd., Singapore	SGD	20 100 000	100	D
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	1 007 279 500	100	I
South Africa	SGS Technical Services (PTY) Ltd, Johannesburg	ZAR	775 279 000	100	D
South Korea	SGS Korea Co., Ltd., Seoul	KRW	15 617 540 000	100	D
Spain	SGS Tecnos, S.A., Sociedad Unipersonal, Madrid	EUR	92 072 034	100	I
Spain	SGS Española de Control, S.A.U., Madrid	EUR	240 000	100	I
Spain	General de Servicios ITV, S.A.U., Madrid	EUR	4 753 483	100	I
Sweden	SGS Analytics Sweden AB, Linköping	SEK	1 018 250	100	I
Switzerland	SGS Société Générale de Surveillance SA, Geneva	CHF	100 000	100	D
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.99	D
Turkey	SGS Supervise Gözetme Etüd Kontrol Servisleri AS, Istanbul	TRY	6 550 000	100	I
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	D
United Arab Emirates	SGS Gulf Limited Jebel Ali Free Zone – Dubai Branch	–	–	–	–
United States	SGS North America Inc., Wilmington	USD	73 701 996	100	I
United States	Maine Pointe, LLC, Duxbury	USD	–	100	I
Vietnam	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D

6. Alternative performance measures

Glossary

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

www.sgs.com/en/investors/reports

Constant currency

The constant currency calculation is used in order to assess the period over period evolution of financial indicators without the currency impact. SGS calculates constant currency measures by translating the current year numbers at prior year average exchange rates (except for currencies with a devaluation of above 50% between the two comparable periods, for which the current year average rate is applied to the prior year baseline).

Organic sales growth

Organic sales growth is used by management to evaluate the evolution of existing operations, excluding the changes in scope (impacts of business acquisitions and divestments) and currency fluctuations. This provides a 'like-for-like' comparison with the previous period in constant scope and constant currency, enabling deeper understanding of the business dynamics which contribute to the evolution of sales from one period to another.

- Scope: the results from acquisitions are excluded for the 12 months following the date of a business combination, while results generated by a divested unit are excluded for the 12 months prior to the divestiture
- Currency fluctuations: sales at constant currency are calculated by translating current year numbers at prior year average exchange rates (except for currencies with a devaluation of above 50% between the two comparable periods, for which the current year average rate is applied to the prior year baseline)

Organic sales are then divided by the prior period sales to derive the organic growth percentage.

A numerical reconciliation of this APM is included below:

(CHF million)		
Sales 2023	6 622	
Growth in value and in %		
Organic	**494**	**7.5%**
Scope	**–6**	**–0.1%**
Acquisitions	23	0.3%
Disposals	–29	–0.4%
Sales 2024 at constant currency	7 110	
Currency impact	**–316**	**–4.8%**
Sales 2024	**6 794**	**2.6%**

Adjusted operating income

The adjusted operating income is provided to assess the underlying financial and operational performance of the Group by business line excluding the influence of items not directly attributable to operational performance. Adjusted operating income represents the operating income excluding:

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

(CHF million)	2024	2023
Operating income	**904**	**857**
Amortization and impairment of acquired intangibles	30	55
Restructuring costs	82	21
Goodwill impairment	–	18
Gain on business disposals	–	–7
Transaction and integration costs	12	5
Other non-recurring items	12	22
Adjusted operating income	**1 040**	**971**

Adjusted operating income margin

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

(CHF million)	2024	2023
Adjusted operating income	1 040	971
Sales	6 794	6 622
Adjusted operating income margin	**15.3%**	**14.7%**

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

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

EBITDA is defined as operating income before depreciation, amortization and impairment. It includes restructuring costs.

(CHF million)	2024	2023
Operating income	**904**	**857**
Depreciation, amortization and impairment	476	545
EBITDA	**1 380**	**1 402**

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

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

(CHF million)	2024	2023
Operating income	**904**	**857**
Depreciation, amortization and impairment	476	545
EBITDA	**1 380**	**1 402**
Restructuring costs[1]	76	18
Gain on business disposals	–	–7
Transaction and integration costs	12	5
Other non-recurring items[2]	10	6
Adjusted EBITDA	**1 478**	**1 424**

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

Adjusted profit attributable to shareholders

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

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

(CHF million)	2024	2023
Profit attributable to equity holders of SGS SA	**581**	**553**
Amortization and impairment of acquired intangibles	30	55
Restructuring costs	82	21
Goodwill impairment	–	18
Gain on business disposals	–	–7
Transaction and integration costs	12	5
Other non-recurring items	12	22
Tax impact	–26	–21
Portion attributable to non-controlling interests	–2	–1
Adjusted profit attributable to equity holders of SGS SA	**689**	**645**

Adjusted basic earnings per share (adjusted basic EPS)

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

(CHF million)	2024	2023
Adjusted profit attributable to equity holders of SGS SA	**689**	**645**
Weighted average number of shares (million)	188	184
Adjusted basic earnings per share (CHF)	**3.67**	**3.49**

Adjusted diluted earnings per share (adjusted diluted EPS)

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

(CHF million)	**2024**	2023
Adjusted profit attributable to equity holders of SGS SA	**689**	**645**
Diluted weighted average number of shares (million)	188	185
Adjusted diluted earnings per share (CHF)	**3.66**	**3.48**

Profit attributable to shareholders before restructuring costs

Profit attributable to equity holders of SGS SA before restructuring costs is the profit attributable to equity holders excluding:

- Restructuring costs, which consist of termination costs as well as impairment charges arising from the implementation of restructuring plans
- The tax effect of the elements mentioned above
- The non-controlling interests' effect of the elements mentioned above

(CHF million)	**2024**	2023
Profit attributable to equity holders of SGS SA	**581**	**553**
Restructuring costs	82	21
Tax impact	–16	–5
Portion attributable to non-controlling interests	–1	–
Profit attributable to equity holders of SGS SA before restructuring costs	**646**	**569**

Basic earnings per share before restructuring costs

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

(CHF million)	**2024**	2023
Profit attributable to equity holders of SGS SA before restructuring costs	**646**	**569**
Weighted average number of shares (million)	188	184
Basic earnings per share before restructuring costs (CHF)	**3.45**	**3.09**

Diluted earnings per share before restructuring costs

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

(CHF million)	**2024**	2023
Profit attributable to equity holders of SGS SA before restructuring costs	**646**	**569**
Diluted weighted average number of shares (million)	188	185
Diluted earnings per share before restructuring costs (CHF)	**3.44**	**3.08**

Free cash flow

The free cash flow is deemed an important measure by management as it demonstrates the ability to generate cash after the investment in assets necessary to support the existing operating activities. In 2023, management embedded financial interests paid and financial interests received in the free cash flow calculation. It includes the cash effects of restructuring costs, and is calculated as follows based on amounts disclosed in the consolidated cash flow statement.

(CHF million)	2024	2023
Cash flow from operating activities	**1 224**	**1 123**
Purchase of property, plant and equipment and other intangible assets	–251	–298
Disposal of property, plant and equipment and other intangible assets	12	15
Lease payments	–176	–178
Interests paid	–98	–82
Interests received	37	24
Free cash flow	**748**	**604**

Cash conversion

Cash conversion ratio provides management with a measurement of the Group's ability to convert operational results into cash. The ratio is calculated by comparing the free cash flow to the EBITDA (operating income before depreciation, amortization and impairment) minus lease payments.

(CHF million)	2024	2023
EBITDA	**1 380**	**1 402**
Lease payments	–176	–178
EBITDA minus lease payments	**1 204**	**1 224**
Free cash flow	748	604
Cash conversion	**62%**	**49%**

Return on invested capital (ROIC)

Return on invested capital is a measure of performance that combines profitability and capital efficiency. Management is closely following this APM in order to evaluate capital allocation. ROIC is defined as net operating income after tax for the year divided by invested capital. Invested capital is the sum of the total equity, the net debt (as defined above), lease liabilities, long-term loan receivable and the net derivative position. The invested capital is adjusted for the timing of cash outflows of acquisitions.

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

(CHF million)	2024	2023
Operating income	904	857
Share of profit of associates and JV	3	2
Group effective tax rate	26%	26%
Net operating income after tax for the last 12 months	**671**	**636**
Invested capital	**2 850**	**2 827**
Total equity	877	528
Net debt	2 670	2 839
Lease liabilities	–568	–527
Long-term loan receivables	–5	–4
Net derivatives liability (asset)	10	–9
Adjustment for timing of acquisitions	–134	–
ROIC	**24%**	**22%**

Net debt

Net debt represents the net level of financial debt contracted by SGS with external parties. In 2023, management included lease liabilities in the calculation.

Amounts can be found in the consolidated statement of financial position and the computation is as follows:

(CHF million)	2024	2023
Cash and marketable securities	**1 210**	**1 569**
Cash and cash equivalents	1 210	1 569
Loans and other financial liabilities	**3 880**	**4 408**
Non-current loans and other financial liabilities	2 700	3 040
Current loans and other financial liabilities	612	841
Non-current lease liabilities	409	384
Current lease liabilities	159	143
Net debt	**2 670**	**2 839**

Leverage

Leverage is used by management to monitor and measure the Group's ability to repay its debt from profit earned. Leverage is calculated as net debt divided by adjusted EBITDA. Amounts can be found in the alternative performance measures.

(CHF million)	2024	2023
Net debt	2 670	2 839
Adjusted EBITDA	1 478	1 424
Leverage	**1.8**	**2.0**