

CHF 2.6 BN

-14.9%¹
-10.4% organic*

Revenue

CHF 330 MIO

-26.8%¹

Adjusted Operating Income*

12.5%

-2.0 pp^{1,2}

Adjusted Operating Income Margin*

CHF 177 MIO

-55.6%

Profit for the Period

CHF 22.81

-54.3%

Basic Earnings per Share

CHF 413 MIO

+21.1%

Cash flow from operations

CHF 310 MIO

+43.5%

Free Cash Flow*

18.7%

-5.0 pp²

Return on Invested Capital*

HALF YEAR RESULTS 2020

Our Value to Society: enabling a better, safer and more interconnected world.

1. Constant currency (CCY)*

2. Percentage Points

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

JUNE 2020

SGS



A selection of winning entries from SGS employee children's creative drawing contest during lockdown.

All photos in this report represent recent pictures of SGS employees in their working environment.

FINANCIAL HIGHLIGHTS

<i>(CHF million)</i>	JUNE 2020	JUNE 2019	<i>Change in %</i>	JUNE 2019 CCY¹	<i>Change in CCY¹ %</i>
REVENUE	2 650	3 341	<i>(20.7)</i>	3 115	<i>(14.9)</i>
OPERATING INCOME (EBIT)	302	636	<i>(52.5)</i>	594	<i>(49.2)</i>
OPERATING INCOME MARGIN	11.4%	19.0%		19.1%	
ADJUSTED OPERATING INCOME*	330	489	<i>(32.5)</i>	451	<i>(26.8)</i>
ADJUSTED OPERATING INCOME MARGIN*	12.5%	14.6%		14.5%	
EBITDA*	576	910	<i>(36.7)</i>	851	<i>(32.3)</i>
ADJUSTED EBITDA*	542	722	<i>(24.9)</i>	669	<i>(19.0)</i>
PROFIT FOR THE PERIOD	177	399	<i>(55.6)</i>		
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	171	377	<i>(54.6)</i>		
ADJUSTED PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA*	194	280	<i>(30.7)</i>		
BASIC EPS (CHF)	22.81	49.90	<i>(54.3)</i>		
DILUTED EPS (CHF)	22.74	49.75	<i>(54.3)</i>		
ADJUSTED BASIC EPS (CHF)*	25.82	37.04	<i>(30.3)</i>		
CASH FLOW FROM OPERATING ACTIVITIES	413	341	<i>21.1</i>		
FREE CASH FLOW*	310	216	<i>43.5</i>		
RETURN ON INVESTED CAPITAL*	18.7%	23.7%			
WEIGHTED AVERAGE NUMBER OF SHARES ('000)	7 506	7 551			
AVERAGE FTE²	89 226	96 140			

1. Constant currency (CCY)*

2. Full Time Equivalent (FTE) employees

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

SGS DEMONSTRATES RESILIENCE IN A WORLD IMPACTED BY AN UNPRECEDENTED PANDEMIC

“ The way society has adapted by rising to the challenges it has faced over the past four months has been impressive. Many of these changes will endure, which makes the role of the TIC industry and SGS’ commitment to enabling a better, safer and more interconnected world even more relevant.

SGS is resilient but not immune to the impact of this pandemic. The dynamism and responsiveness demonstrated by our employees in such a challenging operating environment has driven a resilient performance in H1 2020. Our focus has been on employee safety, customer service continuity, pioneering new services, continued investment in high growth potential markets and financial discipline.

Considerable additional measures have been rapidly put in place by our risk management, operational integrity and human resources teams to ensure employee safety, some of which have been tailored into our service offering. ”

FRANKIE NG, Chief Executive Officer

BUSINESS INITIATIVES RELATED TO COVID-19

SGS has leveraged our technical capabilities across our global testing and inspection network to develop our Next Normal Solutions to support our customers, which include:

- Our center of excellence for biosafety testing in Glasgow and the wider SGS Life network is delivering quality control and analytical testing for COVID-19 vaccine development including a candidate that is being commercialized by AstraZeneca
- A significant ramp up of our global personal protective equipment testing and inspection capacity
- A wide range of testing, monitoring, auditing, training and certification of disinfection and business recovery services for our customers across a wide range of industries. Examples of new business wins can be found here: sgs.com/NextNormalNews
- Our new long-term fuel storage monitoring solutions which provide support for our OGC customers

**NEXT
NORMAL
SOLUTIONS**

SERVICE DELIVERY EVOLUTION

We have accelerated the evolution of our service delivery to help our customers address their operational and supply chain challenges:

- Remote inspection, audit and training has all increased significantly to support our core service offering
- We have joined a global partnership with the International Chamber of Commerce, International SOS and AOKpass to provide a range of services including a secure digital Covid-19 compliance status pass using blockchain technology

CONTINUED INVESTMENT INTO HIGH GROWTH POTENTIAL MARKETS

We have continued to invest during the pandemic. While we have delayed some non-essential and maintenance capex in line with the market development, our level of investment into larger and more strategic priority areas has been maintained. These include wireless, 5G, semiconductors, food testing and a full upgrade of our Laboratory Information Management Systems (LIMS).

FINANCIAL DISCIPLINE

The strength of our balance sheet has been emphasized, we have reinforced strict pricing controls and have proactively managed our cost base and working capital:

- Successful placement of CHF 175 million and CHF 325 million bonds at attractive pricing
- Achievement of more than CHF 90 million of structural optimization annual savings announced in 2019
- Strong cost management leading to a limited decline in the adjusted operating income margin* from 14.5% in prior year (at constant currency*) to 12.5% in H1 2020
- Strong free cash flow* performance, increasing by 43.5% from CHF 216 million in prior year to CHF 310 million in 2020, driven by a significant focus on working capital management with operating net working capital* as a percentage of revenue improving to -0.2% in H1 2020 versus 2.9% in the prior year

OUTLOOK

The pandemic impacted different regions of our global network at different stages in H1. The first country impacted was China, which started to be affected in February. North East Asia subsequently returned to growth in Q2, supported by a recovery in China, while other regions started to come under pressure. At a group level, the decline reached bottom in April and has since improved. Given the rapid global evolution of Covid-19 and the various global lockdown measures, our 2020 guidance is withdrawn and it remains challenging for us to offer a meaningful outlook for FY 2020.

What has become clear, as the pandemic has unfolded, is that the TIC sector’s role in society has become more relevant. We expect that some of the increased intervention and a global focus on laboratory testing, hygiene inspection and supply chain security will continue. SGS’ market leadership ensures that it is well positioned to create longer term value for employees, customers, shareholders and for society at large through enabling a better, safer and more interconnected world.

* Alternative Performance Measures (APM), refer to the “2020 Half Year APM” document

A RESILIENT FINANCIAL PERFORMANCE IN H1

TOTAL REVENUE reached CHF 2.6 billion down by 20.7% (-14.9% at constant currency*) notably driven by the disposal of the Petroleum Service Corporation (PSC) in 2019. **ORGANIC REVENUE*** declined by 10.4%, impacted by the pandemic.

The **OPERATING INCOME** decreased from CHF 636 million in prior year to CHF 302 million in 2020 mainly driven by the exceptional gain of CHF 264 million on the disposal of the PSC business in 2019 and by the pandemic in 2020.

The **ADJUSTED OPERATING INCOME*** decreased from CHF 489 million in prior year to CHF 330 million in 2020, a decrease of 32.5% (-26.8% at constant currency*).

The **ADJUSTED OPERATING INCOME MARGIN*** decreased from 14.6% in prior year (14.5%, at constant currency*) to 12.5% in 2020, demonstrating the strong cost control measures put in place since H2 2019 with the implementation of the structural cost optimization program, followed by additional measures implemented in H1 2020 to address the revenue decline linked to the pandemic.

NET FINANCIAL EXPENSES decreased from CHF 33 million in prior year to CHF 31 million in 2020. Lower hedging costs and interest rates on bonds contributed to this decrease.

The overall **EFFECTIVE TAX RATE (ETR)** slightly increased from 34% in prior year to 35% in H1 2020, due to an increase in non-deductible items, mainly goodwill impairment and a portion of the restructuring costs.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS decreased from CHF 377 million in prior year to CHF 171 million in 2020, a decrease of 54.6% over last year.

The **BASIC EARNINGS PER SHARE** decreased from CHF 49.90 in prior year to CHF 22.81 in 2020, a decrease of 54.3%.

The **ADJUSTED BASIC EARNINGS PER SHARE*** decreased from CHF 37.04 in prior year to CHF 25.82 in 2020, a decrease of 30.3% over last year.

The **RETURN ON INVESTED CAPITAL (ROIC)*** decreased from 23.7% in prior year to 18.7% in 2020.

CASH FLOW FROM OPERATING ACTIVITIES increased by 21.1% from CHF 341 million in prior year to CHF 413 million in 2020.

The **FREE CASH FLOW (FCF)*** increased significantly by 43.5% from CHF 216 million in prior year to CHF 310 million in 2020 driven by a strong working capital management. The operating net working capital* as a proportion of revenue improved from 2.9% in prior year to (0.2%) in 2020.

INVESTMENT ACTIVITIES: Capital investment was CHF 108 million versus CHF 130 million last year and the Group completed two acquisitions for a total cash consideration of CHF 21 million.

FINANCING ACTIVITIES: In 2020, the Group paid a dividend of CHF 598 million. The Group also initiated a new share buyback program and repurchased shares for a cumulated amount of CHF 169 million out of the CHF 200 million announced. Two bonds amounting to CHF 500 million in total were also successfully issued during Q2 2020.

As at 30 June 2020, the Group's **NET DEBT*** position amounted to CHF 1 292 million (CHF 762 million at 31 December 2019) supported by strong cash flow generation.

BUSINESS GROWTH AND ADJUSTED OPERATING INCOME MARGIN H1 2020

(CHF million)	REVENUE	GROWTH AT CCY ¹	ORGANIC* GROWTH AT CCY ¹	ADJUSTED OPERATING INCOME*	ADJUSTED OPERATING INCOME MARGIN*
AFL	460	(6.5%)	(5.3%)	60	13.0%
MIN	313	(8.7%)	(8.7%)	46	14.7%
OGC	388	(33.8%)	(7.0%)	35	9.0%
CRS ²	486	(4.1%)	(5.5%)	106	21.8%
CBE ²	188	(9.6%)	(17.8%)	21	11.2%
IND ²	407	(20.4%)	(18.2%)	19	4.7%
EHS	223	(8.6%)	(11.5%)	11	4.9%
GIS ²	185	(17.4%)	(17.8%)	32	17.3%
TOTAL	2 650	(14.9%)	(10.4%)	330	12.5%

1. Constant currency (CCY)* – 2. See Note 2 on segment information restatement

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

ACQUISITIONS

	DATE	LOCATION	BUSINESS LINE	FTE
Thomas J. Stephens & Associates, Inc.	8 January 2020	USA	CRS	102
CTA Gallet	2 June 2020	France	GIS	24

DISPOSALS

	DATE	LOCATION	BUSINESS LINE	FTE
Pest management and fumigation operations	31 January 2020	Belgium and The Netherlands	AFL	95

BOARD CHANGES

On 24 March 2020, Calvin Grieder was elected as Chairman of the Board of Directors. Sami Atiya and Tobias Hartmann were elected as members of the Board of Directors. Peter Kalantzis, former Chairman of the Board, did not stand for re-election. His vast experience and dedication have contributed immensely to the success of SGS over the past decade. Luitpold von Finck also did not stand for re-election. SGS would like to thank them both for their support and direction.

SIGNIFICANT SHAREHOLDERS

On 4 February 2020, the von Finck family has disposed a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

As at 30 June 2020, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 18.91% (December 2019: 16.73%) of the share capital and voting rights of the company. At the same date, the Group held 1.17% of the share capital of the company (December 2019: 0.18%).

21 July 2020



Calvin Grieder
Chairman of the Board



Frankie Ng
Chief Executive Officer

AGRICULTURE, FOOD AND LIFE

(CHF million)	JUNE 2020	JUNE 2019	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	460	525	<i>(12.4)</i>	492	<i>(6.5)</i>
ADJUSTED OPERATING INCOME*	60	73	<i>(17.8)</i>	69	<i>(13.0)</i>
MARGIN %*	13.0	13.9		14.0	

1. Constant currency (CCY)*

Agriculture, Food and Life revenue declined by 6.5% at constant currency (of which 5.3% organic) to CHF 460 million. Biopharmaceutical testing and Trade activities delivered growth, while Seed and Crop, Food Auditing and especially Clinical Research were more impacted by lockdown measures.

Seed and Crop posted a revenue decline. A reduction in contract research volumes in certain countries was partly compensated by strong laboratory-based activities in the USA.

Trade and Logistics achieved solid organic growth with Eastern Europe and the Middle East as well as the Americas performing strongly.

Food was below divisional growth level. The global lockdown measures hampered audits with most field activities effectively put on hold and also impacted testing volumes.

Life Laboratories was above divisional growth levels. Biopharma grew at a double-digit rate, quality control labs were affected by confinement restrictions in some countries and bio-analysis activities were impacted by low sample volume in clinical research.

Clinical Research was impacted by the postponement of studies in the clinical pharmacology unit, however, demand for biometrics services remained strong.

The **adjusted operating margin** declined from 14.0% in prior year (at constant currency) to 13.0% impacted by lower volumes in nearly all strategic business units, partially mitigated by the strict cost control measures and structural cost optimization implemented across the network.

DISPOSALS

- Pest management and fumigation operations in Belgium and The Netherlands

MINERALS

(CHF million)	JUNE 2020	JUNE 2019	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	313	375	<i>(16.5)</i>	343	<i>(8.7)</i>
ADJUSTED OPERATING INCOME*	46	60	<i>(23.3)</i>	54	<i>(14.8)</i>
MARGIN %*	14.7	16.0		15.7	

1. Constant currency (CCY)*

Minerals revenue declined by 8.7% at constant currency (all of which is organic) to CHF 313 million. Africa and the global onsite laboratories demonstrated resilience, delivering solid growth despite the pandemic.

Trade Inspection was in line with divisional performance with reduced coal prices, market contraction and supply interruptions of bulk commodities from Latin America. This was partially compensated by a solid performance in some African and Asia Pacific countries.

Geochemistry onsite laboratories continued their positive trajectory delivering solid growth as a result of new projects in Western Africa, Eastern Europe and the Middle East. Commercial laboratory sample volumes were however lower than the prior year due to reduced exploration activity.

Metallurgy experienced a decline due to the postponement of major projects and metallurgical test work across the network as mining companies adopted a more cautious approach to project expenditure in H1.

The **adjusted operating margin** declined from 15.7% in prior year (at constant currency) to 14.7% due to the significant revenue reduction across the business. Cost containment measures and structural cost optimization in regions with lower volumes helped mitigate the margin impact.

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

OIL, GAS AND CHEMICALS

(CHF million)	JUNE 2020	JUNE 2019	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	388	620	(37.4)	586	(33.8)
ADJUSTED OPERATING INCOME*	35	60	(41.7)	55	(36.4)
MARGIN %*	9.0	9.7		9.4	

1. Constant currency (CCY)*

Oil, Gas and Chemicals revenue declined by 33.8% at constant currency (of which 7.0% organic) to CHF 388 million. The lack of demand for oil, brought on by the Covid-19 pandemic, lowered volumes in all regions. The decline in reported revenue mostly relates to the disposal of Plant and Terminal Operations in the USA and the Netherlands.

A significant reduction in **Trade** volume moved from East to West as the pandemic spread globally resulting in an organic decline in line with the division. This impacted transactional inspection and testing activities during Q2. A further decline in volume then occurred as onshore and offshore storage capacity was filled. Trade volumes stayed relatively stable in Eastern Europe, the Middle East and Latin America.

The low oil price led to an **Upstream** decline at more than the organic divisional average with certain service requests being postponed. However, the business demonstrated its commercial strength through several significant contract wins in Western Europe.

Non-Inspection Related Testing was broadly in line with the organic divisional growth impacted by lower sample volume due to the lockdown mainly in Asia, Europe and North America. This was partially compensated by a new laboratory commissioning project in the Middle East.

Oil Condition Monitoring declined more than the organic divisional average as lower sample volumes resulted from limited sample transportation.

The **adjusted operating margin** moderately decreased from 9.4% in prior year (at constant currency) to 9.0%, reflecting continued cost control measures, Covid-19 mitigation actions and structural cost optimization measures taken in 2019.

CONSUMER AND RETAIL

(CHF million)	JUNE 2020	JUNE 2019 ²	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	486	538	(9.7)	507	(4.1)
ADJUSTED OPERATING INCOME*	106	129	(17.8)	121	(12.4)
MARGIN %*	21.8	24.0		23.9	

1. Constant currency (CCY)* – 2. See Note 2 on segment information restatement

Consumer and Retail revenue declined by 4.1% at constant currency (of which 5.5% organic) to CHF 486 million. While all strategic business units were affected, overall, the business demonstrated the resilience of its strategy.

Electrical and Electronics performed well. Product safety testing grew in double digits, while wireless and microelectronics remained stable. Restricted substance testing volumes and field services were directly impacted by the lockdown and auto performance laboratories' revenue declined in double digits due to challenges in the automotive industry. The business continued to accelerate its connectivity competence with investment in wireless, 5G and microelectronics testing.

Softlines declined in single digits following the disruption of the softlines supply chain due to the lockdown in many countries (especially, China, India, Bangladesh and Turkey) and a challenging retail and brand market in Europe and the USA. This was partially offset by strong increases in personal protective equipment testing.

Hardlines reported a high single-digit decline mainly due to difficult market conditions in Europe and business interruption in China in February and March, which improved in recent months. eRetailers and ePlatforms delivered excellent performance while toys and juvenile products was affected by a reduction in new toys launched by brands and retailers.

Despite strong improvement in China in Q2, **Cosmetics, Personal Care and Household** experienced a high single-digit decline due to temporary site closures in the USA.

The **adjusted operating margin** deteriorated from 23.9% in prior year (at constant currency) to 21.8%, as volumes fell in high-margin countries, offset to an extent by cost mitigation and flexibility measures in certain geographies.

ACQUISITIONS

- Thomas J. Stephens & Associates, Inc. in the USA

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

CERTIFICATION AND BUSINESS ENHANCEMENT

(CHF million)	JUNE 2020	JUNE 2019 ²	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	188	221	(14.9)	208	(9.6)
ADJUSTED OPERATING INCOME*	21	40	(47.5)	38	(44.7)
MARGIN %*	11.2	18.1		18.3	

1. Constant currency (CCY)* – 2. See Note 2 on segment information restatement

Certification and Business Enhancement revenue declined by 9.6% at constant currency (of which 17.8% organic) to CHF 188 million. The division was impacted by travel restrictions and lockdowns preventing auditors from visiting customer premises.

Management System Certification declined less than divisional average as customers continued to maintain their certification. The implementation of remote auditing solutions allowed SGS to support clients in the challenging environment.

Second Party Audits declined more than the divisional average as certain programs were put on hold. This was partially compensated by the renewal of a large contract in Colombia with an insurance company.

Responsible Business Services revenue declined more than average impacted by the early lockdown in China in Q1 and the lockdowns in Europe and the USA in Q2 as most retailers put their programs on hold.

Technical Consultancy revenue declined more than average with several large projects being stopped as customers dealt with the effects of the Covid-19 pandemic. The accelerated development of our remote consulting model will enable the virtual delivery of some elements of our work.

SGS Academy declined more than divisional growth levels as classrooms were closed. This was partly compensated by implementation of Virtual Instructor Led Training (VILT) across the network.

The **adjusted operating margin** decreased from 18.3% in prior year (at constant currency) to 11.2% entirely due to the sudden drop of volume, which was partly compensated by temporary and permanent cost reductions programs to align to the new business environment.

INDUSTRIAL

(CHF million)	JUNE 2020	JUNE 2019 ²	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	407	558	(27.1)	511	(20.4)
ADJUSTED OPERATING INCOME*	19	48	(60.4)	44	(56.8)
MARGIN %*	4.7	8.6		8.6	

1. Constant currency (CCY)* – 2. See Note 2 on segment information restatement

Industrial revenue declined by 20.4% at constant currency (of which 18.2% organic) to CHF 407 million. The statutory business provided some resilience across the network, while North East Asia rebounded quickly in Q2. Delays in Oil & Gas and Nuclear, along with challenges in the Aeronautics industry impacted growth.

Oil & Gas revenue declined more than the divisional average as on-site OPEX activities were postponed due to the pandemic. The business delivered strong growth in Russia, Peru and India.

Manufacturing revenue declined below the divisional average. North East Asia growth was solid supported by double-digit growth in Taiwan related to increased testing demand for renewable energy and construction. Remote inspection solutions enabled operational continuity in supply chain services.

Infrastructure delivered high double-digit growth in Eastern Europe and the Middle East in addition to the solid performance of acquired Testing Engineering and Consulting business (USA). Latin America was impacted by Covid-19 in the second quarter.

Power & Utilities growth was ahead of the divisional average, with strong growth across Northern and Eastern Europe and the Middle East and double-digit growth in North East Asia. Delays in Nuclear inspection activities partially offset this development, but a recovery is expected in H2.

Transportation declined more than the divisional average. Double-digit growth in battery testing was more than offset by weakness in the Aeronautics industry and the effect of the disposal of the pre-owned vehicle inspection activities in the USA.

The **adjusted operating margin** decreased from 8.6% in prior year (at constant currency) to 4.7%. The negative operational leverage was limited by exiting some value destroying contracts, structural cost optimization and overall cost agility.

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

ENVIRONMENT, HEALTH AND SAFETY

(CHF million)	JUNE 2020	JUNE 2019	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	223	261	(14.6)	244	(8.6)
ADJUSTED OPERATING INCOME*	11	28	(60.7)	26	(57.7)
MARGIN %*	4.9	10.7		10.7	

1. Constant currency (CCY)*

Environment, Health & Safety revenue declined by 8.6% at constant currency (of which 11.5% organic) to CHF 223 million. A strong start to the year was interrupted by the global pandemic. The North East Asian operations demonstrated resilience and rebounded in Q2.

Laboratory Services delivered a high single-digit decline, broadly in line with the divisional average, as Covid-19 logistical issues impacted sample volumes reaching laboratories.

Health & Safety growth was affected by inability to access sites in construction, hospitality and industrial hygiene. There are currently some encouraging signs of recovery where lockdown measures have been relaxed. Overall, legislative and internal requirements remain in place.

Field & Monitoring growth was above the divisional average. Travel restrictions prevented sample collection, however, North East Asia bounced back in March, with double-digit growth as markets returned to normal. Momentum continued in Marine services.

Auditing & Compliance was impacted by travel restrictions resulting in a decline below the divisional average. The launch of "Next Normal Solutions" Covid-19 services has started to generate additional volume.

The **adjusted operating margin** decreased from 10.7% in prior year (at constant currency) to 4.9%. Profitability was impacted by lower volumes and the strategic retention of technical capabilities to support an H2 catch up.

GOVERNMENTS AND INSTITUTIONS

(CHF million)	JUNE 2020	JUNE 2019 ²	Change in %	JUNE 2019 CCY ¹	Change in CCY ¹ %
REVENUE	185	243	(23.9)	224	(17.4)
ADJUSTED OPERATING INCOME*	32	51	(37.3)	44	(27.3)
MARGIN %*	17.3	21.0		19.6	

1. Constant currency (CCY)* – 2. See Note 2 on segment information restatement

Governments and Institutions revenue declined by 17.4% at constant currency (of which 17.8% organic) to CHF 185 million. While the business has been heavily impacted by the Covid-19 restrictions, it has also validated the acceleration of our digital strategy, which is enabling us to quickly implement new solutions for customers.

Economic Affairs declined less than the divisional average, supported by double-digit growth in Saudi Arabia, new contracts, expansion of scope to cover new products and the acceleration of remote inspection as a service in response to the crisis.

Border Solutions activities achieved solid growth as TransitNet continued its market penetration with new operations in Germany, Belarus and Russia. Scanning in Cameroon, which was impacted by lower trade volume, has been recovering since May with 100% scanning reducing clearance time at the Port of Douala. Omnis container tracking combined with TransitNet is creating new opportunities.

Digital Solutions declined less than divisional average supported by a good performance in Mozambique and Madagascar.

Antifraud continues to be impacted by the suspension of the Haiti contract for non-payment, but elsewhere, valuation performance has been outstanding.

Mobility was severely impacted by the global lockdown measures, however vehicle inspections started to recover strongly from June in Africa and Western Europe as restrictions were lifted.

The **adjusted operating margin** decreased from 19.6% in prior year (at constant currency) to 17.3%. Following the drop in volume, diseconomies of scale impacted the margin (mainly in Mobility and Single Window). SGS QiiQ has improved the economics of product assessments by compensating for recent increase in royalties.

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

ACQUISITIONS

- CTA Gallet in France



Safety first in mining operations, SGS Chile.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

<i>(CHF million)</i>	NOTES	JUNE 2020	JUNE 2019
REVENUE	4	2 650	3 341
Salaries and wages		(1 384)	(1 741)
Subcontractors' expenses		(157)	(183)
Depreciation, amortization and impairment		(274)	(274)
Gain on business disposals		62	272
Other operating expenses		(595)	(779)
OPERATING INCOME (EBIT)	4	302	636
Financial income		4	7
Financial expenses		(35)	(40)
Share of profit/(losses) of associates and joint ventures		-	(1)
PROFIT BEFORE TAXES		271	602
Taxes	7	(94)	(203)
PROFIT FOR THE PERIOD		177	399
<i>Profit attributable to:</i>			
Equity holders of SGS SA		171	377
Non-controlling interests		6	22
BASIC EARNINGS PER SHARE (IN CHF)	8	22.81	49.90
DILUTED EARNINGS PER SHARE (IN CHF)	8	22.74	49.75

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(CHF million)</i>	NOTES	JUNE 2020	JUNE 2019
Actuarial (losses)/gains on defined benefit plans	14	(17)	11
Income tax on actuarial gains/(losses)		4	(1)
Items that will not be subsequently reclassified to income statement		(13)	10
Exchange differences and other		(139)	(37)
Items that may be subsequently reclassified to income statement		(139)	(37)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(152)	(27)
Profit for the year		177	399
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		25	372
<i>Attributable to:</i>			
Equity holders of SGS SA		21	352
Non-controlling interests		4	20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CHF million)

	NOTES	JUNE 2020	DECEMBER 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		853	926
Right-of-use assets		561	611
Goodwill	9	1 191	1 281
Other intangible assets		174	187
Investments in joint ventures, associates and other companies		34	35
Deferred tax assets		175	174
Other non-current assets		136	149
TOTAL NON-CURRENT ASSETS		3 124	3 363
CURRENT ASSETS			
Inventories		44	45
Unbilled revenues and work in progress		167	195
Trade receivables		788	953
Other receivables and prepayments		259	219
Current tax assets		76	77
Marketable securities		9	9
Cash and cash equivalents		1 402	1 466
TOTAL CURRENT ASSETS		2 745	2 964
TOTAL ASSETS		5 869	6 327
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital		8	8
Reserves		976	1 536
Treasury shares		(212)	(30)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		772	1 514
Non-controlling interests		85	81
TOTAL EQUITY		857	1 595
NON-CURRENT LIABILITIES			
Loans and other financial liabilities	13	2 399	2 199
Lease liabilities		454	490
Deferred tax liabilities		22	23
Defined benefit obligations		157	151
Provisions		90	91
TOTAL NON-CURRENT LIABILITIES		3 122	2 954
CURRENT LIABILITIES			
Loans and other financial liabilities	13	304	38
Lease liabilities		143	154
Trade and other payables		570	638
Provisions		77	74
Current tax liabilities		122	145
Contract liabilities		194	155
Other creditors and accruals		480	574
TOTAL CURRENT LIABILITIES		1 890	1 778
TOTAL LIABILITIES		5 012	4 732
TOTAL EQUITY AND LIABILITIES		5 869	6 327

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CHF million)	ATTRIBUTABLE TO:								
	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE	CUMULATIVE TRANSLATION ADJUSTMENTS	CUMULATIVE GAINS/(LOSSES) ON DEFINED BENEFIT PLANS	RETAINED EARNINGS AND GROUP RESERVES	EQUITY HOLDERS OF SGS SA	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 1 JANUARY 2019 RESTATED	8	(191)	129	(1 064)	(239)	2 958	1 601	74	1 675
Profit for the period	-	-	-	-	-	377	377	22	399
Other comprehensive income for the period	-	-	-	(35)	10	-	(25)	(2)	(27)
<i>Total comprehensive income for the period</i>	-	-	-	<i>(35)</i>	<i>10</i>	<i>377</i>	<i>352</i>	<i>20</i>	<i>372</i>
Dividends paid	-	-	-	-	-	(589)	(589)	(9)	(598)
Share-based payments	-	-	9	-	-	-	9	-	9
Movement in non-controlling interests	-	-	-	-	-	(87)	(87)	1	(86)
Movement on treasury shares	-	3	(1)	-	-	-	2	-	2
BALANCE AT 30 JUNE 2019	8	(188)	137	(1 099)	(229)	2 659	1 288	86	1 374
BALANCE AT 1 JANUARY 2020	8	(30)	146	(1 128)	(251)	2 769	1 514	81	1 595
Profit for the period	-	-	-	-	-	171	171	6	177
Other comprehensive income for the period	-	-	-	(137)	(13)	-	(150)	(2)	(152)
<i>Total comprehensive income for the period</i>	-	-	-	<i>(137)</i>	<i>(13)</i>	<i>171</i>	<i>21</i>	<i>4</i>	<i>25</i>
Dividends paid	-	-	-	-	-	(598)	(598)	(2)	(600)
Share-based payments	-	-	9	-	-	-	9	-	9
Movement in non-controlling interests	-	-	-	-	-	12	12	2	14
Movement on treasury shares	-	(182)	(3)	-	-	(1)	(186)	-	(186)
BALANCE AT 30 JUNE 2020	8	(212)	152	(1 265)	(264)	2 353	772	85	857

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

<i>(CHF million)</i>	JUNE 2020	JUNE 2019
Profit for the year	177	399
Non-cash and non-operating items	361	295
Increase in working capital	-	(205)
Taxes paid	(125)	(148)
CASH FLOW FROM OPERATING ACTIVITIES	413	341
Purchase of property, plant and equipment and other intangible assets	(108)	(130)
Disposal of property, plant and equipment and other intangible assets	5	5
Acquisition of businesses	(23)	(145)
Proceeds from disposal of businesses	71	2
Increase in other non-current assets	(2)	(1)
Decrease/(increase) in investments in joint ventures, associates and other companies	-	(2)
Interest received	6	9
CASH FLOW USED BY INVESTING ACTIVITIES	(51)	(262)
Dividends paid to equity holders of SGS SA	(598)	(589)
Dividends paid to non-controlling interests	(2)	(9)
Transaction with non-controlling interests	-	(13)
Cash paid on treasury shares	(189)	(22)
Proceeds/(payment) of corporate bonds	499	(375)
Interest paid	(41)	(56)
Payment of lease liabilities	(80)	(87)
Decrease in borrowings	-	202
CASH FLOW USED BY FINANCING ACTIVITIES	(411)	(949)
Currency translation	(15)	(8)
DECREASE IN CASH AND CASH EQUIVALENTS	(64)	(878)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1 466	1 743
Decrease in cash and cash equivalents	(64)	(878)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1 402	865

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. ACTIVITIES OF THE GROUP

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

2. BASIS OF PREPARATION, SIGNIFICANT EVENTS AND SEGMENT INFORMATION RESTATEMENT

BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 and should be read in conjunction with the consolidated financial statement of the Group for the year end 31 December 2019.

COVID-19 PANDEMIC

Covid-19 has been declared a pandemic by the World Health Organization on 11 March 2020. Through this challenging

period, SGS has focused on employee safety, customer service continuity and has been managing the business with a strong finance discipline.

The Group has remained agile, adapting its operations to local guidelines and requirements, travel restrictions within and across countries, micro- and macro-economic changes, as well as specific client requests. These have resulted in local business disruptions, such as temporary site closures, supply chain interruptions, postponement or suspension of consultancy and supervision projects. Consequently, SGS has experienced a decline in activities in H1 2020 across all business lines as well as incurring additional costs to respond

to the new way of operating during the pandemic while maintaining efficient workforce management.

Supported by its diversified service portfolio, know-how and geographical coverage, SGS has been able to further evolve core products and develop new services to serve newly created customer demands.

These 2020 interim financial statements were prepared considering the impact of the pandemic, as well as the future uncertainties, with particular attention to (i) the impairment of non-current assets, (ii) the appropriateness of the allowance for trade receivables, unbilled revenue and work in progress, (iii) the level of provision for restructuring and risks as well as (iv) accounting for government grants.

BUSINESS SEGMENT FINANCIAL RESTATEMENT

As indicated early this year, the SGS' core skills and organizational structure are evolving to adapt to new market conditions and customer demands. A strategic review of our Transportation business line (TRP) was completed in 2019. The integration of this business line into our other business segments, effective as of 1 January 2020, resulted in providing a more natural home to the Transportation activities. Other than creating more operational synergies, the Group expects to reinvigorate the growth profiles of these services. The previously reported 2019 segment disclosures have been restated to reflect this change and are disclosed in note 4.

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies used in the preparation and presentation of the interim condensed financial statements are consistent with those used in the annual financial statements. Several new amendments and interpretations were adopted effective 1 January 2020 but have no material impact on the Group's consolidated interim financial statements.

GOVERNMENT GRANTS

IAS 20 sets out the principle for the recognition, measurement, presentation and disclosure of government grants. Government grants that are not related to assets are credited to the income statement as a deduction of the related expenses. Government grants are recognized when there is a reasonable assurance that the grant will be received and all attached conditions will be met.

4. ANALYSIS OF OPERATING INCOME

JUNE 2020

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME*	AMORTIZATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	GOODWILL IMPAIRMENT	GAIN ON BUSINESS DISPOSALS	TRANSACTION AND INTEGRATION COSTS	OPERATING INCOME BY BUSINESS
AFL	460	60	(2)	(2)	(15)	62	(1)	102
MIN	313	46	(1)	(3)	-	-	-	42
OGC	388	35	-	(3)	-	-	-	32
CRS	486	106	(1)	(1)	-	-	-	104
CBE	188	21	(7)	(1)	(7)	-	(1)	5
IND	407	19	(3)	(6)	(11)	-	-	(1)
EHS	223	11	(2)	(1)	-	-	-	8
GIS	185	32	(2)	(18)	(2)	-	-	10
TOTAL	2 650	330	(18)	(35)	(35)	62	(2)	302

JUNE 2019 RESTATED

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME*	AMORTIZATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	GOODWILL IMPAIRMENT	GAIN ON BUSINESS DISPOSALS	TRANSACTION AND INTEGRATION COSTS	OTHER NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
AFL	525	73	(1)	(1)	-	-	(1)	(9)	61
MIN	375	60	(1)	(2)	-	-	-	(6)	51
OGC	620	60	(1)	(3)	-	272	(8)	(10)	310
CRS	538	129	(2)	(1)	-	-	-	(9)	117
CBE	221	40	-	(1)	-	-	(2)	(4)	33
IND	558	48	(9)	(4)	(21)	-	-	(13)	1
EHS	261	28	(2)	-	-	-	(1)	(4)	21
GIS	243	51	(1)	(4)	-	-	-	(4)	42
TOTAL	3 341	489	(17)	(16)	(21)	272	(12)	(59)	636

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

JUNE 2019 PUBLISHED

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME*	AMORTIZATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	GOODWILL IMPAIRMENT	GAIN ON BUSINESS DISPOSALS	TRANSACTION AND INTEGRATION COSTS	OTHER NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
AFL	525	73	(1)	(1)	-	-	(1)	(9)	61
MIN	375	60	(1)	(2)	-	-	-	(6)	51
OGC	620	60	(1)	(3)	-	272	(8)	(10)	310
CRS	502	125	(1)	(1)	-	-	-	(9)	114
CBE	196	35	-	(1)	-	-	(2)	(3)	29
IND	476	48	(8)	(4)	(21)	-	-	(12)	3
EHS	261	28	(2)	-	-	-	(1)	(4)	21
TRP	257	35	(3)	(3)	-	-	-	(4)	25
GIS	129	25	-	(1)	-	-	-	(2)	22
TOTAL	3 341	489	(17)	(16)	(21)	272	(12)	(59)	636

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

RESTRUCTURING COSTS

The Group incurred a pre-tax restructuring charge of CHF 35 million (2019: CHF 16 million). This comprised personnel reorganization of CHF 17 million (2019: CHF 10 million) as well as fixed asset impairment of CHF 9 million (2019: CHF 3 million) and other charges of CHF 9 million (2019: CHF 3 million).

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

GROUP'S REVENUE FROM CONTRACTS WITH CUSTOMERS BY TIMING OF RECOGNITION

(CHF million)	JUNE 2020		JUNE 2019 RESTATED		JUNE 2019 PUBLISHED	
	SERVICES TRANSFERRED AT A POINT IN TIME	SERVICES TRANSFERRED OVER TIME	SERVICES TRANSFERRED AT A POINT IN TIME	SERVICES TRANSFERRED OVER TIME	SERVICES TRANSFERRED AT A POINT IN TIME	SERVICES TRANSFERRED OVER TIME
AFL	86%	14%	84%	16%	84%	16%
MIN	69%	31%	65%	35%	65%	35%
OGC ¹	80%	20%	60%	40%	60%	40%
CRS ²	83%	17%	82%	18%	84%	16%
CBE ²	97%	3%	96%	4%	96%	4%
IND ²	59%	41%	58%	42%	56%	44%
EHS	78%	22%	77%	23%	77%	23%
TRP ²	n.a.	n.a.	n.a.	n.a.	80%	20%
GIS ²	95%	5%	90%	10%	91%	9%
TOTAL	79%	21%	74%	26%	74%	26%

1. The disposal of the PSC business in the USA has impacted the proportion of revenue recognized at a point in time versus over time in OGC

2. See Note 2 on Segment information restatement

6. GOVERNMENT GRANTS

Government grants for the period amount to CHF 20 million (2019: CHF 3 million), presented as a deduction of salaries and wages expenses. The Group has applied for subsidies in certain countries for which a scheme has been put in place to cover partial unemployment due to the Covid-19 pandemic. Conditions attached to the grants differ from one country to another and the Group recognizes the grants only when the conditions are met. The outstanding balance recognized in the statement of financial position amounted to CHF 6 million (2019: CHF 0).

* Alternative Performance Measures (APM), refer to the "2020 Half Year APM" document

7. TAXES

<i>(CHF million)</i>	JUNE 2020	JUNE 2019
Current taxes	102	143
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences	(8)	60
TOTAL	94	203

<i>(CHF million)</i>	JUNE 2020	JUNE 2019
Profit before taxes	271	602
Tax at statutory rates applicable to the profits earned in the country concerned	47	132
Tax effect of non-deductible or non-taxable items	15	7
Tax charge from/(usage of) unrecognized tax losses	11	44
Non-creditable foreign withholding taxes	14	16
Other	7	4
TAX CHARGE	94	203

8. EARNINGS PER SHARE

	JUNE 2020	JUNE 2019
Profit attributable to equity holders of SGS SA (CHF million)	171	377
Weighted average number of shares ('000)	7 506	7 551
BASIC EARNINGS PER SHARE (CHF)	22.81	49.90

	JUNE 2020	JUNE 2019
Profit attributable to equity holders of SGS SA (CHF million)	171	377
Diluted weighted average number of shares ('000)	7 530	7 574
DILUTED EARNINGS PER SHARE (CHF)	22.74	49.75

9. GOODWILL

<i>(CHF million)</i>	JUNE 2020	JUNE 2019
COST		
AT 1 JANUARY	1 281	1 224
Additions	15	141
Consideration / fair value adjustments on prior years' acquisitions	(5)	(5)
Disposal	(6)	(32)
Impairment	(35)	(21)
Exchange differences	(59)	(13)
AT END OF THE PERIOD	1 191	1 294

Goodwill recognized by the Group is allocated to Cash Generating Units (CGU) or groups of CGUs which are subject to impairment testing.

Following the organizational structure changes stated in note 2, the goodwill of the Transportation business line (previously two CGUs), has been mainly reallocated to Industrial (IND) and Governments and Institutions (GIS).

- The **Industrial (IND)** business line now includes an additional CGU related to the transportation testing and engineering activities in the USA where the cash inflows are concentrated, bringing the number of CGUs in this business to seven. The other CGUs continue to be driven primarily by regional and local customer activities and therefore have cash inflows, which are largely independent from each other. Consequently, a CGU organization by region or by country has been maintained.
- The **Governments and Institutions (GIS)** business line now includes two main CGUs in Spain and France regrouping mobility (regulated services) activities since customer activities in this sector are country specific and thus are assessed as two distinct CGUs.

Considering the recent developments arising from both the uncertainty due to the worldwide pandemic and the business evolution, a full impairment test has been conducted as of 30 June 2020. As required by IAS 36 and considering specific impairment indicators, the technical consultancy activity in the USA was assessed at a separate CGU within the **Certification and Business and Enhancement (CBE)** business line. Goodwill allocated to the main CGUs or groups of CGUs, as of 30 June 2020 is broken down as follows:

<i>(CHF million)</i>	JUNE 2020
AFL	216
IND	228
EHS	155
MIN	105
CBE	104
OGC	102
CRS	114
GIS	167
TOTAL	1 191

The recoverable amount of each of the CGUs or group of CGUs, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre- tax rate depending on the business activities and geographic profile of each of the respective CGUs.

However, following the closure of certain activities within the business lines and restructuring as a result of the global downturn and ongoing economic uncertainty, the Group recognized an impairment loss of CHF 35 million mainly allocated to the following CGUs or groups of CGUs :

- An impairment of CHF 11 million has been recognized in our IND CGUs mainly in North America in the transportation testing and engineering activities as the recoverable amount of the CGU was lower than its carrying amount due to the worldwide downturn of the automotive industry
- An impairment of CHF 15 million has been recognized in our AFL Life clinical CGU due to a decline in expected synergies for our clinical research activities as a result of the closure of the business in France
- An impairment of CHF 9 million has been recognized following the reorganization of the Group's Transportation business mainly impacting the aviation, audit and advisory services in Australia (CBE), which has been heavily impacted by the Covid-19 pandemic.

PRE-TAX DISCOUNT RATE USED PER JUNE 2020 FOR THE MAIN CGUS OR GROUP OF CGUS IMPAIRMENT TESTING

	2020
AFL	7.0% – 8.9%
IND	5.9% – 11.9%
EHS	7.3%
MIN	9.7%
CBE	6.6% – 12%
OGC	8.4%
CRS	9.2%
GIS	6.1% – 6.5%

The cash flow projections for the first five years were based upon financial plans, approved by the Group, for each CGU or group of CGUs. The overall assumptions used in the cash flow projections are consistent with the expected average growth rates of the segments served by the Group. For the subsequent years, the Group assumes a long-term growth rate in the range of 0% – 2% and stable operating margins depending on each CGU or group of CGUs.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

After considering the Goodwill impairment loss of CHF 35 million, sensitivity analyses were conducted using the following key assumptions:

- Reducing the expected annual revenue growth rates for the first five years by 2 pp¹
- Reducing the operating margin by 0.25 pp¹
- Increasing the discount rate assumption by 1 pp¹

For all impairment tests, changing the key assumptions would not result in any additional impairment.

1. Percentage Points

SPECIFIC IMPAIRMENT TEST PERFORMED FOR CBE TECHNICAL CONSULTANCY USA

Due to the suspension of several large technical consultancy projects in the USA as a result of the Covid-19 pandemic, an impairment test has been conducted for this CGU using the following key assumptions:

- Pre-tax discount rate of 12% assuming a risk size premium of 5.2% reflecting uncertain future returns for consultancy businesses
- Strong recovery in 2021 from the Covid-19 pandemic with an average growth rate of 10% from 2022 to 2025
- Average EBITDA margin in the mid 20's
- Long-term growth rate of 2% after 2025

Based on the above assumptions, the recoverable amount exceeds the carrying amount for this CGU for which the Group's share of goodwill is CHF 84 million.

The Group has assessed the sensitivity of the value in use to the changes in the assumptions as follows:

- Missing the 2021 revenue target by 20% and decreasing the 2022 to 2025 average revenue growth by 4 pp would reduce the value in use by CHF 85 million
- Decreasing the average EBITDA margin by 4 pp¹ would reduce the value in use by CHF 45 million
- Decreasing the long term growth rate by 1 pp¹ would reduce the value in use by CHF 20 million

Based on the above sensitivity analyses, the recoverable amount exceeds the carrying value of the CGU and therefore would not result in an impairment.

Missing the 2021 revenue target by 30% and decreasing both the 2022 to 2025 average revenue growth and average EBITDA margin by 4 pp respectively, whilst leaving other assumptions unchanged, would bring the value in use of the CGU to its carrying amount.

10. ACQUISITIONS

Since January 2020, the Group has completed 2 acquisitions.

- 100 % of **Thomas J. Stephens & Associates, Inc.**, a company providing clinical research serving the cosmetic and personal care industry in USA. (effective 8 January 2020)
- 100 % of **CTA Gallet**, a company operating vehicle inspection services in France and providing road safety inspections (effective 2 June 2020)

These companies were acquired for an amount of CHF 21 million and the total goodwill generated on these transactions amounted to CHF 15 million.

All the above transactions contributed a total of CHF 7 million in revenue and CHF 1 million in operating income in 2020. Had all acquisitions been effective 1 January 2020, the revenue for the period from these acquisitions would have been CHF 8 million and the operating income would have been CHF 1 million.

11. 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 revenues 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. The Group has experienced some delays in the processing and settlements of transactions due to Covid-19 pandemic and has assessed the provision matrix (expected credit loss model) as adequate. 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 revenue and work in progress.

As at 30 June 2020, unbilled revenue and work in progress amounted to CHF 167 million (2019: CHF 195 million) which is net of an allowance for expected credit losses of CHF 22 million (2019: CHF 19 million).

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on ageing of trade receivables as of invoice date at 30 June 2020.

<i>(CHF million)</i>	EXPECTED CREDIT LOSS RANGE	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS
0 – 60 days	0%	597	-
61 – 90 days	0.5% – 5%	92	3
91 – 120 days	10% – 25%	54	10
121 – 180 days	20% – 50%	55	18
181 – 240 days	35% – 75%	33	17
241 – 300 days	50% – 75%	16	12
301 – 360 days	75% – 100%	11	10
> 360 days	100%	135	135
TOTAL		993	205

1. Percentage Points

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on ageing of trade receivables as of invoice date at 31 December 2019.

<i>(CHF million)</i>	EXPECTED CREDIT LOSS RANGE	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS
0 – 60 days	0%	762	-
61 – 90 days	0.5% – 5%	105	4
91 – 120 days	10% – 25%	45	9
121-- 180 days	20% – 50%	57	20
181 – 240 days	35% – 75%	30	19
241 – 300 days	50% – 75%	14	10
301 – 360 days	75% – 100%	17	15
> 360 days	100%	132	132
TOTAL		1 162	209

12. FAIR VALUE MEASUREMENT RECOGNIZED IN THE BALANCE SHEET

There was no transfer between fair value level categories during the period. In the fair value hierarchy, marketable securities (CHF 9 million; 2019: CHF 9 million) qualify as Level 1, fair value measurement category. Derivative assets (2020: CHF 7 million; 2019: CHF 15 million) and derivative liabilities (2020: CHF 7 million; 2019: CHF 10 million) qualify as Level 2 fair value measurement category. Derivative assets 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.

The corporate bonds qualify as fair value Level 1 which amounts to CHF 2 669 million (2019: CHF 2 209 million).

Other financial liabilities include CHF 73 million qualifying as fair value Level 3, 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. This includes the fair value of the redemption amount to acquire the remaining 40% of Maine Pointe LLC. The put/call option was initially set to be exercisable in June 2022, but has been extended to June 2023 following the unfavorable market environment due to Covid-19 pandemic. The fair value has been estimated at CHF 52 million by applying a discounted valuation method based on weighted average revenue growth scenarios and a discount rate of 1%. The put option is sensitive to changes in revenue and reaching an EBITDA target up to a maximum payout of CHF 88 million.

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. As at June 2020, a change in fair value measurement of CHF 15 million (2019: CHF nil), has been recognized directly in equity.

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

13. LOANS AND OTHER FINANCIAL LIABILITIES

<i>(CHF million)</i>	JUNE 2020	DECEMBER 2019
Bank loans	6	8
Corporate bonds	2 603	2 105
Other financial liabilities	87	114
Derivatives	7	10
TOTAL	2 703	2 237
Current	304	38
Non-current	2 399	2 199

During the period, 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 %
16.04.2020	175	0.450	2023	100.117	100.000
16.04.2020	325	0.950	2026	100.182	100.000

LIQUIDITY RISK MANAGEMENT

SGS has issued two bonds on April 16, 2020, for a total amount of CHF 500 million for general corporate purposes. The cash position as at June 30, 2020, amounts to CHF 1 402 million. In addition, CHF 600 million are available in form of committed bilateral credit facilities, which are currently not drawn down.

Therefore, SGS has sufficient liquidity available to mitigate any impacts, should Covid-19 lead to a further deterioration of the business environment.

14. DEFINED BENEFIT OBLIGATIONS

The Covid-19 pandemic has had an impact on market fluctuations (mainly interest rates and market values of assets). SGS remeasured the defined benefit plans in Switzerland, the USA and the UK at the end of the first half of 2020. The impact on the net pension liability for the first six months of 2020 amounting to CHF 17 million is recognized in other comprehensive income and is subject to future volatility.

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue by the Board of Directors on 20 July 2020.

17. 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	
			JUNE 2020	DECEMBER 2019	JUNE 2020	JUNE 2019
Australia	AUD	100	65.27	68.02	63.58	70.59
Brazil	BRL	100	17.64	24.07	19.98	26.01
Canada	CAD	100	69.61	74.47	70.92	74.93
Chile	CLP	100	0.12	0.13	0.12	0.15
China	CNY	100	13.48	13.93	13.74	14.74
Eurozone	EUR	100	106.82	109.03	106.45	112.96
United Kingdom	GBP	100	116.91	127.49	121.92	129.32
Russia	RUB	100	1.35	1.58	1.40	1.53
Taiwan	TWD	100	3.24	3.24	3.22	3.23
USA	USD	100	95.30	97.35	96.64	99.98

DISCLAIMER

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SHAREHOLDER INFORMATION

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STOCK EXCHANGE LISTING

SIX Swiss Exchange, SGSN

STOCK EXCHANGE TRADING

SIX Swiss Exchange

COMMON STOCK SYMBOLS

Bloomberg: Registered Share: SGSN.SW
Reuters: Registered Share: SGSN.S
Telekurs: Registered Share: SGSN
ISIN: Registered Share: CH0002497458
Swiss security number: 249745

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2020 FULL YEAR RESULTS

Thursday, 28 January 2021

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Tuesday, 23 March 2021
Geneva, Switzerland

INVESTOR DAYS – EUROPE

Thursday and Friday
27 – 28 May 2021

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Social distancing in SGS Philippines.

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WHEN YOU NEED TO BE SURE

SGS