



Half Year Results

2022

Revenue

CHF 3.3 BN

+6.8%¹ +5.8% organic* +5.2%³

Adjusted operating income*

CHF 458 MIO

+1.6%¹

Profit for the period

CHF 294 MIO

+1.4%

Adjusted operating income margin*

14.1%

(0.7)pp^{1,2}

Basic earnings per share

CHF 36.78

+1.4%

Free cash flow*

CHF 11 MIO

(88.2)%

Return on invested capital*

18.4%

+0.6pp²

Cash flow from operations

CHF 263 MIO

(23.1)%

1. Constant currency (CCY)*.

2. Percentage points.

3. Historical currency.

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



People



Planet



Performance

Financial Highlights

(CHF million)	June 2022	June 2021	Change in %	June 2021 CCY ²	Change in CCY ² %
Revenue	3 255	3 094	5.2	3 047	6.8
Operating income (EBIT)	423	430	(1.6)	425	(0.5)
Operating income margin	13.0%	13.9%		13.9%	
Adjusted operating income*	458	457	0.2	451	1.6
Adjusted operating income margin*	14.1%	14.8%		14.8%	
EBITDA*	678	678	0.0	669	1.3
Adjusted EBITDA*	694	686	1.2	676	2.7
Profit for the period	294	290	1.4		
Profit attributable to equity holders of SGS SA	276	272	1.5		
Adjusted profit attributable to equity holders of SGS SA*	303	292	3.8		
Basic EPS (CHF)	36.78	36.29	1.4		
Diluted EPS (CHF)	36.71	36.27	1.2		
Adjusted basic EPS (CHF)*	40.37	38.87	3.9		
Cash flow from operating activities	263	342	(23.1)		
Free cash flow*	11	93	(88.2)		
Return on invested capital*	18.4%	17.8%			
Weighted average number of shares ('000)	7 489	7 485			
Average FTE¹	95 889	92 143	4.1		

1. Full Time Equivalent (FTE) employees.

2. Constant currency (CCY)*.

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

A strong operational performance despite challenging market conditions

“We achieved strong growth reflecting the resilience of our global network. All divisions and regions contributed to this performance despite the challenging market conditions faced during H1. These include the impact of the war in Ukraine, continued supply chain disruption, rising global inflation, and Covid-related absenteeism and restrictions in China. China, our largest affiliate, resumed its strong growth trajectory in June.

“Through the investment and acquisitions we are making in our focus areas, and the commitment of our colleagues, SGS is becoming an even more resilient, sustainable and data-driven company delivering on our strategic objectives.” Frankie Ng, CEO of SGS

Enabling a better, safer and more interconnected world

Growth in sustainable solutions combined with our corporate sustainability performance, supports our purpose of enabling a better, safer and more interconnected world for all our stakeholders.

- We are developing new and innovative sustainability solutions in all divisions and geographies across the portfolio including sustainability assurance, greenhouse gas emissions verification, green buildings and zero waste certification, recycled content testing and environmental claim management.
- A number of corporate sustainability achievements in H1 includes: aligning our targets to the Science Based Targets initiative (SBTi) of 1.5 degrees and net zero pathway; launching our updated human rights policy; strengthening our vehicle emissions policy and prioritizing energy efficient building investments, two major sources of our carbon emissions; and establishing a dedicated sustainability committee of the Board.

Delivering on our strategy

We continue to invest in our strategic priority areas including our platform for growth.

- Revenue under our [Sustainability Solutions Framework](#) increased from 45% in 2020 to 47% in 2021, moving towards our target of 50% in 2023. This reflects our commitment to make our company and supply chain more sustainable, and to support our customers on their sustainability journeys.
- Continued capex investment in our strategic priority areas. For example, wireless laboratories accounted for over one fifth of our large growth capex projects in H1 and we are on track to open three new cybersecurity laboratories in 2022 and one in Q1 2023, to help meet the strong demand.
- 9% of revenue has been migrated to next generation digital platforms, services and solutions, supporting our target of 20% by 2023:
 - We continue to strengthen our platform for growth through our investment in ‘Level Up’ finance, IT and operational initiatives. For example, over 50% of geochemistry samples in Natural Resources are now processed through our latest generation of digital labs, and we are targeting 80% by Q1 2023.
 - In Health & Nutrition, over 75% of our drug development sites are live with our new centralized electronic quality, document and training management system.
 - The launch of Knowledge’s new digital CertIQ application platform, which digitalizes the entire certification process and reporting from customer contact through certificate issuance, is a significant enhancement in the digitalization of our customer journey.
- Organic* growth was strong in Softlines, Food, Industrial Public Health & Safety, mineral-related activities and Knowledge, especially Consulting.
- We completed three acquisitions, all aligned to our focus megatrends and acquired the remaining 49% of Digicomply, our AI end-to-end digital regulatory compliance platform. The integration of SGS Analytics continues to progress well and the acquisition of proderm GmbH, completed on 8 July 2022, further accelerates our ambition to become the clear Cosmetics & Hygiene market leader.

Our people are our paramount priority

- We have prioritized the safety, security and well-being of all our colleagues impacted by the war in Ukraine. At the same time, we have suspended business development and investment activities and reduced our portfolio of services in Russia.
- Support has been provided to our colleagues impacted by the Covid-related restrictions in China.

A strong financial performance

Total revenue reached CHF 3.3 billion, up 5.2% (6.8% at constant currency*), with strong mid-single digit growth achieved across all divisions. Organic revenue* increased by 5.8%, supported by pricing initiatives to pass on the majority of cost inflation.

Operating income decreased from CHF 430 million in prior year to CHF 423 million in 2022, mainly impacted by Covid-related restrictions in China which are now lifted.

Adjusted operating income* slightly increased from CHF 457 million in prior year to CHF 458 million in 2022, an increase of 0.2% (1.6% at constant currency*). Excluding China, adjusted operating income* growth was double digit.

Adjusted operating income margin* decreased from 14.8% in prior year (also 14.8% at constant currency*) to 14.1% in 2022, solely driven by the temporary Covid-related lockdown restrictions in China, most notably in Shanghai.

Net financial expenses slightly decreased from CHF 23 million in prior year to CHF 20 million in 2022.

Effective tax rate (ETR) decreased from 29% in prior year to 27%, reflecting a normalization of non-deductible expenses.

Profit attributable to equity holders increased slightly by 1.5% over prior year, from CHF 272 million to CHF 276 million in 2022.

Basic earnings per share increased from CHF 36.29 in prior year to CHF 36.78, an increase of 1.4%.

Cash flow from operating activities decreased from CHF 342 million in prior year to CHF 263 million in 2022, mainly due to higher net working capital requirement to support the strong revenue growth. This resulted in a positive operating net working capital* at 1.8% as a percentage of revenue compared to (0.1)% in prior year.

Free cash flow (FCF)* decreased from CHF 93 million in prior year to CHF 11 million in 2022 due to the higher net working capital requirement.

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

Investment activities: Net capital expenditure increased from CHF 147 million in prior year to CHF 150 million, and the Group completed three acquisitions for a total consideration of CHF 17 million, out of which CHF 11 million was paid in H1 2022.

Financing activities: In 2022, the Group paid a dividend of CHF 599 million and initiated a new share buyback program for up to a total of CHF 250 million, out of which CHF 35 million was spent in H1 2022.

Return on invested capital (ROIC)* increased from 17.8% in prior year to 18.4% in 2022.

As at 30 June 2022, the Group **net debt*** increased from CHF 1 691 million in December 2021 to CHF 2 363 million, mainly due to dividend payment.

Business growth and adjusted operating income margin H1 2022

(CHF million)	Revenue	Growth at CCY ¹	Organic* growth at CCY ¹	Adjusted operating income*	Adjusted operating income margin*
Connectivity & Products	642	4.2%	3.1%	149	23.2%
Health & Nutrition	442	8.9%	5.2%	55	12.4%
Industries & Environment	1 070	6.0%	5.6%	92	8.6%
Natural Resources	766	8.3%	7.6%	98	12.8%
Knowledge	335	8.4%	8.4%	64	19.1%
Total	3 255	6.8%	5.8%	458	14.1%

Acquisitions

	Date	Location	Division	FTE
Gas Analysis Services	28 February 2022	Ireland	Industries & Environment	36
Ecotecnos	6 May 2022	Chile	Industries & Environment	27
AIEX	9 May 2022	France	Industries & Environment	24

We are on track for our mid-term 2020-2023 targets

People	Planet	Performance
<p>Ensuring diversity</p> <p>Nurture diversity and inclusion based on merit by ensuring equal opportunity to all employees and evolving our gender diversity to 30% women in leadership at CEO-3 positions and above</p>	<p>Reducing our CO₂ emissions</p> <p>Support the transition to a low-carbon world by meeting our Science-based Target of reducing our CO₂ emissions per revenue by 35%²</p>	<p>High-single digit constant currency revenue Compound Annual Growth Rate (CAGR)</p> <p>Driven by mid-single digit organic* growth per annum and a focus on M&A</p>
<p>World Class Service (WCS)</p> <p>Promote a culture of operational safety, efficiency and excellence through our WCS program: 20% of our WCS labs (2020 perimeter) reaching WCS Bronze award level</p>	<p>Sustainability Solutions</p> <p>Support our customers on their journey to sustainability by increasing the proportion of revenue generated by our sustainability solutions to above 50%</p>	<p>> 10% adjusted operating income* CAGR</p>
<p>Supporting personal development</p> <p>Support the personal development of our employees by increasing the completion rate of job-related training by 10%³</p>	<p>Integrity principles</p> <p>Reduce the impact that our supply chain has on society by committing our strategic suppliers to support our integrity principles</p>	<p>Strong Economic Value Added discipline (EVA)</p>
<p>Positive impact on communities</p> <p>Increase by 10%³ our positive impact on our communities through employee volunteering, focusing on vulnerable groups including those affected by pandemics</p>	<p>Energy efficiency</p> <p>Increasing annually the number of energy efficiency measures in our 100 most energy intensive owned buildings</p>	<p>Maintain or grow the dividend per share</p>

1. Constant currency (CCY)*.

2. Against a 2014 baseline.

3. Against a 2019 baseline.

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