2019 RESULTS

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SGS

1. SGS GROUP

1.1. CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2019	2018
REVENUE	**4**	**6 600**	**6 706**
Salaries and wages		(3 357)	(3 422)
Subcontractors' expenses		(386)	(387)
Depreciation, amortization and impairment	11 to 14	(548)	(317)
Gain on business disposals	3	268	-
Other operating expenses	6	(1 495)	(1 634)
OPERATING INCOME (EBIT)[1]		**1 082**	**946**
Financial income	7	18	20
Financial expenses	8	(79)	(58)
Share of profit/(losses) of associates and joint ventures		(4)	-
PROFIT BEFORE TAXES		**1 017**	**908**
Taxes	9	(315)	(218)
PROFIT FOR THE YEAR		**702**	**690**
Profit attributable to:			
Equity holders of SGS SA		660	643
Non-controlling interests		42	47
BASIC EARNINGS PER SHARE (IN CHF)	**10**	**87.45**	**84.54**
DILUTED EARNINGS PER SHARE (IN CHF)	**10**	**87.18**	**84.32**

1. Refer to note 4 for analysis of non-recurring items.

1.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2019	2018
Actuarial (losses)/gains on defined benefit plans	24	(18)	6
Income tax benefit on actuarial (losses)/gains	9	6	1
Items that will not be subsequently reclassified to income statement		**(12)**	**7**
Exchange differences and other[1]		(68)	(153)
Items that may be subsequently reclassified to income statement		**(68)**	**(153)**
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(80)**	**(146)**
Profit for the year		702	690
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**622**	**544**
Attributable to:			
Equity holders of SGS SA		584	501
Non-controlling interests		38	43

1. In 2019, exchange differences and other include net exchange loss of CHF 6 million on long-term loans treated as net investment in a foreign entity according to IAS 21 (2018: loss of CHF 20 million).

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1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

(CHF million)	NOTES	2019	2018[1]
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	926	969
Right-of-use assets	12	611	-
Goodwill	13	1 281	1 224
Other intangible assets	14	187	202
Investments in joint ventures, associates and other companies		35	36
Deferred tax assets	9	174	203
Other non-current assets	15	149	133
TOTAL NON-CURRENT ASSETS		**3 363**	**2 767**
CURRENT ASSETS			
Inventories		45	46
Unbilled revenues and work in progress	5	195	226
Trade receivables	16	953	969
Other receivables and prepayments	17	219	214
Current tax assets		77	94
Marketable securities		9	9
Cash and cash equivalents	18	1 466	1 743
TOTAL CURRENT ASSETS		**2 964**	**3 301**
TOTAL ASSETS		**6 327**	**6 068**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	22	8	8
Reserves		1 536	1 851
Treasury shares	22	(30)	(191)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		**1 514**	**1 668**
Non-controlling interests		81	75
TOTAL EQUITY		**1 595**	**1 743**
NON-CURRENT LIABILITIES			
Loans and other financial liabilities	23	2 199	2 110
Lease liabilities	12	490	2
Deferred tax liabilities	9	23	30
Defined benefit obligations	24	151	119
Provisions	25	91	89
TOTAL NON-CURRENT LIABILITIES		**2 954**	**2 350**
CURRENT LIABILITIES			
Loans and other financial liabilities	23	38	412
Lease liabilities	12	154	-
Trade and other payables	26	638	685
Provisions	25	74	21
Current tax liabilities		145	127
Contract liabilities	5	155	112
Other creditors and accruals		574	618
TOTAL CURRENT LIABILITIES		**1 778**	**1 975**
TOTAL LIABILITIES		**4 732**	**4 325**
TOTAL EQUITY AND LIABILITIES		**6 327**	**6 068**

1. Reclassification of 2018 figures (see note 2)

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1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2019	2018
Profit for the year		702	690
Non-cash and non-operating items	19.1	756	554
(Increase)/decrease in working capital	19.2	(3)	95
Taxes paid		(306)	(265)
CASH FLOW FROM OPERATING ACTIVITIES		**1 149**	**1 074**
Purchase of property, plant and equipment and other intangible assets		(290)	(304)
Acquisition of businesses	20	(169)	(45)
Proceeds from disposal of businesses	3	333	-
Increase in other non-current assets		(2)	(9)
Increase in investments in joint ventures, associates and other companies		(4)	-
Interest received		21	18
Disposal of property, plant and equipment and other intangible assets		11	26
CASH FLOW USED BY INVESTING ACTIVITIES		**(100)**	**(314)**
Dividends paid to equity holders of SGS SA		(589)	(573)
Dividends paid to non-controlling interests		(43)	(43)
Transaction with non-controlling interests		(12)	(2)
Cash received on treasury shares		-	90
Cash paid on treasury shares		(23)	(183)
(Payment)/proceeds of corporate bonds		(375)	401
Interest paid		(87)	(60)
Payment of lease liabilities		(174)	-
CASH FLOW USED BY FINANCING ACTIVITIES		**(1 303)**	**(370)**
Currency translation		(23)	(30)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(277)**	**360**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1 743**	**1 383**
(Decrease)/increase in cash and cash equivalents		(277)	360
CASH AND CASH EQUIVALENTS AT END OF YEAR	**18**	**1 466**	**1 743**

1.5. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE	CUMULATIVE TRANSLATION ADJUSTMENTS	CUMULATIVE GAINS/LOSSES ON DEFINED BENEFIT PLANS [1]	RETAINED EARNINGS AND GROUP RESERVES	ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 1 JANUARY 2018	**8**	**(125)**	**161**	**(915)**	**(246)**	**2 949**	**1 832**	**82**	**1 914**
Profit for the year	-	-	-	-	-	643	643	47	690
Other comprehensive income for the year	-	-	-	(149)	7	-	(142)	(4)	(146)
Total comprehensive income for the year	-	-	-	*(149)*	*7*	*643*	*501*	*43*	*544*
Dividends paid	-	-	-	-	-	(573)	(573)	(43)	(616)
Share-based payments	-	-	13	-	-	-	13	-	13
Movement in non-controlling interests	-	-	-	-	-	8	8	(7)	1
Movement on treasury shares	-	(66)	(45)	-	-	(2)	(113)	-	(113)
BALANCE AT 31 DECEMBER 2018	**8**	**(191)**	**129**	**(1 064)**	**(239)**	**3 025**	**1 668**	**75**	**1 743**
BALANCE AT 1 JANUARY 2019	**8**	**(191)**	**129**	**(1 064)**	**(239)**	**3 025**	**1 668**	**75**	**1 743**
IFRS 16 adjustments[2]	-	-	-	-	-	(27)	(27)	(1)	(28)
IFRIC 23 adjustments[2]	-	-	-	-	-	(40)	(40)	-	(40)
BALANCE AT 1 JANUARY 2019 RESTATED	**8**	**(191)**	**129**	**(1 064)**	**(239)**	**2 958**	**1 601**	**74**	**1 675**
Profit for the year	-	-	-	-	-	660	660	42	702
Other comprehensive income for the year	-	-	-	(64)	(12)	-	(76)	(4)	(80)
Total comprehensive income for the year	-	-	-	*(64)*	*(12)*	*660*	*584*	*38*	*622*
Dividends paid	-	-	-	-	-	(589)	(589)	(43)	(632)
Share-based payments	-	-	17	-	-	-	17	-	17
Movement in non-controlling interests	-	-	-	-	-	(102)	(102)	12	(90)
Movement on treasury shares	-	161	-	-	-	(158)	3	-	3
BALANCE AT 31 DECEMBER 2019	**8**	**(30)**	**146**	**(1 128)**	**(251)**	**2 769**	**1 514**	**81**	**1 595**

1. Net of tax.

2. See note 2

1.6. 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 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. 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 2019. The consolidated financial statements comply with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) 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 2018 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2019.

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.

STATEMENT OF FINANCIAL POSITION RECLASSIFICATION

December 2018 figures published have been changed to reclassify CHF 34 million from trade and other payables (CHF 24 million) and Provisions and other current liabilities (CHF 10 million) to Loans, lease liabilities and other financial liabilities to align with the 2019 presentation.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

The following standards have been adopted as of 1 January 2019.

- IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Group has adopted IFRS 16 retrospectively with the cumulative effect in the opening equity as of 1 January 2019. Therefore comparative information has not been restated and is presented under IAS 17. The Group elected to use the practical expedient that permits an entity not to reassess whether a contract is, or contains, a lease at the date of initial application (grandfathering). The Group also elected to use the recognition exemptions for lease contracts, which at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value.
- IFRIC 23 Interpretation on uncertainty over income tax treatment addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The Group reviewed uncertain tax positions applying the requirements of the interpretation to assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. The Group elected to apply this interpretation restrospectively with the cumulative effect of initially applying the interpretation as an adjustment to the opening equity as of 1 January 2019.

The following table summarizes the impact of the adoption of IFRS 16 and IFRIC 23 as of 1 January 2019 on the statement of financial position (increase/(decrease)).

(CHF million)	NOTES	IFRS 16 ADJUSTMENT	IFRIC 23 ADJUSTMENT
Right-of-use assets	12	685	-
Deferred tax assets	9	9	-
Other receivables and prepayments		(8)	-
TOTAL ASSETS		**686**	**-**
Equity holders of SGS SA		(27)	(40)
Non-controlling interests		(1)	-
TOTAL EQUITY		**(28)**	**(40)**
Lease liabilities (non-current)		551	-
Provisions (non-current)		2	-
Lease liabilities (current)		162	-
Loans and other financial liabilities (current)		(1)	-
Current tax liabilities		-	40
TOTAL LIABILITIES		**714**	**40**

The following table reconciles the operating lease for the year ended 31 December 2018 and the lease liabilities recognized as of 1 January 2019.

(CHF million)

FUTURE MINIMUM LEASE PAYMENTS AT 31 DECEMBER 2018	**573**
Optional extension periods not disclosed and termination options considered at 31 December 2018	173
Exemption of commitments for short-term leases	(5)
Exemption of commitments for leases of low value assets	(2)
Undiscounted future lease payments from operating leases	**739**
Effect of discounting at a weighted average incremental borrowing rate of 3.53%	(26)
Addition of lease liabilities at 1 January 2019	**713**
Former IAS 17 finance lease liabilities	2
LEASE LIABILITIES AT 1 JANUARY 2019	**715**

There are no other IFRS standards or interpretations which are not yet effective and which would be expected to have a material impact on the Group.

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 197–200.

NON-CONTROLLING INTERESTS

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Initally they are measured at the non-contolling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequently 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 the earnings of associates 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 the 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 ON 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 average exchange rate for the year. 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.

REVENUE RECOGNITION

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is 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 judgement, 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 revenue based on two main models: services transferred at a point in time and services transferred over time.

- The majority of SGS' revenue is 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 client is invoiced and payment is due.
- Services transferred over time mainly concern long-term contracts, where revenue is 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 revenue 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 inspection 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 contracts invoices are usually issued per contractually agreed instalments and prices. Payments are due upon invoicing.

SEGMENT INFORMATION

The Group reports its operations by business segment, according to the nature of the services provided.

The Group operates in nine business segments. The Chief Operating Decision Maker evaluates segment performance and allocates resources based on several factors, of which revenue, adjusted operating income and return on capital are the main criteria.

For the Group, the Chief Operating Decision Maker is the Senior Management, which is composed of the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

All segment revenues reported are from external customers. Segment revenue 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.

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 3–10 years
- Other tangible assets 3–10 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, the 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 interest 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.

OPERATING LEASES POLICY APPLICABLE PRIOR 1 JANUARY 2019

Previously to the adoption of IFRS 16 leases, the Group was applying IAS 17 Leases.

Lease contracts where the lessor was retaining substantially all the risks and rewards of ownership of the assets were classified as operating leases and were expensed on a straight-line basis over the lease term.

GOODWILL

In the case of acquisitions of businesses, 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.

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 and other intangible assets with indefinite useful lives acquired as part of business combinations are 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 and other intangible assets 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 the group of CGUs is determined through a value-in-use calculation.

If the value-in-use of the CGU or the 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 CGU 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 CGU's or the group of CGU's 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 CGU's or groups of CGU's, a value-in-use calculation is performed using cash flow projections covering the next five years. These cash flows projections take into account the most recent financial results and outlook approved by Management, while the subsequent five years are extrapolated based on the estimated long-term growth rate for the relevant activity.

If the recoverable amount of the CGU or of the group of CGU 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.

OTHER INTANGIBLE ASSETS

Intangible assets, including software, licences, trademarks and customer relationships are capitalized and amortized on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. Indefinite life intangible assets are not amortized but are subject to an annual impairment test. The following useful lives are used in the calculation of amortization:

- Trademarks 5–20 years
- Customer relationships 2–20 years
- Computer software 1–5 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 net realizable value 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 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 REVENUES AND WORK IN PROGRESS

Unbilled revenues 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 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 revenues and work in progress is made in compliance with the simplified approach using a provision matrix (expected credit loss model).

MARKETABLE SECURITIES

Marketable securities are recorded in the statement of financial position at fair value through the statement of comprehensive income and recognized in the income statement at the time of disposal.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, deposits held with banks and investments in money-market instruments 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 mark-to-market basis.

Derivative financial instruments are initially recognized at fair value and subsequently re-measured at fair value at each balance sheet date. The gains and losses resulting from the fair value re-measurement are recognized in the income statement. The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

The Group designates and documents certain derivatives as hedging instruments against changes in fair value of recognized assets and liabilities.

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 uses financial instruments to economically hedge interest rate risks relating to its corporate bonds. The changes in fair value of finance instruments are 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 recognized initially 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 it 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.

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 pre-determined 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 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 judgement 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.

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 also 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, convertible bonds and/or cancellation of shares. 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.

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 when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of 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.

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.

DIVIDENDS

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

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.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

JUDGEMENTS

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

LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED

The Group is subject to litigation and other claims. Management bases its judgement 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 judgement 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.

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 judgement 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.

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.

VALUATION OF TRADE RECEIVABLES, UNBILLED REVENUE AND WORK IN PROGRESS

The balances 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 the 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 the 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. 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.

EXCHANGE RATES

The most significant currencies for the Group were translated at the following exchange rates into Swiss Francs:

			STATEMENT OF FINANCIAL POSITION YEAR-END RATES		INCOME STATEMENT ANNUAL AVERAGE RATES	
			2019	2018	2019	2018
Australia	AUD	100	68.02	69.51	69.11	73.14
Brazil	BRL	100	24.07	25.44	25.24	26.94
Canada	CAD	100	74.47	72.41	74.89	75.53
Chile	CLP	100	0.13	0.14	0.14	0.15
China	CNY	100	13.93	14.35	14.40	14.81
Eurozone	EUR	100	109.03	112.91	111.29	115.54
United Kingdom	GBP	100	127.49	124.67	126.88	130.61
Russia	RUB	100	1.58	1.42	1.54	1.57
Taiwan	TWD	100	3.24	3.22	3.22	3.25
USA	USD	100	97.35	98.55	99.38	97.84

3. BUSINESS COMBINATIONS

The following business combinations occurred during 2019 and 2018:

BUSINESS COMBINATIONS 2019

In 2019, the Group completed 11 business combinations for a total purchase price of CHF 185 million (note 20).

- 60% of LeanSis Productividad, a company providing operational and manufacturing training as well as capacity building services in Spain (effective 21 January 2019).
- 100% of Floriaan B.V., providing fire safety services to industrial and real estate companies in the Netherlands (effective 5 February 2019).
- 100% of Testing, Engineering and Consulting Services, Inc., a leading independent testing, engineering and consulting services laboratory in the USA (effective 4 April 2019).
- 97.54% of PT WLN Indonesia, a leading provider of water, soil and air testing services in Indonesia (effective 12 April 2019).
- 100% of Chemical Solutions Ltd, a nationally recognized testing laboratory specializing in element and heavy metal testing for food, nutraceuticals, pharmaceutical and cosmetic products in the USA (effective 3 May 2019).
- 100% of i2i Infinity Ltd, a company providing customs compliance services to exporters and chambers of commerce with the help of innovative proprietary software solutions in the United Kingdom (effective 12 June 2019).
- 60% of Maine Pointe LLC, a supply chain and operations consulting firm delivering business process optimization and improvement in the USA (effective 28 June 2019).
- 100% of DMW Environmental Safety LTD, a leading provider of health and safety solutions, including asbestos, building compliance and water hygiene services amongst others, based in the United Kingdom (effective 22 July 2019).
- 100% of Forensic Analytical Laboratoris, Inc., one of the leading providers of industrial hygiene, mold, bacteria, metals, particles, contamination control and asbestos testing, based in USA (effective 16 July 2019).
- 70% of ARGUS International a provider of data-driven inspection, audit, safety and compliance solution to the global aviation market, based in USA (effective 24 September 2019).
- 100% of Personal protective equipment testing and certification activities of the Finnish Institute of Occupational Health, based in Finland (effective 1 October 2019).

These companies were acquired for an equivalent of CHF 185 million and the total goodwill generated on these transactions amounted to CHF 142 million (note 20).

All the above transactions contributed in total CHF 66 million in revenues and CHF 12 million in operating income. Had all acquisitions been effective 1 January 2019, the revenues for the period would have been CHF 116 million and the Group operating income for the period would have been CHF 20 million.

Maine Pointe LLC has contributed to the diversification of Certification and Business Enhancement (CBE) business portfolio and contributed CHF 32 million in revenues and CHF 6 million in operating income. Had Maine Pointe LLC been acquired effective 1 January 2019, the revenue would have been CHF 64 million and the operating income would have been CHF 12 million.

None of the goodwill arising on these acquisitions except Maine Pointe LLC is expected to be tax deductible.

DIVESTMENTS 2019

The Group disposed of Petroleum Services Corporation (PSC), a provider of downstream Plant and Termination Operations for a total cash consideration of CHF 333 million, generating a gain on disposal of CHF 268 million.

BUSINESS COMBINATIONS 2018

In 2018, the Group completed 8 business combinations for a total purchase price of CHF 61 million.

- 100% of Vanguard Science Inc., a leading provider of food safety testing services in the areas of product testing, research and development and food safety consultation, based in the USA (effective 9 January 2018).
- 100% of Laboratoire de Contrôle et d'Analyse, offering chemical and microbiological testing and consultancy services to pharmaceutical companies, based in Belgium (effective 11 January 2018).
- 100% of TraitGenetics GmbH, providing services across a wide variety of crops to international clients in the plant breeding industry and for academic research, based in Germany (effective 2 February 2018).
- 100% of SIT Skin Investigation and Technology Hamburg GmbH, based in Germany, providing applied dermatological research and studies for the cosmetics and personal care industries (effective 12 February 2018).
- 100% of Oleotest NV a Belgium based company, providing chemical testing services in food, feed and agricultural commodities (effective 5 April 2018).
- 100% of Polymer Solutions Inc., an independent materials testing laboratory specializing in polymer science, based in the USA (effective 5 June 2018).
- 60% of Advanced Metrology Solutions S.L., a Spain-based company specializing in 3D metrology precision services and highly technical inspection measurement processes (effective 11 June 2018).
- 100% of Inter-Basic Resources, Inc., a leading provider of testing and verification of air and fluid filtration performance based in the USA and the UK (effective 18 October 2018).

These companies were acquired for an equivalent of CHF 61 million and the total goodwill generated on these transactions amounted to CHF 38 million (note 20).

All the above transactions contributed in total CHF 27 million in revenues and CHF 4 million in operating income. Had all acquisitions been effective 1 January 2018, the revenues for the period would have been CHF 35 million and the Group operating income for the period would have been CHF 5 million. None of the goodwill arising on these acquisitions is expected to be tax deductible.

There were no significant disposals in 2018.

4. INFORMATION BY BUSINESS AND GEOGRAPHICAL SEGMENT

The information presented is disclosed by business line and focuses on revenue, operating income, capital expenditures and employee numbers because these are the performance measures used by the Chief Operating Decision Maker to assess segment performance.

ANALYSIS OF OPERATING INCOME

(CHF million)	2019	2018
ADJUSTED OPERATING INCOME	**1 063**	**1 050**
Amortization and impairment of acquired intangibles	(36)	(30)
Restructuring costs	(89)	(19)
Goodwill impairment	(21)	-
Other non-recurring items[1]	165	(55)
OPERATING INCOME	**1 082**	**946**

1. 2019 includes a gain of CHF 259 million, net of transaction costs, on the disposal of Petroleum Service Corporation (PSC) business in the USA, partially offset by tax provisions of CHF 33 million, impairment of fixed and intangible assets of CHF 24 million and the remeasurement of the defined benefit obligation of the Swiss pension fund of CHF 10 million. 2018 includes the provision for cumulative overstated revenues in Brazil reported prior to 2018 of CHF 47 million.

ANALYSIS OF REVENUE AND OPERATING INCOME

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME	AMORTIZATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	GOODWILL IMPAIRMENT	OTHER NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2019							
AFL	1 074	172	(3)	(13)	-	(13)	143
MIN	753	128	(1)	(14)	-	(8)	105
OGC	1 075	120	(4)	(15)	-	236	337
CRS	1 021	262	(3)	(8)	-	(10)	241
CBE	447	91	(6)	(5)	-	(8)	72
IND	930	112	(10)	(15)	(21)	(12)	54
EHS	540	67	(4)	(5)	-	(6)	52
TRP	500	66	(5)	(11)	-	(9)	41
GIS	260	45	-	(3)	-	(5)	37
TOTAL	**6 600**	**1 063**	**(36)**	**(89)**	**(21)**	**165**	**1 082**

SEGMENT INFORMATION RESTATEMENT

The social Audit was transferred effective as of 1 January 2019, from Consumer and Retail Service (CRS) to Certification and Business Enhancement (CBE). The previously reported 2018 segment disclosures have therefore been restated to reflect this change in organizational structures, impacting revenue and adjusted operating income by an amount of CHF 38 million and CHF 10 million respectively.

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME	AMORTIZATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	OTHER NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2018						
AFL	1 063	171	(4)	(2)	(3)	162
MIN	750	121	(1)	(2)	-	118
OGC	1 220	116	(2)	(3)	-	111
CRS	987	257	(3)	(1)	(2)	251
CBE	404	80	-	(1)	-	79
IND	940	84	(8)	(8)	(46)	22
EHS	517	57	(4)	(1)	(2)	50
TRP	541	83	(7)	(1)	(2)	73
GIS	284	81	(1)	-	-	80
TOTAL	**6 706**	**1 050**	**(30)**	**(19)**	**(55)**	**946**

RESTRUCTURING COSTS

The Group incurred a pre-tax restructuring charge of CHF 89 million (2018: CHF 19 million). This comprised personnel reorganization of CHF 67 million (2018: CHF 15 million) as well as fixed asset impairment and other charges of CHF 22 million (2018: CHF 4 million).

REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT

(CHF million)	**2019**	**%**	**2018**	**%**
Europe/Africa/Middle East	2 894	43.9	2 949	44.0
Americas	1 579	23.9	1 692	25.2
Asia Pacific	2 127	32.2	2 065	30.8
TOTAL	**6 600**	**100.0**	**6 706**	**100.0**

Revenue in Switzerland from external customers for 2019 amounted to CHF 177 million (2018: CHF 189 million). No country represented more than 15% of revenues from external customers in 2019 or 2018.

MAJOR CUSTOMER INFORMATION

In 2019 and 2018, no external customer represented 5% or more of the Group's total revenue.

SPECIFIC NON-CURRENT ASSETS BY GEOGRAPHICAL SEGMENT

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)	**2019**	**%**	**2018**	**%**
Europe/Africa/Middle East	1 494	48.3	1 259	50.7
Americas	945	30.5	754	30.4
Asia Pacific	656	21.2	470	18.9
TOTAL SPECIFIC NON-CURRENT ASSETS	**3 095**	**100.0**	**2 483**	**100.0**

Specific non-current assets in Switzerland for 2019 amounted to CHF 131 million (2018: CHF 140 million).

RECONCILIATION WITH TOTAL NON-CURRENT ASSETS

(CHF million)	**2019**	**2018**
Specific non-current assets as above	3 095	2 483
Deferred tax assets	174	203
Retirement benefit assets	78	62
Non-current loans to third parties	16	19
TOTAL	**3 363**	**2 767**

CAPITAL ADDITIONS BY BUSINESS SEGMENT

(CHF million)	**2019**	**%**	**2018**	**%**
AFL	46	15.9%	49	16.0
MIN	36	12.4%	39	12.9
OGC	48	16.6%	49	16.0
CRS	65	22.4%	59	19.6
CBE	5	1.7%	5	1.6
IND	25	8.6%	30	10.0
EHS	23	7.9%	22	7.3
TRP	31	10.7%	37	12.2
GIS	11	3.8%	14	4.4
TOTAL	**290**	**100.0%**	**304**	**100.0**

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT

(Average number of employees)	**2019**	**2018**
Europe/Africa/Middle East	37 946	39 334
Americas	21 863	24 003
Asia Pacific	34 685	33 155
TOTAL	**94 494**	**96 492**
Number of employees at year end	92 661	97 368

5. REVENUES FROM CONTRACTS WITH CUSTOMERS

TIMING OF REVENUE RECOGNITION

	2019			**2018**		
(CHF million)	**SERVICES TRANSFERRED AT A POINT IN TIME**	**SERVICES TRANSFERRED OVER TIME**		**SERVICES TRANSFERRED AT A POINT IN TIME**	**SERVICES TRANSFERRED OVER TIME**	
AFL	85%	15%	100%	85%	15%	100%
MIN	69%	31%	100%	65%	35%	100%
OGC	68%	32%	100%	62%	38%	100%
CRS	85%	15%	100%	86%	14%	100%
CBE	97%	3%	100%	96%	4%	100%
IND	56%	44%	100%	55%	45%	100%
EHS	77%	23%	100%	77%	23%	100%
TRP	83%	17%	100%	81%	19%	100%
GIS	94%	6%	100%	89%	11%	100%
TOTAL	**77%**	**23%**	**100%**	**74%**	**26%**	**100%**

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

(CHF million)	**2019**	**2018**
Unbilled revenue and work in progress	195	226
Trade receivables	953	969
Contract liabilities	155	112

Revenue evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2019, SGS recognized revenue of CHF 81 million related to contract liabilities at 31 December 2018. In 2018, the revenue recognized from contract liabilities at 31 December 2017 amounted to CHF 80 million. Revenue recognized from performance obligations satisfied in previous periods were immaterial in 2019 and 2018.

The remaining performance obligations (unsatisfied or partially satisfied) expected to be recognized in more than a year is CHF 853 million at 31 December 2019 of which CHF 441 million are expected to be recognized in revenue within one year.

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 revenue 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 2019 were not significant, while amortization and impairment losses were nil.

6. OTHER OPERATING EXPENSES

(CHF million)	2019	2018
Consumables, repairs and maintenance	490	496
Travel costs	362	414
Rental expense, insurance, utilities and sundry supplies	161	308
External consultancy fees	104	89
IT expenses	87	75
Communication costs	99	105
Allowance for expected credit losses	32	6
(Gain)/losses on disposal of property, plant and equipment	(2)	(16)
Miscellaneous operating expenses	162	157
TOTAL	**1 495**	**1 634**

The Group adopted IFRS 16 retrospectively with the cumulative effect in the opening equity as of 1 January 2019. Previoulsy the Group was appyling IAS 17. Therefore, 2018 lease expenses were included in travel costs and rental expense.

7. FINANCIAL INCOME

(CHF million)	2019	2018
Interest income	17	16
Foreign exchange gains/(losses)	1	3
Other financial income	-	1
TOTAL	**18**	**20**

8. FINANCIAL EXPENSES

(CHF million)	2019	2018
Interest expense[1]	49	28
Loss on derivatives at fair value	27	27
Other financial expenses	3	2
Net financial expenses on defined benefit plans	-	1
TOTAL	**79**	**58**

1. Includes for 2019 CHF 25 million of lease liabilities interest expense (see Note 12)

9. TAXES

MAJOR COMPONENTS OF TAX EXPENSE

(CHF million)	2019	2018
Current taxes	299	251
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences	16	(33)
TOTAL	**315**	**218**

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)	2019	2018
Profit before taxes	*1 017*	*908*
Tax at statutory rates applicable to the profits earned in the country concerned	205	154
Tax effect of non-deductible or non-taxable items	21	19
Tax charge from/(usage of) unrecognized tax losses	34	2
Non-creditable foreign withholding taxes	34	34
Other	21	9
TAX CHARGE	**315**	**218**

DEFERRED TAX AFTER NETTING

(CHF million)	2019	2018
Deferred tax assets	174	203
Deferred tax liabilities	(23)	(30)
TOTAL	**151**	**173**

COMPONENTS OF DEFERRED INCOME TAX BALANCES

	2019		2018	
(CHF million)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Right of use assets	-	131	-	-
Fixed assets	45	6	43	7
Trade receivable, unbilled revenues and work in progress	29	7	37	9
Defined benefit obligation	22	7	12	-
Provisions and other	50	-	25	-
Lease liabilities	137	-	-	-
Intangible assets	2	22	9	14
Tax losses carried forward	39	-	77	-
DEFERRED INCOME TAXES	**324**	**173**	**203**	**30**

NET CHANGE IN DEFERRED TAX ASSETS/(LIABILITIES)

(CHF million)	TOTAL
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY 2018	**123**
IFRS 9 adjustment	30
Acquisition of subsidiairies	(4)
(Charged)/credited to the income statement	33
(Charged)/credited to other comprehensive income	1
Exchange differences and other	(10)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2018	**173**
IFRS 16 adjustment	9
Acquisition of subsidiairies	(2)
(Charged)/credited to the income statement	(16)
(Charged)/credited to other comprehensive income	6
Exchange differences and other	(19)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2019	**151**

The Group has unrecognized tax losses carried forward amounting to CHF 139 million (2018: CHF 38 million), of which none will expire within the next five years. No tax losses carried forward expired in 2019.

At 31 December 2019, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 929 million (2018: CHF 2 712 million) of undistributed earnings that may be subject to tax if remitted to the parent company. As set out in note 21, the nature of the Group's business requires keeping a significant part of the cash reserves in the operating units. As a Group policy, no deferred tax is recognized in respect of undistributed earnings until the point at which the distributable earnings are determined and foreign statutory requirements, allowing the distribution, are fulfilled. Until that time, the Group takes the view that it is probable that they will not reverse in the foreseeable future.

10. EARNINGS PER SHARE

Basic earnings per share are calculated as follows:

	2019	2018
Profit attributable to equity holders of SGS SA (CHF million)	660	643
Weighted average number of shares ('000)	7 552	7 607
BASIC EARNINGS PER SHARE (CHF)	**87.45**	**84.54**

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares includes the dilutive effect of the Group's equity compensation plans (see note 28):

	2019	2018
Profit attributable to equity holders of SGS SA (CHF million)	660	643
Diluted weighted average number of shares ('000)	7 575	7 626
DILUTED EARNINGS PER SHARE (CHF)	**87.18**	**84.32**

Adjusted earnings per share are calculated as follows:

(CHF million)	2019	2018
Profit attributable to equity holders of SGS SA	660	643
Amortization of acquired intangibles	36	30
Restructuring costs net of tax	64	14
Goodwill impairment	21	-
Other non-recurring items net of tax	(115)	37
ADJUSTED PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	**666**	**724**
ADJUSTED BASIC EARNINGS PER SHARE (CHF)	**88.17**	**95.17**
ADJUSTED DILUTED EARNINGS PER SHARE (CHF)	**87.91**	**94.92**

11. PROPERTY, PLANT AND EQUIPMENT

(CHF million)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2019				
COST				
At 1 January	482	2 116	739	3 337
Additions	7	146	103	256
Acquisition of subsidiaries	-	3	4	7
Disposals	(6)	(97)	(48)	(151)
Exchange differences and other	(5)	(14)	(55)	(74)
At 31 December	478	2 154	743	3 375
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	246	1 613	509	2 368
Depreciation	17	174	61	252
Impairment	2	15	3	20
Acquisition of subsidiaries	-	1	2	3
Disposals	(3)	(91)	(45)	(139)
Exchange differences and other	(6)	(35)	(14)	(55)
At 31 December	256	1 677	516	2 449
NET BOOK VALUE AT 31 DECEMBER 2019	**222**	**477**	**227**	**926**

(CHF million)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2018				
COST				
At 1 January	492	2 059	736	3 287
Additions	6	164	103	273
Acquisition of subsidiaries	1	10	3	14
Disposals	(11)	(59)	(28)	(98)
Exchange differences and other	(6)	(58)	(75)	(139)
At 31 December	482	2 116	739	3 337
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	245	1 549	491	2 285
Depreciation	17	177	64	258
Impairment	-	-	1	1
Acquisition of subsidiaries	-	6	1	7
Disposals	(9)	(55)	(25)	(89)
Exchange differences and other	(7)	(64)	(23)	(94)
At 31 December	246	1 613	509	2 368
NET BOOK VALUE AT 31 DECEMBER 2018	**236**	**503**	**230**	**969**

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware as well as construction-in-progress assets amounting to CHF 27 million (2018: CHF 18 million).

At 31 December 2019, the Group had commitments of CHF 5 million (2018: CHF 8 million) for the acquisition of land, buildings and equipment.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	RIGHT-OF-USE ASSETS			TOTAL	TOTAL LEASE LIABILITIES
(CHF million)	LANDS AND BUILDING	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS		
AT 1 JANUARY	**585**	**9**	**91**	**685**	**713**
Additions	98	-	32	130	127
Acquisition	3	-	-	3	-
Disposal	(2)	(7)	(3)	(12)	(12)
Depreciation expense	(133)	-	(45)	(178)	-
Interest expense	-	-	-	-	25
Payment of lease liabilities and interests	-	-	-	-	(195)
Exchange difference and other	(12)	(2)	(3)	(17)	(14)
AT 31 DECEMBER 2019	**539**	**-**	**72**	**611**	**644**

Analysed as:	**2019**
Current liabilities	154
Non-current liabilities	490
TOTAL	**644**

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

(CHF million)	**2019**
Euro (EUR)	208
US Dollar (USD)	120
Renminbi Yuan (CNY)	102
Taiwan Dollar (TWD)	35
Australian Dollar (AUD)	20
Canadian Dollar (CAD)	14
Indian Rupee (INR)	12
Morocco Dirham (MAD)	10
New Zealand dollar (NZD)	9
Russian Ruble (RUB)	9
Hong Kong Dollar (HKD)	7
British Pound Sterling (GBP)	7
Brazilian Real (BRL)	6
Korean Won (KRW)	6
Other	79
TOTAL	**644**

The Group leases mainly offices, laboratory spaces and vehicles. During the year ended 31 December 2019, an additional CHF 8 million was recognized as an expense in the income statement.

(CHF million)	**2019**
IFRS 16 OTHER QUANTITATIVE INFORMATION	
Expense relating to short-term leases	5
Expense relating to leases of low value assets	2
Expense relating to variable lease payments	1
TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT	**8**

13. GOODWILL

(CHF million)	2019	2018
COST		
At 1 January	**1 224**	**1 238**
Additions	142	38
Consideration on prior years' acquisitions	(5)	-
Disposal	(32)	-
Impairment	(21)	-
Exchange differences	(27)	(52)
AT 31 DECEMBER	**1 281**	**1 224**

Goodwill recognized by the Group is allocated to Cash Generating Units (CGU) or groups of CGUs for impairment testing purposes and is annually tested for impairment at the end of each reporting period.

- For the following four business lines, the CGU covers the entire worldwide operations since customer activities executed by the local entities, the clients and customers that they serve and the drivers of cash inflows are largely interdependent on a worldwide basis across each business line:
  - Consumer and Retail
  - Oil, Gas and Chemicals
  - Environment, Health and Safety
  - Minerals
- The Industrial business line continues to be driven primarily by regional and local customer activities and therefore to have cash inflows, which are largely independent from each other. Consequently, a CGU organization by region or by country has been maintained and goodwill has been allocated to six CGUs.
- The Transportation business is split into two CGUs since customer activities in this business (especially in testing and engineering activities) are globally interdependent, except for Spain, where regulated activities and related cash inflows represent almost entirely the whole business and therefore are assessed as a distinct CGU.
- The Agriculture, Food and Life business is split into three worldwide CGUs to reflect the global nature of customer activities and drivers of cash inflows in each of Agriculture and Food, Clinical Research and Life Science Laboratories.
- One global CGU has been established for the Certification and Business and Enhancement business line regrouping Performance assessment and Training activities for which drivers of cash inflows are globally interdependent.

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)	2019	2018
AFL	251	243
TRP	239	247
IND	191	218
EHS	167	151
MIN	113	113
CBE	104	3
OGC	105	140
CRS	106	107
GIS	5	2
TOTAL	**1 281**	**1 224**

Goodwill impairment reviews have been conducted for all goodwill balances allocated to the CGUs as described above.

The recoverable amount of each of the 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.

In 2019, the Group restructured parts of the Industrial USA business. Consequently, the CGU was reduced to its recoverable amount, resulting in an impairment charge of CHF 21 million

DISCOUNT RATE USED IN 2019 FOR THE MAIN CGUS OR GROUP OF CGUS IMPAIRMENT TESTING

	2019
TRP	4.5%–7.7%
AFL	5.1%–6.6%
IND	5.2%–8.8%
EHS	6.2%
OGC	6.6%
MIN	8.2%
CRS	6.8%
CBE	**6.2%**

The cash flow projections for the first five years were based upon financial plans approved by Group Management, while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculations are consistent with the expected average growth rates of the segments served by the Group.

For all impairment tests, the key assumptions used in the sensitivity analyses were the following:

- Reducing the expected annual revenue growth rates for the first five years by 2.0%
- Reducing the operating margin by 0.25%
- Increasing the discount rate assumption by 1.0%

For all impairment tests, changing the key assumptions retained in the scenario using the sensitivity analyses described above would not result in any of the carrying amounts exceeding the recoverable amount.

14. OTHER INTANGIBLE ASSETS

			COMPUTER SOFTWARE AND OTHER ASSETS		
(CHF million)	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	TOTAL
2019					
COST					
At 1 January	77	251	137	313	778
Additions	-	-	17	16	33
Acquisition of subsidiaries	22	17	1	-	40
Disposals	(2)	(25)	-	(19)	(46)
Exchange differences and other	(4)	(5)	3	(8)	(14)
At 31 December	93	238	158	302	791
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At 1 January	65	136	109	266	576
Amortization	5	24	11	17	57
Impairment	3	4	6	7	20
Disposals	(2)	(25)	-	(12)	(39)
Exchange differences and other	(3)	(2)	11	(16)	(10)
At 31 December	68	137	137	262	604
NET BOOK VALUE AT 31 DECEMBER 2019	**25**	**101**	**21**	**40**	**187**

(CHF million)	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	COMPUTER SOFTWARE AND OTHER ASSETS INTERNALLY GENERATED	COMPUTER SOFTWARE AND OTHER ASSETS PURCHASED	TOTAL
2018					
COST					
At 1 January	81	246	117	313	757
Additions	-	-	13	18	31
Acquisition of subsidiaries	-	14	-	-	14
Disposals	-	-	-	(6)	(6)
Exchange differences and other	(4)	(9)	7	(12)	(18)
At 31 December	77	251	137	313	778
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At 1 January	62	117	97	259	535
Amortization	6	24	12	16	58
Impairment	-	-	-	(5)	(5)
Exchange differences and other	(3)	(5)	-	(4)	(12)
At 31 December	65	136	109	266	576
NET BOOK VALUE AT 31 DECEMBER 2018	**12**	**115**	**28**	**47**	**202**

15. OTHER NON-CURRENT ASSETS

(CHF million)	2019	2018
Non-current loans or amounts receivable from third parties	16	19
Retirement benefit asset	78	62
Other non-current assets	55	52
TOTAL	**149**	**133**

Depending on the nature of the balances, currency and date of maturity, interest rates on long-term balances or loans to third parties range between 0.0% and 12.97%.

In 2019, other non-current assets included deposits for guarantees and CHF 35 million (2018: CHF 36 million) of restricted cash. Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2019 and 2018, the fair value of the Group's other non-current assets approximates their carrying value.

16. TRADE RECEIVABLES

(CHF million)	2019	2018
Trade receivables	1 162	1 165
Allowance for expected credit losses	(209)	(196)
TOTAL	**953**	**969**

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

(CHF million)	2019	2018
At 1 January	(196)	(205)
Acquisition of subsidiaries	(1)	-
Increase in allowance recognized in the income statement	(36)	(11)
Utilizations	18	10
Exchange differences	6	10
TOTAL AT 31 DECEMBER	**(209)**	**(196)**

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17. OTHER RECEIVABLES AND PREPAYMENTS

(CHF million)	2019	2018
Accrued income, prepayments	66	68
Derivative assets	15	17
Other receivables	138	129
TOTAL	**219**	**214**

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)	2019	2018
Cash and short-term deposits	1 425	1 702
Deposits on demand	40	40
Short-term loans	1	1
TOTAL	**1 466**	**1 743**

19. CASH FLOW STATEMENT

19.1. NON-CASH AND NON-OPERATING ITEMS

(CHF million)	NOTES	2019	2018
Depreciation of property, land and equipment	11	252	258
Impairment of property, plant and equipment and other intangible assets	11 and 14	40	1
Depreciation/impairment right-of-use asset		178	-
Amortization of intangible assets	14	57	58
Impairment of goodwill	13	21	-
Net financial expenses	7 and 8	61	38
Increase/(Decrease) in provisions and employee benefits		79	(17)
Share-based payment expenses		17	13
Gain on disposals		(268)	(15)
Share of results from associates and other entities		4	-
Taxes	9	315	218
NON-CASH AND NON-OPERATING ITEMS		**756**	**554**

19.2. (INCREASE)/DECREASE IN WORKING CAPITAL

(CHF million)	2019	2018
Decrease in unbilled revenues and inventories	29	19
Increase in trade receivables	(66)	(35)
(Increase)/Decrease in other receivables and prepayments	(17)	13
(Decrease)/Increase in trade and other payables	(5)	41
Increase in other creditors and accruals	31	60
Increase/(Decrease) in other provisions	25	(3)
(INCREASE)/DECREASE IN WORKING CAPITAL	**(3)**	**95**

20. ACQUISITIONS

ASSETS AND LIABILITIES ARISING FROM ACQUISITIONS

(CHF million)	FAIR VALUE ON MAINE POINTE	FAIR VALUE ON OTHER ACQUISITIONS 2019	TOTAL FAIR VALUE ON ACQUISITIONS 2019	TOTAL FAIR VALUE ON ACQUISITIONS 2018
Property, plant and equipment	-	4	4	7
Right-of-use assets	-	1	1	-
Intangible assets	33	7	40	14
Other long-term assets	-	1	1	-
Trade receivable	3	8	11	5
Other current assets	7	-	7	2
Cash and cash equivalents	14	10	24	4
Current liabilities	(7)	(12)	(19)	(4)
Non-current liabilities	-	(5)	(5)	(5)
Non-controlling interests	(20)	(1)	(21)	-
NET ASSETS ACQUIRED	**30**	**13**	**43**	**23**
Goodwill	86	56	142	38
TOTAL PURCHASE PRICE	**116**	**69**	**185**	**61**
Acquired cash and cash equivalents	(14)	(10)	(24)	(4)
Consideration payable	-	(1)	(1)	(14)
Payment on prior year acquisitions	-	9	9	2
NET CASH OUTFLOW ON ACQUISITIONS	**102**	**67**	**169**	**45**

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. 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 13 million (2018: CHF 5 million) related to external legal fees, due diligence expenses and the costs of maintaining an internal acquisition department. These expenses are reported within Other Operating Expenses in the consolidated income statement.

21. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT POLICIES AND OBJECTIVES

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

The risk management policies and objectives are governed by the Group's policies approved by the Board of Directors.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risk and limits continually by means of reliable and up-to-date administrative and information systems.

The Audit Committee oversees how Management monitors compliance with the Group's risk management policies. The Audit Committee 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 risk management 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.

(CHF million)	NOTIONAL AMOUNT 2019	NOTIONAL AMOUNT 2018	BOOK VALUE 2019	BOOK VALUE 2018	MARKET VALUE 2019	MARKET VALUE 2018
FOREIGN EXCHANGE FORWARD CONTRACTS						
Currency:						
Australian Dollar (AUD)	(12)	(14)	-	-	-	-
Brazilian Real (BRL)	(42)	(42)	(1)	(1)	(1)	(1)
Canadian Dollar (CAD)	21	1	-	-	-	-
Chilean Peso (CLP)	(36)	(48)	-	(2)	-	(2)
Chinese Renminbi (CNY)	8	-	-	-	-	-
Colombian Peso (COP)	(5)	(7)	-	-	-	-
Euro (EUR)	(187)	(200)	1	1	1	1
British Pound Sterling (GBP)	48	42	-	-	-	-
Hong Kong Dollar (HKD)	23	(98)	-	1	-	1
Indian Rupee (INR)	2	-	-	-	-	-
Japanese Yen (JPY)	(2)	(2)	-	-	-	-
Kenyan Shilling (KES)	(4)	(4)	-	-	-	-
Korean Won (KRW)	4	3	-	-	-	-
New Zealand Dollar (NZD)	(3)	(3)	-	-	-	-
Philippines Peso (PHP)	(8)	(7)	-	-	-	-
Polish Zloty (PLN)	(5)	(8)	-	-	-	-
Russian Ruble (RUB)	4	2	-	-	-	-
Turkish New Lira (TRY)	1	1	-	-	-	-
US Dollar (USD)	(501)	(642)	7	4	7	4
South African Rand (ZAR)	(21)	(27)	(1)	1	(1)	1
Other	(11)	(18)	-	-	-	-
TOTAL	**(726)**	**(1 071)**	**6**	**4**	**6**	**4**

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. 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 31 December 2019, the Group has unbilled revenue and work in progress of CHF 195 million (2018: CHF 226 million) which is net of an allowance for expected credit losses of CHF 19 million (2018: CHF 25 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 revenues 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 ageing of trade receivables as of invoice date at 31 December 2019.

(CHF million)	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**

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 2018:

(CHF million)	EXPECTED CREDIT LOSS RANGE	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS
0–60 days	0%	787	-
61–90 days	0.5%–5%	114	5
91–120 days	10%–25%	47	11
121–180 days	20%–50%	52	26
181–240 days	35%–75%	27	20
241–300 days	50%–75%	15	11
301–360 days	75%–100%	12	12
> 360 days	100%	111	111
TOTAL		**1 165**	**196**

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 by these counterparties. The maximum credit risk to which the Group is theoretically exposed at 31 December 2019 is the carrying amount of financial assets including derivatives.

Analysis of financial assets by class and category at 31 December 2019:

	AMORTIZED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
			AT FAIR VALUE THROUGH EQUITY		AT FAIR VALUE THROUGH P&L			
(CHF million)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash-equivalents	1 466	1 466	-	-	-	-	1 466	1 466
Trade receivables	953	953	-	-	-	-	953	953
Other receivables[1]	142	142	-	-	-	-	142	142
Unbilled revenues and work in progress	195	195	-	-	-	-	195	195
Loans to third parties: non-current	16	16	-	-	-	-	16	16
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	15	15	15	15
TOTAL FINANCIAL ASSETS	**2 772**	**2 772**	**9**	**9**	**15**	**15**	**2 796**	**2 796**

1. Excluding VAT and other tax related items.

Analysis of financial assets by class and category at 31 December 2018:

	AMORTIZED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
			AT FAIR VALUE THROUGH EQUITY		AT FAIR VALUE THROUGH P&L			
(CHF million)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash-equivalents	1 743	1 743	-	-	-	-	1 743	1 743
Trade receivables	969	969	-	-	-	-	969	969
Other receivables[1]	132	132	-	-	-	-	132	132
Unbilled revenues and work in progress	226	226	-	-	-	-	226	226
Loans to third parties: non-current	19	19	-	-	-	-	19	19
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	17	17	17	17
TOTAL FINANCIAL ASSETS	**3 089**	**3 089**	**9**	**9**	**17**	**17**	**3 115**	**3 115**

1. Excluding VAT and other tax related items.

In the fair value hierarchy, marketable securities, CHF 9 million (2018: CHF 9 million) qualify as Level 1, fair value measurement category. Derivative assets (2019: CHF 15 million; 2018: CHF 17 million) qualify as Level 2 fair value measurement category in accordance with the fair value hierarchy. 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.

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 2019:

			FAIR VALUE					
	AMORTIZED COST OTHER LIABILITIES		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	336	336	-	-	-	-	336	336
Other payables[1]	133	133	-	-	-	-	133	133
Loans and other financial liabilities	2 132	2 236	89	89	16	16	2 237	2 341
Lease liabilities	644	644	-	-	-	-	644	644
TOTAL FINANCIAL LIABILITIES	**3 245**	**3 349**	**89**	**89**	**16**	**16**	**3 350**	**3 454**

1. Excluding VAT and other tax related items.

The corporate bonds qualify as fair value Level 1 which amounts to CHF 2 209 million (2018: CHF 2 547 million).

Other financial liabilities include CHF 89 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 in June 2022, if the put/call option is exercised. The fair value has been estimated at CHF 64 million by applying a discounted valuation method based on weighted average revenue growth scenarios and a discount rate of 3%. The put option is sensitive to changes in revenue and reaching an EBITDA target up to a maximum payout of CHF 111 million.

Subsequent changes in the valuation of the redemption amount to acquire the remaining non-controlling interests of acquistions 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 2018:

			FAIR VALUE					
	AMORTIZED COST OTHER LIABILITIES		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	362	362	-	-	-	-	362	362
Other payables[1]	149	149	-	-	-	-	149	149
Loans and other financial liabilities	2 512	2 574	-	-	10	10	2 522	2 584
Lease liabilities	2	2	-	-	-	-	2	2
TOTAL FINANCIAL LIABILITIES	**3 025**	**3 087**	**-**	**-**	**10**	**10**	**3 035**	**3 097**

1. Excluding VAT and other tax related items.

In the fair value hierarchy, bonds qualify as Level 1 and the remaining financial liabilities qualify as Level 2 determined in accordance with generally accepted pricing models.

Contractual maturities of financial liabilities including interest payments at 31 December 2019:

(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	336	133	1 380	(1 376)	38	172	683
Within the second year	-	-	-	-	317	130	447
Within the third year	-	-	-	-	351	95	446
Within the fourth year	-	-	-	-	338	74	412
Within the fifth year	-	-	-	-	262	56	318
After five years	-	-	-	-	1 027	191	1 218

1. Excluding VAT and other tax related items.

Contractual maturities of financial liabilities including interest payments at 31 December 2018:

(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	362	136	1 480	(1 476)	413	-	915
Within the second year	-	4	-	-	25	1	30
Within the third year	-	8	-	-	312	1	321
Within the fourth year	-	1	-	-	265	-	266
Within the fifth year	-	1	-	-	338	-	339
After five years	-	-	-	-	1 289	-	1 289

1. Excluding VAT and other tax related items.

The Group hedges its foreign exchange exposure on a net basis. The net position of the gross settled derivative financial instruments of CHF 4 million (2018: CHF 4 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2019.

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 2019 and 2018 with all other variables remaining constant.

Sensitivity analysis based on net hedged positions at 31 December 2019 and 2018:

	2019		2018	
(CHF million)	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)
US Dollar (USD)	-	(3)	3	(8)
Euro (EUR)	(3)	-	(3)	-
CFA Franc BEAC (CFA)	3	-	3	-
New Cedi (GHS)	-	-	(1)	-
Taiwanese Dollar (TWD)	-	1	-	(1)
Australian Dollar (AUD)	-	-	-	(2)
Canadian Dollar (CAD)	-	3	-	(4)
Brazilian Real (BRL)	-	-	-	(2)
Colombian Peso (COP)	-	-	-	(1)
Chilean Peso (CLP)	-	-	-	(3)

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.

If interest rates were 50 basis points higher/lower, the profit for the year ended 31 December 2019 would increase/decrease by CHF nil (2018: CHF nil).

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22. SHARE CAPITAL AND TREASURY SHARES

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF MILLION)
BALANCE AT 1 JANUARY 2018	**7 551 408**	**82 324**	**7 633 732**	**8**
Treasury shares released into circulation	87 099	(87 099)	-	-
Treasury shares purchased for equity compensation plans	(19 800)	19 800	-	-
Treasury shares purchased for cancellation	(68 000)	68 000	-	-
BALANCE AT 31 DECEMBER 2018	**7 550 707**	**83 025**	**7 633 732**	**8**
Treasury shares released into circulation	1 683	(1 683)	-	-
Treasury shares cancelled	-	(68 000)	(68 000)	-
BALANCE AT 31 DECEMBER 2019	**7 552 390**	**13 342**	**7 565 732**	**8**

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 565 732 (2018: CHF 7 633 732) fully paid in and divided into 7 565 732 (2018: 7 633 732) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

TREASURY SHARES

On 31 December 2019, SGS SA held 13 342 treasury shares. The shares purchased for cancellation are directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2019, 1 683 treasury shares were sold or given in relation with the equity compensation plans.

AUTHORIZED AND CONDITIONAL ISSUE OF SHARE CAPITAL

The Board has the authority to increase the share capital of SGS SA by a maximum of 500 000 registered shares of a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is mandated to issue the new shares at the market conditions at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorized to waive the shareholders' preferential right of subscription or to allocate such subscription right to third parties.

The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 22 March 2021.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000, divided into 1 100 000 registered shares of a par value of CHF 1 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.

23. LOANS AND OTHER FINANCIAL LIABILITIES

CURRENT YEAR INFORMATION

(CHF million)	2019	2018
Bank loans	8	4
Corporate bonds	2 105	2 484
Other financial liabilities	114	24
Derivatives	10	10
TOTAL	**2 237**	**2 522**
Current	38	412
Non-current	2 199	2 110

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0.25% and 17.21% and on short-term loans from third parties range between 0% and 4.96%.

The loans from third parties exposed to fair value interest rate risk amounted to CHF 2 105 million (2018: CHF 2 488 million) and the loans from third parties exposed to cash flow interest rate risk amounted to CHF 8 million (2018: CHF nil).

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 %
27.05.2011	275	3.000	2021	100.480	100.000
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	100.000
08.05.2015	325	0.250	2023	100.079	100.000
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

The currency composition of bank loans, corporate bond and other financial liablities is as follows:

	BANK LOANS AND CORPORATE BOND		OTHER FINANCIAL LIABILITIES	
(CHF million)	2019	2018	2019	2018
Swiss Franc (CHF)	2 105	2 485	17	24
Euro (EUR)	1	1	20	-
Brazilian Real (BRL)	7	2	2	-
US Dollar (USD)	-	-	71	-
British Pound Sterling (GBP)	-	-	2	-
Other	-	-	2	-
TOTAL	**2 113**	**2 488**	**114**	**24**

24. DEFINED BENEFIT OBLIGATIONS

The Group mainly operates defined benefit pension plans in Switzerland, the USA, the UK, the Netherlands, Germany, Italy, France, 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 2019 of CHF 14 million (2018: CHF 13 million). The method of accounting and the 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 jointly operates with the employees a retirement foundation in Switzerland. 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. This foundation covers all the employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee 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 to the foundation.

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 14 years.

The Group expects to contribute CHF 6 million to this plan in 2020.

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 of duration of the expected benefit payment is approximately 14 years.

The Group expects to contribute CHF 8 million to this plan in 2020.

UNITED KINGDOM

The Group operates two defined benefit plans through trusts, with the assets of the plans held separately from the Group and trustees who ensure the plan's rules are strictly adhered to. One plan (SGS UK Limited RBP) has been closed to new entrants since 2002. Since then, new employees have been offered membership of defined contribution plans, which have been operated by the Group. The other (SGS Pension Schemes) plan's liabilities were brought out in 2017, surplus assets were transferred to the SGS RBP during the year and the SGS Pension Scheme is now in the final stages of being wound up. Under the defined benefit plans, each member's pension at retirement is related to their pensionable service and final salary.

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 of duration of the expected benefit payments from the combined plans is approximately 20 years.

The Group expects to contribute CHF 2 million to this plan in 2020.

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 2020.

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
2019					
Fair value of plan assets	444	245	194	45	928
Present value of funded defined benefit obligation	(433)	(207)	(218)	(67)	(925)
FUNDED/(UNFUNDED) STATUS	**11**	**38**	**(24)**	**(22)**	**3**
Present value of unfunded defined benefit obligation	(10)	-	(6)	(60)	(76)
NET ASSET/(LIABILITY) AT 31 DECEMBER	**1**	**38**	**(30)**	**(82)**	**(73)**

(CHF million)	CH	UK	USA	OTHER	TOTAL
2018					
Fair value of plan assets	414	206	172	41	833
Present value of funded defined benefit obligation	(379)	(186)	(186)	(63)	(814)
FUNDED/(UNFUNDED) STATUS	**35**	**20**	**(14)**	**(22)**	**19**
Present value of unfunded defined benefit obligation	(10)	-	(7)	(59)	(76)
NET ASSET/(LIABILITY) AT 31 DECEMBER	**25**	**20**	**(21)**	**(81)**	**(57)**

The net liability of CHF 73 million (2018: CHF 57 million) includes CHF 78 million (2018: CHF 62 million) of pension fund assets recognized in the item Other Non-Current Assets in note 14 and CHF 151 million (2018: CHF 119 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
2019					
Service cost expense	18	1	2	9	30
Net interest expense on defined benefit plan	-	(1)	1	-	-
Administrative expenses	-	-	1	-	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**18**	**-**	**4**	**9**	**31**
Expense charged in:					
Salaries and wages	18	1	3	9	31
Financial expenses	-	(1)	1	-	-
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**18**	**-**	**4**	**9**	**31**

(CHF million)	CH	UK	USA	OTHER	TOTAL
2018					
Service cost expense	9	2	2	7	20
Net interest expense on defined benefit plan	-	(1)	1	1	1
Administrative expenses	-	-	1	-	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**9**	**1**	**4**	**8**	**22**
Expense charged in:					
Salaries and wages	9	2	3	7	21
Financial expenses	-	(1)	1	1	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**9**	**1**	**4**	**8**	**22**

Amounts recognized in the statement of other comprehensive income:

(CHF million)	CH	UK	USA	OTHER	TOTAL
2019					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	(7)	(3)	5	-	(5)
Change in financial assumptions	44	23	30	7	104
Experience adjustments on benefit obligations	8	-	1	1	10
Actual return on plan assets excluding net interest expense	(32)	(35)	(23)	(1)	(91)
TOTAL RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	**13**	**(15)**	**13**	**7**	**18**

(CHF million)	CH	UK	USA	OTHER	TOTAL
2018					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	-	-	(1)	-	(1)
Change in financial assumptions	(17)	(11)	(17)	1	(44)
Experience adjustments on benefit obligations	(1)	3	4	3	9
Actual return on plan assets excluding net interest expense	(2)	16	16	-	30
TOTAL RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	**(20)**	**8**	**2**	**4**	**(6)**

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

(CHF million)	CH	UK	USA	OTHER	TOTAL
2019					
NET ASSET/(LIABILITY) AT 1 JANUARY	**25**	**20**	**(21)**	**(81)**	**(57)**
Expense recognized in the income statement	(18)	-	(4)	(9)	(31)
Remeasurements recognized in other comprehensive income	(13)	15	(13)	(7)	(18)
Effect of acquisitions/disposals	-	-	-	1	1
Contributions paid by the Group	7	2	9	12	30
Employer benefit payments	-	-	-	2	2
Exchange differences	-	1	(1)	-	-
NET ASSET/(LIABILITY) AT 31 DECEMBER	**1**	**38**	**(30)**	**(82)**	**(73)**

(CHF million)	CH	UK	USA	OTHER	TOTAL
2018					
NET ASSET/ (LIABILITY) AT 1 JANUARY	**7**	**30**	**(24)**	**(83)**	**(70)**
Expense recognized in the income statement	(9)	(1)	(4)	(8)	(22)
Remeasurements recognized in other comprehensive income	20	(8)	(2)	(4)	6
Contributions paid by the Group	7	1	9	9	26
Employer benefit payments	-	-	-	1	1
Exchange differences	-	(2)	-	4	2
NET ASSET/(LIABILITY) AT 31 DECEMBER	**25**	**20**	**(21)**	**(81)**	**(57)**

Change in the defined benefit obligation is as follows:

(CHF million)	CH	UK	USA	OTHER	TOTAL
2019					
Opening present value of the defined benefit obligation	389	186	193	122	890
Current service cost	8	1	2	9	20
Interest cost	3	5	8	1	17
Plan participants' contributions	5	-	1	-	6
Past service cost	10	-	-	-	10
Net increase/(decrease) in DBO from acquisitions/disposals	-	-	-	(1)	(1)
Actual net benefit payments	(17)	(9)	(13)	(11)	(50)
(Gains)/losses due to changes in demographic assumptions	(7)	(3)	5	-	(5)
(Gains)/losses due to changes in financial assumptions	44	23	30	7	104
Experience differences	8	-	1	1	10
Exchange rate (gains)/losses	-	4	(3)	(1)	-
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**443**	**207**	**224**	**127**	**1 001**

(CHF million)	CH	UK	USA	OTHER	TOTAL
2018					
Opening present value of the defined benefit obligation	402	208	233	126	969
Current service cost	9	2	2	7	20
Interest cost	3	5	8	2	18
Plan participants' contributions	5	-	1	-	6
Settlements	-	-	(27)	(3)	(30)
Actual net benefit payments	(12)	(11)	(13)	(8)	(44)
(Gains)/losses due to changes in demographic assumptions	-	-	(1)	-	(1)
(Gains)/losses due to changes in financial assumptions	(17)	(11)	(17)	1	(44)
Experience differences	(1)	3	4	3	9
Exchange rate (gains)/losses	-	(10)	3	(6)	(13)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**389**	**186**	**193**	**122**	**890**

Change in fair value of plan assets is as follows:

(CHF million)	CH	UK	USA	OTHER	TOTAL
2019					
Opening fair value of plan assets	414	206	172	41	833
Interest income on plan assets	3	6	7	1	17
Return on plan assets excluding amounts included in net interest expense	32	35	23	1	91
Actual employer contributions	7	2	9	14	32
Actual plan participants' contributions	5	-	1	-	6
Actual net benefit payments	(17)	(9)	(13)	(11)	(50)
Actual admin expenses paid	-	-	(1)	-	(1)
Exchange differences	-	5	(4)	(1)	-
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**444**	**245**	**194**	**45**	**928**

(CHF million)	CH	UK	USA	OTHER	TOTAL
2018					
Opening fair value of plan assets	409	238	209	43	899
Interest income on plan assets	3	6	7	1	17
Return on plan assets excluding amounts included in net interest expense	2	(16)	(16)	-	(30)
Actual employer contributions	7	1	9	10	27
Actual plan participants' contributions	5	-	1	-	6
Actual net benefit payments	(12)	(11)	(13)	(8)	(44)
Actual admin expenses paid	-	-	(1)	-	(1)
Settlements	-	-	(27)	(3)	(30)
Exchange differences	-	(12)	3	(2)	(11)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**414**	**206**	**172**	**41**	**833**

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 108 million (2018: loss of CHF 13 million). The major categories of plan assets at the balance sheet date are as follows:

(CHF million)	CH	UK	USA	OTHER	TOTAL
2019					
Cash and cash equivalents	38	7	1	15	61
Equity securities	144	69	25	-	238
Debt securities	58	148	168	1	375
Assets held by insurance company	-	-	-	28	28
Properties	162	-	-	-	162
Investment funds	41	22	-	-	63
Other	1	(1)	-	1	1
TOTAL PLAN ASSETS AT 31 DECEMBER	**444**	**245**	**194**	**45**	**928**

(CHF million)	CH	UK	USA	OTHER	TOTAL
2018					
Cash and cash equivalents	47	4	2	17	70
Equity securities	118	64	24	-	206
Debt securities	60	138	143	-	341
Assets held by insurance company	-	-	-	24	24
Properties	155	-	-	-	155
Investment funds	32	-	-	-	32
Other	2	-	3	-	5
TOTAL PLAN ASSETS AT 31 DECEMBER	**414**	**206**	**172**	**41**	**833**

In 2019 and 2018, 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 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 by both quantitatively and qualitatively assessing the risk tolerance level and return requirements of the Plan as determined by the Investment Committee. The investment portfolio asset allocation and structure are developed based on the results of this process. In the UK, the Trustees review the investment strategy of the Scheme and the Plan on a regular basis in order 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 2019 and 2018 are as follows:

(Weighted average %)	CH	UK	USA	OTHER
2019				
Discount rate	0.2	2.0	3.1	1.2
Mortality assumption	LPP 2015 CMI 2016	SNA02F/M CMI 2018 1.25%	PRI 2012 MP 2019	-
Salary progression rate	1.5	3.3	3.3	2.6
Future increase for pension in payments	-	2.3	-	0.3
Healthcare cost trend assumed for the next year	3.0	-	7.0	-
Ultimate trend rate	3.0	-	4.5	-
Year that the rate reaches the ultimate trend rate			2025	

(Weighted average %)	CH	UK	USA	OTHER
2018				
Discount rate	1.0	2.9	4.3	1.9
Mortality assumption	LPP 2015 CMI 2016	SNA02F/M CMI 2016	RP2014 MP 2018	-
Salary progression rate	1.5	3.5	3.3	2.8
Future increase for pension in payments	0.2	3.2	-	0.4
Healthcare cost trend assumed for the next year	3.0	-	7.5	-
Ultimate trend rate	3.0	-	4.5	-
Year that the rate reaches the ultimate trend rate			2025	

The weighted average rate for each assumption used to measure the benefits obligation is also shown. The assumptions used to determine 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 33 million; a 0.5% increase in assumed salary would increase the obligation by CHF 2 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 13 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 15 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 9 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 22 million; a 0.5% increase in assumed salary would increase the obligation by CHF 3 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 9 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 2019 was CHF 70 million (2018: CHF 78 million).

25. PROVISIONS

(CHF million)	LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED	DEMOBILIZATION AND REORGANIZATION	OTHER PROVISIONS	TOTAL
AT 1 JANUARY 2019	**37**	**44**	**29**	**110**
IFRS 16 adjustement	-	-	2	2
Charge to income statement	13	58	46	117
Release to income statement	(4)	(4)	(5)	(13)
Payments	(9)	(25)	(15)	(49)
Exchange differences	(1)	(2)	1	(2)
AT 31 DECEMBER 2019	**36**	**71**	**58**	**165**

Analysed as:	2019	2018
Current liabilities	74	21
Non-current liabilities	91	89
TOTAL	**165**	**110**

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, results of operations or cash flows.

Demobilization and reorganization provision relate to present legal or constructive obligations of the Group toward 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.

26. TRADE AND OTHER PAYABLES

(CHF million)	2019	2018
Trade payables	336	362
Other payables	302	323
TOTAL	**638**	**685**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2019 and 2018, the fair value of the Group's trade accounts and other payables approximates the carrying value.

27. 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, results of operations or cash flows.

GUARANTEES AND PERFORMANCE BONDS

(CHF million)	2019	2018
Guarantees	768	520
Performance bonds	163	227
TOTAL	**931**	**747**

The Group has issued unconditional guarantees of CHF 768 million, thereof CHF 212 million financial guarantees to certain financial institutions that have provided credit facilities and foreign exchange lines to its subsidiaries. In addition, it has issued performance bonds and bid bonds of CHF 163 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.

28. EQUITY COMPENSATION PLANS

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

I) GRANTS TO MEMBERS OF THE OPERATIONS COUNCIL

In 2019, a total of 1 020 restricted shares were granted to members of the Operations Council, in settlement of 50% of the annual incentive related to the 2018 performance. The restricted shares fully vest at grant date and are blocked for a period of three years from the grant date, until April 2022. 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 2019 Annual General Meeting, was CHF 2 640 066.

50% of the annual incentive related to the 2019 performance will be settled in restricted shares. The grant of the restricted shares will be done after the 2020 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 2020 Annual General Meeting, rounded up to the nearest integer. The restricted shares will fully vest at grant date and will be blocked for a period of three years from the grant date, until April 2023. The Shareholding Ownership Guidelines apply to the Restricted Share Plans.

More information on the Short-Term Incentive for the members of the Operations Council is disclosed in the SGS Remuneration Report.

II) GRANTS TO OTHER EMPLOYEES

In 2019, a total of 2 011 Restricted Share Units (RSUs) were granted to selected key employees under the Restricted Share Units Plan 2019. The RSUs vest 3 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 5 114 777.

III) DISCONTINUED SHARE OPTION PLANS

Share options were granted to the members of the Operations Council, selected senior managers and key employees of the Group until 2015 and have been discontinued since.

OPTION PLAN

	Exercise period						
DESCRIPTION	**FROM**	**TO**	**STRIKE PRICE [1]**	**OPTIONS OUTSTANDING AT 31 DECEMBER 2018**	**CANCELLED**	**EXERCISED OR ADJUSTED**	**OPTIONS OUTSTANDING AT 31 DECEMBER 2019**
SGSPF-2014	Jan.17	Jan.19	2 059.00	237 076	(41 493)	(195 583)	-
SGSBB-2015	Jan.18	Jan.20	1 798.00	717 477	-	(677 269)	40 208
TOTAL				**954 553**	**(41 493)**	**(872 852)**	**40 208**
Of which exercisable at 31 December				954 553			40 208

1. The strike price of the options has been adjusted in accordance with market practice for capital reductions and special dividends.

PERFORMANCE SHARE UNIT (PSU) AND RESTRICTED SHARE UNIT (RSU) PLANS

DESCRIPTION	**EXERCISE PERIOD FROM**	**UNITS OUTSTANDING AT 31 DECEMBER 2018**	**GRANTED**	**CANCELLED**	**VESTED OR ADJUSTED**	**UNITS OUTSTANDING AT 31 DECEMBER 2019**
SGS-RSU-16	Apr.19	562	-	(15)	(547)	-
SGS-RSU-17	Apr.20	2 182	-	(325)	-	1 857
SGS-PSU-18	Feb.21	28 344	-	(2 382)	(26)	25 936
SGS-RSU-18	Apr.21	2 169	-	(178)	-	1 991
SGS-RSU-19	Apr.22	-	2 011	(82)	-	1 929
TOTAL		**33 257**	**2 011**	**(2 982)**	**(573)**	**31 713**

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 2019, the equity overhang, defined as the total number of share units, restricted shares and shares underlying options outstanding (32 115 units) divided by the total number of outstanding shares (7 565 732 shares) amounted to 0.42%.

The company's burn rate, defined as the number of equities (restricted shares and share units) granted in 2019 (3 031 units) divided by the total number of outstanding shares, was 0.04%.

The Group recognised during the year a total expense of CHF 17 million (2018: CHF 13 million) in relation to equity compensation plans.

Shares available for future plans:

	TOTAL
AT 1 JANUARY 2018	**(6 497)**
Repurchased shares	19 800
Granted SGS-PSU-18-plan	(28 487)
Granted SGS-RSU-18 plan	(2 197)
Options cancelled and adjusted	90
Shares for PSU cancelled and adjusted	(416)
Shares for RSU cancelled and adjusted	362
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	(977)
AT 31 DECEMBER 2018	**(18 322)**
Repurchased shares	-
Granted SGS-RSU-19 plan	(2 011)
Shares for PSU cancelled and adjusted	2 382
Shares for RSU cancelled and adjusted	600
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	(1 020)
AT 31 DECEMBER 2019	**(18 371)**

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

	2019 TOTAL	2018 TOTAL
Number of shares held	13 342	15 025
Shares allocated to 2014 option plans	-	(90)
Shares allocated to 2015 option plans	-	-
Shares allocated for 2016 RSU plans	-	(562)
Shares allocated for 2017 RSU plans	(1 857)	(2 182)
Shares allocated for 2018 PSU plans	(25 936)	(28 344)
Shares allocated for 2018 RSU plan	(1 991)	(2 169)
Shares allocated for 2019 RSU plan	(1 929)	(2 169)
SHARES REQUIRED FOR FUTURE EQUITY COMPENSATION PLANS AT 31 DECEMBER	**(18 371)**	**(18 322)**

For equity compensation plans, the Group had entered into agreements with various banks, whereby the Group had an obligation to offer to sell to the banks the shares underlying the option program at the relevant strike price whenever these shares become unblocked. In 2018, the banks exercised all their outstanding rights and the Group sold 44 442 shares, which led to an inflow of net proceeds of CHF 87.6 million, leaving a net economic exposure of 90 shares in respect of option plans. These 90 shares have been sold in 2019 following the exercise of the corresponding options.

Therefore, whilst as at 31 December 2019 the number of outstanding (not exercised) options amounts to 40 208 options, the underlying economic exposure for the Group in respect of these options is nil.

29. 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 OPERATIONS COUNCIL

The remuneration of Directors and members of the Operations Council during the year was as follows:

(CHF million)	2019	2018
Short-term benefits	20	20
Post-employment benefits	1	1
Share-based payments [1]	3	28
TOTAL	**24**	**49**

1. 2019 represents the value at grant of Shares and resricted shares granted in 2019 while 2018 represents the value at grant of restricted shares and performance share units granted in 2018.

The remuneration of Directors and members of the Operations Council is determined by the Nomination and Remuneration Committee. Additional information is disclosed in the SGS Remuneration Report.

During 2019 and 2018, no member of the Board of Directors or of the Operations Council had a personal interest in any business transactions of the Group.

The Operations Council (including Senior Management) participates in the equity compensation plans as disclosed in note 28.

The total compensation, including social charges, received by the Board of Directors amounted to CHF 2 268 000 (2018: CHF 2 035 000).

The total compensation (cash and shares/options), including social charges, received by the Operations Council (including Senior Management) amounted to CHF 22 205 000 (2018: CHF CHF 47 182 000).

LOANS TO MEMBERS OF GOVERNING BODIES

As at 31 December 2019, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from the previous year).

TRANSACTIONS WITH OTHER RELATED PARTIES

In 2019, the Group did not perform any activity generating revenue for the other related parties.

In 2018, the Group sold a building to the "Fondation de prévoyance SGS" for an amount of CHF 18 million, based on an external and independent valuation. The "Fondation de prévoyance SGS" is a foundation with a mandate to protect the employer's staff against the economic consequences of retirement, death and disability, by insuring defined benefits. The President of this foundation is the SGS Chief Compliance and Legal Officer and as such, this person has full authority to represent the "Fondation de prévoyance SGS" in all transactions.

During 2019 and 2018, neither related trade receivable balances unpaid nor expense in respect of any bad or doubtful debts due from these related parties were recognized.

30. SIGNIFICANT SHAREHOLDERS

At 31 December 2019, the significant shareholders of SGS are the following:

(% of detention)	2019	2018
Groupe Bruxelles Lambert (acting through Serena SARL and URDAC)[1]	16.73%	16.60%
Mr. August von Finck and members of his family (acting in concert)[2]	15.66%	15.52%
BlackRock, Inc.	4.00%	4.00%
MFS Investment Management	3.81%	3.02%

1. *The ultimate beneficial owners of the Groupe Bruxelles Lambert are Stichting Administratiekantoor Frère-Bourgeois, Paul Desmarais Junior and André Desmarais.*
2. *The Company was informed on 4 February 2020, that the von Finck family has disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.*

31. 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 20 February 2020, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 24 March 2020.

On 8 January 2020 the Group announced the acquisition of Thomas J. Stephens & Associates, Inc. (Stephens) in the USA, providing safety and efficacy testing and contract research activities for a total purchase price of CHF 17 million.

On 31 January 2020 the Group sold its Pest Management and Fumigation activities in the Netherlands and Belgium for a total cash consideration of CHF 68 million.

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Statutory Auditor's Report

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 balance sheet as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (presented on pages 132 to 173) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. 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 IESBA Code of Ethics for Professional Accountants, 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

Summary	
Key audit matters	Based on our audit scoping, we identified the following key audit matters: • Revenue recognition in respect of unbilled revenue and work in progress • Goodwill and associated impairment testing • Uncertain Tax provision
Materiality	Based on our professional judgment we determined materiality for the Group as a whole to be CHF60 million, 6% of Profit before tax (adjusted for non-recurring items, goodwill and intangible impairment and restructuring costs).
Scoping	Based on our understanding of SGS's operations, we scoped our audit of component operations based on the significance of account balances and significant risks. We gained sufficient and appropriate coverage across the Group. Coverage details are provided on page 178.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Revenue recognition: Work in progress and unbilled revenues

Key audit matter	How the scope of our audit responded to the key audit matter
The Group recognises revenue on fees for services rendered to third parties when the services have been completed. However, in certain circumstances, including where services are not billed at the end of each financial period, revenue is recognized in proportion to the stage of completion, normally by reference to costs incurred to the balance sheet date in comparison with the total estimated costs of the contracted services to completion. A margin is recognised based on cost incurred, providing it is expected that the project will be profitable once completed. Where services are completed, but unbilled, revenue is recorded at net selling price. Where services have been rendered but the project is still incomplete, revenue is recorded including a margin based on cost incurred and expected margin at the completion of the project. At December 31, 2019, the Group balance sheet included unbilled revenues and work-in-progress of CHF195 million (3% of total Group revenues). For certain contracts, significant judgement is required by management at the operational level to estimate the value of unbilled revenue and work in progress and the level of profit to be recognised prior to the year-end as it is highly dependent on the nature and complexity of the services being provided and the contractual terms with customers. The incremental revenue and profit recognised at period-end is also included in the determination of management incentives, increasing the risk of inappropriate estimation. Accordingly, we have assessed the estimation of work-in-progress and unbilled revenues as a key audit matter. We also note it is considered to be a significant accounting judgement and estimate (note 2). Refer to the accounting policy in note 2 and additionally note 5.	Our audit work during the year included the following procedures on work-in-progress and unbilled revenues: • We reviewed SGS's revenue recognition policies; • We assessed the design and implementation of key internal controls regarding revenue recognition and the approval of unbilled revenue and work in progress balances; • We tested a sample of unbilled revenue and work in progress balances recorded at the prior year-end to subsequent invoices and recoveries from third party clients in order to perform our risk assessment; and • We audited samples of credit notes and reversals of unbilled revenue and work in progress throughout the year to ensure that these adjustments were appropriate and not related to deliberate overstatement of revenue. • We used analytical procedures to identify businesses and geographies across the Group which had recorded significant work-in-progress and unbilled balances at the year-end, and challenged local management by tracing to contract and status reports to verify significant variances for a sample of contracts; • We tested a sample of work-in-progress and unbilled balances to the related customer contracts and appropriate operational evidence to confirm that the services had been completed prior to the year-end; • On a sample basis, we tested new contracts by reviewing revenue recorded with reference to the customer contract terms and conditions and assessed whether the revenue recognition is in line with group policy and IFRS 15; • Where work had not yet been subsequently invoiced and cash had not yet been received, we requested third party confirmation of the work being performed and obtained alternate audit evidence where direct confirmations were not received; • We tested manual journal entries booked in revenue; and • We also assessed the adequacy of the disclosures in the consolidated financial statements. **Based on the procedures performed, we consider management's estimates and disclosures regarding work-in-progress and unbilled revenue balances to be appropriate.**

Goodwill and associated impairment testing

Key audit matter	How the scope of our audit responded to the key audit matter
The Group's balance sheet includes CHF1'281 million of goodwill (20.2% of total Group assets). In accordance with IFRS, these balances are allocated to Cash Generating Units (CGUs) which are tested at least annually for impairment using discounted cash-flow models of each CGU's or group of CGU's recoverable value compared to the carrying value of the assets. A deficit between the recoverable value and the CGU's net assets would result in an impairment. The inputs to the impairment testing model which have the most significant impact on CGU recoverable value include: • Projected revenue growth, operating margins and operating cash-flows in the years 1-5; • Stable long term growth rates in years 6-10 and in perpetuity; and • Country and business specific discount rates (pre-tax). The impairment test model includes sensitivity testing of key assumptions, including revenue growth, operating margin and discount rate. We consider the annual impairment testing to be a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the financial statements as a whole. We also note it is considered to be a significant accounting judgement and estimate (note 2). Refer to the accounting policy in note 2 and additionally note 13 for details of the goodwill balances and impairment testing inputs.	We considered the appropriateness of the methodology applied and the key internal controls implemented by management in testing for impairment and the judgements in determining the CGUs to which goodwill is allocated. In the current year, we specifically focused on the calculation and allocation of goodwill (CHF86 million) associated with the acquisition of Maine Pointe LLC during the year. We evaluated the appropriateness of the definition of CGUs through discussions with senior operational management, confirmation of the reporting levels at which Group management monitors independent cash inflows and trading performance and our knowledge of the Group's operations. We assessed the impairment testing models and calculations by: • Checking the mathematical accuracy of the impairment models and the extraction of inputs from source documents; • Challenging the discount rates applied in the impairment reviews with support from our valuation specialists, developing independent expectations for key macroeconomic assumptions, in particular discount rates, and comparing those independent expectations to those used by management; and • Comparing forecast long-term growth rates to economic data. Based on our knowledge of the Group's businesses and considering the performance of the different CGUs, we identified CGUs with significant goodwill balances, declining trading performance compared with prior year, specific risk factors or lower headroom in recoverable value compared to net book value. For these selected CGUs, we assessed the appropriateness of cash-flow assumptions by analysing projected revenue growth rates, margins and cash-flow levels against current and historic trading and relevant market data, and by meeting with senior operational and commercial management in key businesses and geographies to consider the evidence available to support projected future performance. We also developed our own independent expectations of recoverable value headroom by performing additional sensitivity testing of key assumptions. We also assessed the adequacy of the related disclosures in the consolidated financial statements. **Based on the audit procedures performed, we consider the judgements applied in the determination of CGUs and the assumptions included in the impairment testing models, together with the disclosures set out in the consolidated financial statements, to be appropriate.**

Uncertain tax positions

Key audit matter	How the scope of our audit responded to the key audit matter
The Group's international operations give rise to complex global tax considerations, particularly with respect to cross border transactions. There continues to be an increase in enforcement activities, aggressive interpretations of existing legislation by local revenue authorities and, in some cases, the introduction of new legislation to increase taxes. SGS considered and applied interpretation IFRIC 23 - Uncertainty over Income Tax Treatments which came into effect 1 January, 1 2019. As a consequence, SGS reviewed and amended aspects of its tax policy and judgement over tax risks where there is uncertainty over income tax treatments (see note 2 p142). An amount of CHF40 million was recognised in opening retained earnings (as at January 1, 2019) to record the cumulative effect up until adoption of IFRIC 23 under the transitional requirements of the interpretation. Assessing uncertain tax positions requires estimation and judgement as to the likely resolution of the uncertainty. This gives rise to complexity and uncertainty in respect of the calculation of tax risk provision. Accordingly we have assessed the uncertain tax positions as a key audit matter. Refer to the accounting policy in note 2 and additionally note 9.	We evaluated Group management's implementation of Group policies and controls regarding the reporting of uncertain tax positions. This evaluation was conducted with assistance of our tax specialists. Specific discussions were held on management's approach determining uncertain tax positions including the implementation of IFRIC 23 requirements. We reviewed and challenged management's assessment of uncertain tax positions through discussions with the Group taxation department and local SGS tax teams, reviewing relevant correspondence with local tax authorities, reviewing third party expert tax opinions and using Deloitte tax specialists, where appropriate, to assess the adequacy of associated provisions and disclosures. We challenged management on the recognition of the cumulative effect of the adoption of IFRIC 23 in opening retained earnings, ensuring that the uncertain tax position were realised in line with IFRIC 23 requirements including the transition requirements. Deloitte tax specialists in Switzerland and at local operations were involved to ensure the accounting for the IFRIC 23 adjustments was appropriate and reflected all major transactions. We also performed a review of the income tax rate reconciliation and audited significant adjusting items. We also assessed the adequacy of the related disclosures in the consolidated financial statements. Based on the procedures performed, we consider management's judgements, assessment and disclosures regarding uncertain tax positions to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.
Based on our professional judgment we determined materiality for the Group as a whole to be CHF60 million, based on a calculation of 6% of profit before tax adjusted for non-recurring items, goodwill and intangible impairment and restructuring costs. We selected profit before tax as the basis of materiality because, in our view, it is the measure against which the performance of the Group is most commonly assessed.

The materiality applied by the component auditors ranged from CHF12 million to CHF36 million depending on the scale of the component's operations, the component's contribution to Group profit before tax and our assessment of risks specific to each location. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF3 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We designed our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

Based on our scope assessment, we performed full scope component audits at 18 key locations in 2019. In addition, we have requested 9 components to perform an audit on specific account balances (principally Revenue, Accounts Receivable, Work-In-Progress and Unbilled Revenues). In aggregate, these components represented the scope coverage below:

Group audit coverage	**2019**
Group revenue	72%
Total assets	78%
Net income for the year	71%

Remaining wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit. Annual statutory audits are conducted by affiliates of Deloitte SA at the majority of the Group's subsidiaries, although these are predominantly completed subsequent to our audit report on the consolidated financial statements and do not form part of the Group Audit process.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit.

The group audit team continued to follow a program of planned visits that has been designed so that the Senior Statutory Auditor visits most of the in scope locations on a rotational basis. The program for the visits is established based on the significance of the components and the results of our risk assessment.

For all components in scope for group reporting, we have included the component audit partner in our team briefing, discussed their risk assessment, and reviewed documentation of the findings from their work.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company upon which we issue a separate Statutory Auditor's report, sections 4 and 5 of the Remuneration Report and our auditor's reports thereon.
Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS 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, ISAs and Swiss Auditing Standards 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. A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Deloitte SA

Matthew Sheerin
Licensed Audit Expert
Auditor in Charge

Joelle Herbette
Licensed Audit Expert

Geneva, 20 February 2020

2. SGS SA

2.1. INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2019	2018
OPERATING INCOME			
Dividends from subsidiaries		782	480
Other income		-	17
TOTAL OPERATING INCOME		**782**	**497**
OPERATING EXPENSES			
Other operating and administrative expenses		(6)	(6)
Other expenses		(36)	(24)
TOTAL OPERATING EXPENSES		**(42)**	**(30)**
OPERATING RESULT		**740**	**467**
FINANCIAL INCOME			
Financial income	6	67	66
Exchange gain, net		1	4
TOTAL FINANCIAL INCOME		**68**	**70**
FINANCIAL EXPENSES			
Financial expenses	6	(55)	(54)
Liquidation of subsidiaries, net		(7)	(4)
TOTAL FINANCIAL EXPENSES		**(62)**	**(58)**
FINANCIAL RESULT		**6**	**12**
PROFIT BEFORE TAXES		**746**	**479**
Taxes		(1)	(7)
Withholding taxes		(10)	(7)
PROFIT FOR THE YEAR		**735**	**465**

2.2. STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

(CHF million)	NOTES	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		540	901
Other financial assets		52	52
Amounts due from subsidiaries		497	359
Accrued income and prepaid expenses		-	2
TOTAL CURRENT ASSETS		**1 089**	**1 314**
NON CURRENT ASSETS			
Investments in subsidiaries	2	1 745	1 636
Loans to subsidiaries		887	1 236
TOTAL NON CURRENT ASSETS		**2 632**	**2 872**
TOTAL ASSETS		**3 721**	**4 186**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHORT-TERM LIABILITIES			
Other current liabilities		-	23
Amounts due to subsidiaries		210	65
Corporate bonds (less than one year)	3	-	375
Deferred income and accrued expenses		42	53
Provisions		33	38
TOTAL SHORT-TERM LIABILITIES		**285**	**554**
LONG-TERM LIABILITIES/NON CURRENT LIABILITIES			
Long-term liabilities – subsidiaries		323	666
Corporate bonds	3	2 100	2 100
TOTAL LONG-TERM LIABILITIES/NON CURRENT LIABILITIES		**2 423**	**2 766**
SHAREHOLDERS' EQUITY			
Share capital	4 to 5	8	8
Statutory capital reserve	4 to 5	34	34
Statutory retained earnings	4 to 5	940	947
Own shares for share buyback	4 to 5	-	(158)
Reserve for own shares held by a subsidiary	4 to 5	31	35
TOTAL SHAREHOLDERS' EQUITY		**1 013**	**866**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3 721**	**4 186**

2.3. 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 is effectively less than 10 people for this company.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting principles required by Swiss law.

INVESTMENTS IN SUBSIDIARIES

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

FOREIGN CURRENCIES

Balance sheet items denominated in foreign currencies are converted at year-end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate. Unrealised gains and losses arising on foreign exchange transactions are included in the determination of the net profit, except long-term unrealised gains on long-term loans and related instruments, which are deferred.

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 recognised in income in the year in which they are received, on a cash basis.

BONDS

Bonds are recorded at nominal value.

2. SUBSIDIARIES

The list of principal Group subsidiaries appears in the Annual Report on pages 197–200.

3. CORPORATE BONDS

SGS SA made the following bond issuances:

DATE OF ISSUE	FACE VALUE IN CHF MILLION	COUPON IN %	YEAR OF MATURITY	ISSUE PRICE IN %	REDEMPTION PRICE IN %
27.05.2011	275	3.000	2021	100.480	100.000
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	100.000
08.05.2015	325	0.250	2023	100.079	100.000
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

On 8 March 2019, SGS SA reimbursed a CHF 375 million bond with a 2.65% coupon (2018: nil).

As at 31 December 2019, all the bonds disclosed in the above table are classified as long-term liabilities.

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

4. TOTAL EQUITY

(CHF million)	SHARE CAPITAL	STATUTORY CAPITAL RESERVE	RESERVE FOR OWN SHARES HELD BY A SUBSIDIARY	OWN SHARES FOR SHARE BUYBACK	STATUTORY RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2018	**8**	**34**	**97**	**(0)**	**992**	**1 131**
Dividends paid	-	-	-	-	(572)	(572)
Decrease in the reserve for own shares	-	-	(62)	-	62	-
Purchase of shares for cancelation	-	-	-	(158)	-	(158)
Profit for the year	-	-	-	-	465	465
BALANCE AT 31 DECEMBER 2018	**8**	**34**	**35**	**(158)**	**948**	**866**
Dividends paid	-	-	-	-	(589)	(589)
Decrease in the reserve for own shares	-	-	(4)	-	4	-
Cancelation of treasury shares	-	-	-	158	(158)	-
Profit for the year	-	-	-	-	735	735
BALANCE AT 31 DECEMBER 2019	**8**	**34**	**31**	**(0)**	**940**	**1 013**

5. SHARE CAPITAL

	SHARES IN CIRCULATION	OWN SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF MILLION)
BALANCE AT 1 JANUARY 2018	**7 551 408**	**82 324**	**7 633 732**	**8**
Own shares released into circulation	87 099	(87 099)	-	-
Own shares purchased for future equity compensation plans	(19 800)	19 800	-	-
Treasury shares purchased for cancelation	(68 000)	68 000	-	-
BALANCE AT 31 DECEMBER 2018	**7 550 707**	**83 025**	**7 633 732**	**8**
Own shares released into circulation	1 683	(1 683)	-	-
Capital reduction by cancelation of own shares	-	(68 000)	(68 000)	-
BALANCE AT 31 DECEMBER 2019	**7 552 390**	**13 342**	**7 565 732**	**8**

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 565 732 (2018: CHF 7 633 732) fully paid-in and divided into 7 565 732 (2018: 7 633 732) registered shares of a par value of CHF 1. In 2019, SGS SA proceeded to a capital reduction of 68 000 shares. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

OWN SHARES

On 31 December 2019, SGS SA held indirectly 13 342 of its own shares. In 2019, SGS SA proceeded to the cancelation of 68 000 of its own shares directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2019, 1 683 own shares were sold to cover the equity compensation plans.

6. FINANCIAL INCOME AND FINANCIAL EXPENSES

(CHF million)	2019	2018
FINANCIAL INCOME		
Interest income 3rd party	4	4
Interest income Group	63	62
FINANCIAL INCOME	**67**	**66**
FINANCIAL EXPENSES		
Interest expenses 3rd party	(27)	(30)
Interest expenses Group	(7)	(5)
Other financial expenses	(21)	(19)
FINANCIAL EXPENSES	**(55)**	**(54)**

7. GUARANTEES AND COMFORT LETTERS

(CHF million)	2019 ISSUED	2019 UTILISED	2018 ISSUED	2018 UTILISED
Guarantees	709	488	579	373
Performance bonds	55	55	51	51
TOTAL	**764**	**543**	**630**	**424**

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 comprising itself and other Group companies in Switzerland.

8. REMUNERATION

8.1. REMUNERATION POLICY AND PRINCIPLES

This section appears in the SGS Remuneration Report paragraph 2 in the Annual Report on pages 107–109.

8.2. REMUNERATION MODEL

This section appears in the SGS Remuneration Report paragraph 3 in the Annual Report on pages 110–118.

8.3. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

This section appears in the SGS Remuneration Report paragraph 4 in the Annual Report on pages 119–121.

8.4. REMUNERATION AWARDED TO THE OPERATIONS COUNCIL MEMBERS

This section appears in the SGS Remuneration Report paragraph 5 in the Annual Report on pages 122–128.

9. SHARES AND OPTIONS HELD BY MEMBERS OF GOVERNING BODIES

9.1. SHARES AND OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2019:

NAME	SHARES
L. von Finck	53
A. F. von Finck	786 255
C. Grupp	-
P. Kalantzis	150
S.R. du Pasquier	10
P. Desmarais	10
K. Sorenson	-
I. Galienne	1
G. Lamarche	25
C.Grieder	5

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2018:

NAME	SGSBB (2015)	RESTRICTED SHARES	SHARES
A. von Finck	-	-	19 670
A. F. von Finck	-	-	786 255
C. Grupp	-	-	-
P. Kalantzis	-	-	150
S.R. du Pasquier	-	-	10
P. Desmarais	-	-	10
I. Galienne	-	-	1
G. Lamarche	-	-	25
C. Kirk	310 208	49	1 199

9.2. SHARES AND OPTIONS HELD BY SENIOR MANAGEMENT

The following table shows the shares and vested options held by Senior Management as at 31 December 2019:

NAME	CORPORATE RESPONSABILITY	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	500	1 980
D. de Daniel	Chief Financial Officer	-	855
O. Merkt	General Counsel and Chief Compliance Officer	98	223

D. de Daniel replaced C. De Geyseleer, who resigned in February 2019.

The following table shows the shares and vested options held by Senior Management as at 31 December 2018:

NAME	CORPORATE RESPONSABILITY	SGSBB (2015)	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	70 000	509	1 950
C. De Geyseleer	Chief Financial Officer	-	177	461
O. Merkt	General Counsel and Chief Compliance Officer	49 572	114	210

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

10. SIGNIFICANT SHAREHOLDERS

To the knowledge of the Company the shareholders owning more than 3% of its share capital as at 31 December 2019, or as the date of their last notification as per Article 20 of the Swiss Stock Exchange Act were:

(% of detention)	**2019**	**2018**
Groupe Bruxelles Lambert (acting through Serena SARL and URDAC)[1]	16.73%	16.60%
Mr. August von Finck and members of his family (acting in concert)[2]	15.66%	15.52%
BlackRock, Inc.	4.00%	4.00%
MFS Investment Management	3.81%	3.02%

1. The ultimate beneficial owners of the Groupe Bruxelles Lambert are Stichting Administratekantoor Frère-Bourgeois, Paul Desmarais Junior and André Desmarais.

2. The Company was informed on 4 February 2020, that the von Finck family has disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

At the same date, SGS Group held 0.18% of the share capital of the Company (2018: 1.09%).

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(CHF)	**2019**	**2018**
Profit for the year	735 232 728	465 580 866
Balance brought forward from previous year	200 446 558	425 363 022
Dividend paid on own shares released into circulation in 2018 prior to the Annual General Meeting on 19 March 2018	-	(6 164 250)
Dividend paid on own shares released into circulation in 2019 prior to the Annual General Meeting on 22 March 2019	(85 410)	-
Capital reduction by cancelation of shares	68 000	-
Share buyback program	-	(157 616 100)
Reversal from the reserve for own shares	3 930 158	62 238 166
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	**939 592 034**	**789 401 704**
Proposal of the Board of Directors:		
Dividends [1]	(604 191 200)	(588 955 146)
BALANCE CARRIED FORWARD	**335 400 834**	**200 446 558**
Ordinary gross dividend per registered share	80.00	78.00

1. No dividend is paid on own shares held directly or indirectly by SGS SA.

11. 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 20 February 2020, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 24 March 2020.

Deloitte.

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Statutory Auditor's Report

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, which comprise the balance sheet as at 31 December 2019, the income statement and related notes for the year then ended, including the summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2019, presented on pages 182 to 188, 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 Auditing Standards. 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 entity 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, 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 and related loans to subsidiaries

Key audit matter	How the scope of our audit responded to the key audit matter
The company holds investments in subsidiaries with a carrying value of CHF1'745 million as of 31 December 2019 (46.9% of total assets). The list of material Group subsidiaries can be found in the Annual Report on pages 197 to 200. The company also has loans to subsidiaries amounting to CHF887 million. The valuation of these assets is dependent on the ability of these subsidiaries to generate positive cash flows in the future. In accordance with Article 960 CO, these investments are tested annually for impairment on an individual basis. An impairment would need to be recorded if the recoverable values of individual investments were lower than the associated carrying values, or if loan balances were no longer considered recoverable from the associated entities. The company uses the "income approach" for its impairment tests of investments, and prepares a discounted cash flow forecast for each significant balance. The inputs to the impairment testing model which have the most significant impact on the recoverable value include: • Projected revenue growth, operating margins and operating cash-flows in the years 1-5; • Stable long term growth rates in years 6-10 and in perpetuity; and • Country and business specific discount rates (pre-tax). The annual impairment testing is considered to be a risk area for the Board of Directors and a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the statutory financial statements as a whole. Refer to note 2 to the financial statements.	We tested the adequate implementation of accounting policies and the design and implementation of key controls regarding the valuation of investments in subsidiaries and related loans. We challenged the impairment testing conducted by the company. We tested the impairment model valuations for the recoverable amounts of investments and loans to subsidiaries on a sample basis by critically assessing the methodology applied and assessing the reasonableness of the underlying key assumptions and judgements. In particular, we performed the following procedures: • we checked the mathematical accuracy of the impairment models and the accuracy of extraction of inputs from source documents; • together with our valuation specialists, we challenged the significant inputs and key assumptions and judgements used in the impairment testing models for investments, specifically the discount rates and the five year projected revenues and margins; and • we developed our independent expectations of recoverable value by performing additional sensitivity testing of key assumptions. We evaluated the appropriateness and completeness of the related disclosures in the financial statements. **Based on the audit procedures performed above, we consider management's estimates of the assessment of the recoverable value of investments in, and loans to, subsidiaries along with related financial statement disclosures to be appropriate.**

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the 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 entity'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 entity 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 Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA

Matthew Sheerin
Licensed Audit Expert
Auditor in Charge

Joëlle Herbette
Licensed Audit Expert

Geneva, 20 February 2020

3. HISTORICAL DATA

3.1. SGS GROUP – FIVE-YEAR STATISTICAL DATA CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

(CHF million)	2019	2018	2017	2016	2015
REVENUE	**6 600**	**6 706**	**6 349**	**5 985**	**5 712**
Salaries and wages	(3 357)	(3 422)	(3 193)	(3 009)	(2 849)
Subcontractors' expenses	(386)	(387)	(394)	(368)	(345)
Depreciation, amortization and impairment	(548)	(317)	(338)	(336)	(322)
Gain on business disposal	268	-	-	-	-
Other operating expenses	(1 495)	(1 634)	(1 530)	(1 456)	(1 374)
OPERATING INCOME (EBIT)	**1 082**	**946**	**894**	**816**	**822**
Financial income	18	20	14	8	13
Financial expenses	(79)	(58)	(57)	(53)	(56)
PROFIT BEFORE TAXES	**1 017**	**908**	**851**	**771**	**779**
Taxes	(315)	(218)	(187)	(185)	(195)
PROFIT FOR THE YEAR	**702**	**690**	**664**	**586**	**584**
Profit attributable to:					
Equity holders of SGS SA	660	643	621	543	549
Non-controlling interests	42	47	43	43	35
OPERATING INCOME MARGINS IN %	**16.4**	**14.1**	**14.1**	**13.6**	**14.4**
AVERAGE NUMBER OF EMPLOYEES	**94 494**	**96 492**	**93 556**	**89 626**	**85 903**

3.2. SGS GROUP – FIVE-YEAR STATISTICAL DATA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER

(CHF million)	2019	2018	2017	2016	2015
Property, plant and equipment	926	969	1 002	972	964
Right-of-use assets	611	-	-	-	-
Goodwill	1 281	1 224	1 238	1 195	1 088
Other intangible assets	187	202	222	246	219
Investments in joint-ventures, associates and other	35	36	36	38	32
Deferred tax assets	174	203	168	165	173
Other non current-assets	149	133	137	122	141
TOTAL NON-CURRENT ASSETS	**3 363**	**2 767**	**2 803**	**2 738**	**2 617**
Inventories	45	46	46	41	40
Unbilled revenues and work in progress	195	226	293	249	248
Trade receivables	953	969	1 068	997	917
Other receivables and prepayments	219	214	236	252	272
Current tax assets	77	94	104	88	66
Marketable securities	9	9	10	9	244
Cash and cash equivalents	1 466	1 743	1 383	975	1 734
TOTAL CURRENT ASSETS	**2 964**	**3 301**	**3 140**	**2 611**	**3 277**
TOTAL ASSETS	**6 327**	**6 068**	**5 943**	**5 349**	**5 894**
Share capital	8	8	8	8	8
Reserves	1 536	1 851	2 036	2 243	2 222
Treasury shares	(30)	(191)	(125)	(478)	(324)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	**1 514**	**1 668**	**1 919**	**1 773**	**1 906**
Non-controlling interests	81	75	86	80	75
TOTAL EQUITY	**1 595**	**1 743**	**2 005**	**1 853**	**1 981**
Loans and other financial liabilities	2 199	2 110	2 095	1 735	1 742
Lease liabilities	490	2	1	1	-
Deferred tax liabilities	23	30	45	42	60
Defined benefit obligations	151	119	143	154	181
Provisions	91	89	73	76	78
TOTAL NON-CURRENT LIABILITIES	**2 954**	**2 350**	**2 357**	**2 008**	**2 061**
Loans and other financial liabilities	38	412	45	55	546
Lease liabilities	154	-	-	-	-
Trade and other payables	638	685	647	598	493
Provisions	74	21	35	44	49
Current tax liabilities	145	127	151	166	159
Contract liabilities	155	112	97	86	113
Other creditors and accruals	574	618	606	539	492
TOTAL CURRENT LIABILITIES	**1 778**	**1 975**	**1 581**	**1 488**	**1 852**
TOTAL LIABILITIES	**4 732**	**4 325**	**3 938**	**3 496**	**3 913**
TOTAL EQUITY AND LIABILITIES	**6 327**	**6 068**	**5 943**	**5 349**	**5 894**

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3.3. SGS GROUP – FIVE-YEAR STATISTICAL SHARE DATA

(CHF unless indicated otherwise)	2019	2018	2017	2016	2015
SHARE INFORMATION					
REGISTERED SHARES					
Number of shares issued	7 565 732	7 633 732	7 633 732	7 822 436	7 822 436
Number of shares with dividend rights	7 552 390	7 550 707	7 551 408	7 538 507	7 605 460
PRICE					
High	2 689	2 683	2 541	2 317	2 049
Low	2 213	2 170	2 051	1 734	1 577
Year-end	2 651	2 210	2 541	2 072	1 911
Par value	1	1	1	1	1
KEY FIGURES BY SHARES					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	200.37	220.86	254.16	235.22	250.56
Basic earnings per share[1]	87.45	84.54	82.41	71.54	71.99
Dividend per share ordinary	80.00	78.00	75.00	70.00	68.00
Total dividend per share	80.00	78.00	75.00	70.00	68.00
DIVIDENDS (CHF MILLION)					
Ordinary[2]	604	589	566	528	517
Total	604	589	566	528	517

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 10 of SGS Group Results.

2. As proposed by the Board of Directors.

3.4. SGS GROUP SHARE INFORMATION

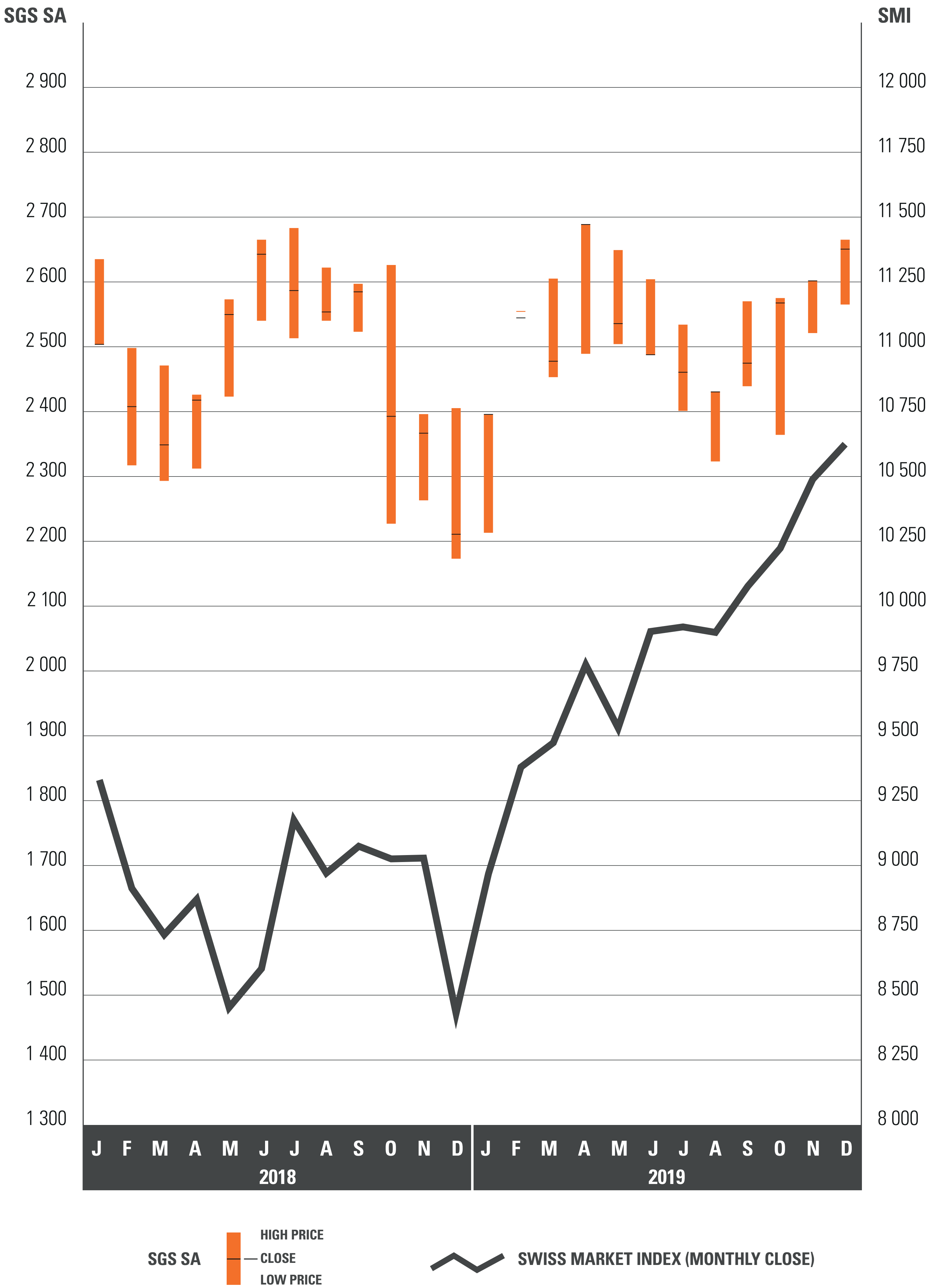
SHARE TRANSFER

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 2019, market capitalization was approximately CHF 20 057 million (2018: CHF 16 871 million). Shares are quoted on the SIX Swiss Exchange.

3.5. CLOSING PRICES FOR SGS AND THE SMI 2018-2019



4. MATERIAL OPERATING COMPANIES AND ULTIMATE PARENT

The disclosure of legal entities is limited to entities whose contribution to the Group revenues in 2019 represent at least 1% of the consolidated revenues, but includes, in addition, the main operating legal entity in every country where the Group has permanent operations, even when such legal entities represent less than 1% of the Group consolidated revenues. This definition of materiality excludes dormant companies, pure sub-holding companies or entities used solely for the detention of assets.

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/ INDIRECT
Albania	SGS Automotive Albania sh.p.k., Tirana	ALL	190 000 100	100	I
Algeria	SGS Qualitest Algérie SpA, Alger	DZD	50 000 000	100	D
Angola	SGS Serviços Angola	USD	30 000	100	I
Argentina	SGS Argentina SA, Buenos Aires	ARS	230 603 536	100	D
Argentina	ITV SA, Buenos Aires	ARS	1 500 000	100	I
Australia	SGS Australia Pty. Ltd., Perth	AUD	200 000	100	I
Austria	SGS Austria Controll-Co. Ges.m.b.H., Vienna	EUR	185 000	100	D
Azerbaijan	Société Générale de Surveillance Azeri Ltd., Baku	USD	100 000	100	D
Bangladesh	SGS Bangladesh Limited, Dhaka	BDT	10 000 000	100	D
Belarus	SGS Minsk Ltd., Minsk	USD	20 000	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	35 995 380	100	D
Bosnia-Herzegovina	SGS Bosna i Hercegovina (d.o.o.) Ltd., Sarajevo	BAM	2 151	100	I
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS PID Serviços de Inspecao	BRL	91 266 840	92.3	D
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	5 010 000	100	D
Burkina Faso	SGS Burkina SA, Ouagadougou	XOF	601 080 000	100	D
Cambodia	SGS (Cambodia) Ltd., Phnom Penh	KHR	4 000 000 000	100	D
Cameroon	SGS Cameroun SA, Douala	XAF	10 000 000	98.9	D
Canada	SGS Canada Inc., Missisauga	CAD	20 900 000	100	D
Chile	SGS Minerals S.A., Santiago de Chile	CLP	29 725 583 703	99.9	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Beijing	USD	3 966 667	85	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Shanghaï	CNY	180 000 000	100	I
Colombia	SGS Colombia SAS, Bogota	COP	135 546 166 036	100	D
Congo	SGS Congo SA, Pointe-Noire	XAF	1 510 000 000	100	D
Croatia	SGS Adriatica, w.l.l., Zagreb	HRK	1 300 000	100	I
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 707 000	100	I
Denmark	SGS Danmark A/S, Glostrup Hvidovre	DKK	700 000	100	I
Democratic Republic of Congo	SGS Minerals RDC SARL, Lubumbashi	USD	50 000	100	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/ INDIRECT
Ecuador	Consorcio SGS – Revisiones Técnicas	USD	25 000	100	I
Egypt	SGS Egypt Ltd., Cairo	EGP	1 500 000	100	D
Estonia	SGS Estonia Ltd., Tallinn	EUR	42 174	100	I
Ethiopia	SGS Ethiopia Private Limited, Addis Abeba	ETB	15 000	100	D
Finland	SGS FIMKO	EUR	260 000	100	I
France	SGS France SAS, Arcueil	EUR	3 172 613	100	I
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 000	100	I
Ghana	Ghana Community Network Services Limited, Accra	GHS	1 978 604	52	I
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Greece	SGS Greece SA, Peristeri	EUR	301 731	100	D
Guam	SGS Guam Inc., Guam	USD	25 000	100	D
Guatemala	SGS Central America SA, Guatemala-City	GTQ	4 250 000	100	D
Guinea-Conakry	SGS Mineral Guinea Conakry	GNF	5 000 000	100	D
Guinea-Equatorial	Compañia de Inspecciones y Servicios G.E., Malabo	XAF	10 000 000	51	D
Hong Kong	SGS Hong Kong Limited, Hong Kong	HKD	200 000	100	D
Hungary	SGS Hungária Kft., Budapest	HUF	518 000 000	100	I
India	SGS India Private Ltd., Mumbai	INR	960 000	100	D
Indonesia	P.T. SGS Indonesia, Jakarta	USD	350 000	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	99.99	D
Ireland	SGS Ireland (Holdings) Limited, Dublin	EUR	62 500	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	I
Ivory Coast	Société Ivoirienne de Contrôles Techniques Automobiles et Industriels SA, Abidjan	XOF	200 000 000	95	D
Japan	SGS Japan Inc., Yokohama	JPY	100 000 000	100	D
Jordan	SGS (Jordan) Private Shareholding Company, Amman	JOD	100 000	50	D
Kazakhstan	SGS Kazakhstan Limited, Almaty	KZT	228 146 527	100	D
Kenya	SGS Kenya Limited, Mombasa	KES	2 000 000	100	D
Korea (Republic of)	SGS Korea Co., Ltd., Seoul	KRW	15 617 540 000	100	D
Kuwait	SGS Kuwait W.L.L	KWD	50 000	49	I
Lao (People's Democratic Republic)	SGS (Lao) Sole Co., Ltd., Vientiane	LAK	2 444 700 000	100	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/ INDIRECT
Latvia	SGS Latvija Limited, Riga	EUR	118 382	100	I
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.97	D
Liberia	SGS Liberia Inc, Monrovia	LRD	100	100	D
Lithuania	SGS Klaipeda Ltd., Klaipeda	EUR	711 576	100	I
Madagascar	Malagasy Community Network Services SA, Antananarivo	MGA	10 000 000	70	D
Malawi	SGS Malawi Limited, Blantyre	MWK	30 000	100	D
Malaysia	Petrotechnical Inspection (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	750 000	100	D
Mali	SGS Mali Sàrlu, Kayes	XOF	300 000 000	100	D
Mauritius	SGS (Mauritius) LTD, Phoenix	MUR	100 000	100	D
Mexico	SGS de Mexico, SA de C.V., Mexico	MXN	7 068 828	100	D
Moldova	SGS (Moldova) SA, Chisinau	MDL	488 050	100	D
Mongolia	SGS-IMME Mongolia LLC, Ulaanbaatar	MNT	1 787 846 388	100	I
Morocco	SGS Maroc SA, Casablanca	MAD	17 982 000	100	D
Mozambique	SGS MCNET Moçambique Limitada, Maputo	MZN	343 716 458	100	I
Myanmar	SGS (Myanmar) Limited, Yangon	MMK	300 000	100	D
Namibia	SGS Inspection Services Namibia (Proprietary) Limited, Windhoek	NAD	100	100	I
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	10 522 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	49	I
Norway	SGS Norge A/S, Austrheim	NOK	804 000	100	I
Oman	SGS Oman (FZC) LLC, Sohar	OMR	500 000	100	D
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	Laboratorios Contecon Urbar Panama	USD	760 000	100	I
Papua New Guinea	SGS PNG Pty. Limited, Port Moresby	PGK	2	100	I
Paraguay	SGS Paraguay SA, Asunción	PYG	1 962 000 000	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	43 081 182	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	27 167 800	100	I
Portugal	SGS Portugal – Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Qatar	SGS Qatar WLL,Doha	QAR	200 000	49	I
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	AO SGS Vostok Limited, Moscow	RUB	18 000 000	100	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/ INDIRECT
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
Senegal	SGS Sénégal SA, Dakar	XAF	35 000 000	100	D
Serbia	SGS Beograd d.o.o., Beograd	EUR	66 161	100	I
Sierra Leone	SGS (SL) Ltd., Freetown	SLL	200 000 000	100	D
Singapore	SGS Testing and Control Services Singapore Pte Ltd., Singapore	SGD	100 000	100	D
Slovakia	SGS Slovakia spol.s.r.o., Kosice	EUR	19 917	100	I
Slovenia	SGS Slovenija d.o.o. – Podjetje za kontrol blaga, Ljubljana	EUR	10 432	100	I
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	452 000 500	100	I
Spain	SGS Española de Control SA, Madrid	EUR	240 000	100	I
Spain	SGS Tecnos, SA, Sociedad Unipersonal, Madrid	EUR	92 072 034	100	I
Sri Lanka	SGS Lanka (Private) Limited, Colombo	LKR	9 000 000	100	D
Sweden	SGS Sweden AB, Göteborg	SEK	1 500 000	100	I
Switzerland	SGS Société Générale de Surveillance SA, Geneva	CHF	10 000 000	100	I
Switzerland	SGS SA, Geneva	CHF	7 565 732		Ultimate parent company
Switzerland	SGS Group Management SA, Geneva	CHF	100 000	100	I
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	African Assay Laboratories (Tanzania) Ltd	TZS	2 000	100	I
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.99	D
Togo	SGS Togo SA, Lomé	XOF	10 000 000	100	D
Tunisia	SGS Tunisie SA, Tunis	TND	50 000	50	D
Turkey	SGS Supervise Gözetme Etud Kontrol Servisleri Anonim Sirketi, Istanbul	TRY	6 550 000	100	I
Turkmenistan	SGS Turkmen Ltd., Ashgabat	USD	50 000	100	D
Uganda	SGS Uganda Limited, Kampala	UGX	5 000 000	100	D
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	I
United Arab Emirates	SGS Gulf Limited Dubai Airport Free Zone Branch	-	-	-	-
United States	SGS North America Inc.	USD	73 701 996	100	I
United States	Maine Pointe LLC	USD	-	100	I
Uruguay	SGS Uruguay Limitada, Montevideo	UYU	1 500	100	D
Uzbekistan	SGS Tashkent Ltd., Tashkent	USD	50 000	100	D
Vietnam	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D
Zambia	SGS Inspections Services Ltd., Lusaka	ZMK	16 944 000	100	I
Zimbabwe	SGS Technical Services (PTY) Ltd, Harare (Branch office)	-	-	-	-

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STOCK EXCHANGE LISTING

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STOCK EXCHANGE TRADING

SIX Swiss Exchange

COMMON STOCK SYMBOLS

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ANNUAL GENERAL MEETING OF SHAREHOLDERS

Tuesday, 24 March 2020
Geneva, Switzerland

2020 HALF-YEAR RESULTS

Tuesday, 21 July 2020

INVESTOR DAYS – EUROPE

Thursday and Friday
5 – 6 November 2020

DIVIDEND PAYMENT DATE

Ex-date: Thursday, 26 March 2020
Record date: Friday, 27 March 2020
Payment date: Monday, 30 March 2020

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CONCEPT, DESIGN, PHOTOGRAPHY, REALIZATION AND PRODUCTION

Group Charlescannon SARL
Geneva, Switzerland

PRINTED BY

Druckcenter am Rigi
Küssnacht, Switzerland

Printed on 100% recycled BalancePure offset paper, February 2020

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