2020 RESULTS

1. SGS Group

1.1. Consolidated Income Statement

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	Notes	2020	2019
REVENUE	4	**5 604**	**6 600**
Salaries and wages		(2 797)	(3 357)
Subcontractors' expenses		(352)	(386)
Depreciation, amortization and impairment	12 to 15	(517)	(548)
Gain on business disposals	3	63	268
Other operating expenses	7	(1 206)	(1 495)
OPERATING INCOME (EBIT)[1]	4	**795**	**1 082**
Financial income	8	12	18
Financial expenses	9	(66)	(79)
Share of profit of associates and joint ventures		1	(4)
PROFIT BEFORE TAXES		**742**	**1 017**
Taxes	10	(237)	(315)
PROFIT FOR THE PERIOD		**505**	**702**
Profit attributable to:			
Equity holders of SGS SA		480	660
Non-controlling interests		25	42
BASIC EARNINGS PER SHARE (IN CHF)	11	**64.05**	**87.45**
DILUTED EARNINGS PER SHARE (IN CHF)	11	**63.82**	**87.18**

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	2020	2019
Actuarial gains/(losses) on defined benefit plans	25	14	(18)
Income tax on actuarial gains/(losses)	10	(4)	6
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO INCOME STATEMENT		**10**	(12)
Exchange differences and other[1]		(182)	(68)
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO INCOME STATEMENT		**(182)**	(68)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**(172)**	**(80)**
Profit for the year		505	702
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**333**	**622**
Attributable to:			
Equity holders of SGS SA		311	584
Non-controlling interests		22	38

1. In 2020, exchange differences and other include net exchange loss of CHF 1 million on long-term loans treated as net investment in a foreign entity according to IAS 21 (2019: loss of CHF 6 million)

1.3. Consolidated Statement of Financial Position

AT 31 DECEMBER

(CHF million)	Notes	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	872	926
Right-of-use assets	13	590	611
Goodwill	14	1 651	1 281
Other intangible assets	15	333	187
Investments in joint ventures, associates and other companies		34	35
Deferred tax assets	10	161	174
Other non-current assets	16	154	149
TOTAL NON-CURRENT ASSETS		**3 795**	**3 363**
CURRENT ASSETS			
Inventories		57	45
Unbilled revenues and work in progress	5	160	195
Trade receivables	17	856	953
Other receivables and prepayments	18	188	219
Current tax assets		77	77
Marketable securities		9	9
Cash and cash equivalents	19	1 766	1 466
TOTAL CURRENT ASSETS		**3 113**	**2 964**
TOTAL ASSETS		**6 908**	**6 327**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	23	8	8
Reserves		1 282	1 536
Treasury shares		(230)	(30)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		**1 060**	**1 514**
Non-controlling interests		74	81
TOTAL EQUITY		**1 134**	**1 595**
NON-CURRENT LIABILITIES			
Loans and other financial liabilities	24	2 390	2 199
Lease liabilities	13	470	490
Deferred tax liabilities	10	53	23
Defined benefit obligations	25	136	151
Provisions	26	88	91
TOTAL NON-CURRENT LIABILITIES		**3 137**	**2 954**
CURRENT LIABILITIES			
Loans and other financial liabilities	24	863	38
Lease liabilities	13	151	154
Trade and other payables	27	658	638
Provisions	26	85	74
Current tax liabilities		140	145
Contract liabilities	5	189	155
Other creditors and accruals		551	574
TOTAL CURRENT LIABILITIES		**2 637**	**1 778**
TOTAL LIABILITIES		**5 774**	**4 732**
TOTAL EQUITY AND LIABILITIES		**6 908**	**6 327**

1.4. Consolidated Statement of Cash Flows

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	Notes	2020	2019
Profit for the year		505	702
Non-cash and non-operating items	20.1	748	756
Decrease/(Increase) in working capital	20.2	186	(3)
Taxes paid		(253)	(306)
CASH FLOW FROM OPERATING ACTIVITIES		**1 186**	**1 149**
Purchase of property, plant and equipment and other intangible assets		(259)	(290)
Disposal of property, plant and equipment and other intangible assets		13	11
Acquisition of businesses	21	(492)	(169)
Proceeds from disposal of businesses		71	333
Increase in other non-current assets		(4)	(2)
Decrease/(Increase) in investments in joint ventures, associates and other companies		1	(4)
Interest received		15	21
CASH FLOW USED BY INVESTING ACTIVITIES		**(655)**	**(100)**
Dividends paid to equity holders of SGS SA		(598)	(589)
Dividends paid to non-controlling interests		(37)	(43)
Transaction with non-controlling interests	20.3	(1)	(12)
Cash paid on treasury shares		(208)	(23)
Proceeds/(payment) of corporate bonds	20.3	499	(375)
Interest paid		(63)	(87)
Payment of lease liabilities	20.3	(161)	(174)
Proceeds from borrowings	20.3	542	–
Payment of borrowings	20.3	(154)	–
CASH FLOW USED BY FINANCING ACTIVITIES		**(181)**	**(1 303)**
Currency translation		(50)	(23)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**300**	**(277)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1 466**	**1 743**
Increase/(decrease) in cash and cash equivalents		300	(277)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**1 766**	**1 466**

1.5. Consolidated Statement of Changes in 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 2019	**8**	**(191)**	**129**	**(1 064)**	**(239)**	**2 958**	**1 601**	**74**	**1 675**
Profit for the period	–	–	–	–	–	660	660	42	702
Other comprehensive income for the period	–	–	–	(64)	(12)	–	(76)	(4)	(80)
Total comprehensive income for the period	–	–	–	*(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**
BALANCE AT 1 JANUARY 2020	**8**	**(30)**	**146**	**(1 128)**	**(251)**	**2 769**	**1 514**	**81**	**1 595**
Profit for the period	–	–	–	–	–	480	480	25	505
Other comprehensive income for the period	–	–	–	(179)	10	–	(169)	(3)	(172)
Total comprehensive income for the period	–	–	–	*(179)*	*10*	*480*	*311*	*22*	*333*
Dividends paid	–	–	–	–	–	(598)	(598)	(37)	(635)
Share-based payments	–	–	17	–	–	–	17	–	17
Movement in non-controlling interests	–	–	–	–	–	20	20	8	28
Movement on treasury shares	–	(200)	(3)	–	–	(1)	(204)	–	(204)
BALANCE AT 31 DECEMBER 2020	**8**	**(230)**	**160**	**(1 307)**	**(241)**	**2 670**	**1 060**	**74**	**1 134**

1. Net of tax

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 2020. 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 2019 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2020.

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.

COVID-19 PANDEMIC

Covid-19 has been declared a pandemic by the World Health Organization on 11 March 2020. Through this challenging period, SGS has focused on employee safety, customer service continuity and has been managing the business with a strong finance discipline.

The Group has remained agile, adapting its operations to local guidelines and requirements, travel restrictions within and across countries, micro-and macro-economic changes, as well as specific client needs and requests. These have resulted in local business disruptions, such as temporary site closures, supply chain interruptions, postponement or suspension of consultancy and supervision projects. Consequently, SGS experienced a decline in activities in 2020 across most business lines and also incurred additional costs to respond to the new way of operating during the pandemic while maintaining efficient workforce management.

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

These 2020 consolidated financial statements were prepared considering the impact of the pandemic, as well as the future uncertainties, with particular attention to the below specific areas:

- Impairment of non-current assets: the Group has analyzed whether any triggering event could be identified that would indicate an impairment of its assets and none were identified
- Goodwill impairment test: in addition to the annual impairment test carried out, the Group considered Covid-19 as a trigering event for impairment test in May 2020. The Group recognized an impairment loss of CHF 37 million
- Appropriateness of expected credit loss allowance for trade receivables, unbilled revenue and work in progress: applying the simplified approach for IFRS 9 expected credit loss model, the Group reviewed its impairment matrix to ensure it continues to reflect current and future credit risks and assessed it as adequate
- Accounting for government grants: at 31 December 2020, the Group recognized CHF 36 million as deduction of salaries and wage expenses

BUSINESS SEGMENT FINANCIAL RESTATEMENT

As of 1 January 2020, the Transportation business line (TRP) was integrated into other business segments. Other than creating operational synergies, the Group expects to reinvigorate the growth profiles of these services. The previously reported 2019 segment disclosures have been restated to reflect this change and are disclosed in note 4.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Several new amendments and interpretations were adopted effective 1 January 2020 but have no material impact on the Group's consolidated financial statements. There are no IFRS standards or interpretations which are not yet effective and which would be expected to have a material impact on the Group.

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 193 to 195.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Initially they are measured at the non-controlling 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 judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

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

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 CGUs being the higher of its value-in-use and the fair value less costs to sell.

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

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

For all CGUs or groups of CGUs, a value-in-use calculation is performed using cash flow projections covering the next five years. These cash flow 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 CGUs is less than the carrying amount of the unit's net operating assets, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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.

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

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

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

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value at each balance sheet date. The gains and losses resulting from the fair value remeasurement 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.

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 judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments.

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

CONTRACT LIABILITIES

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

RESTRUCTURING COSTS

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

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 off-set when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of off-set. 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 ESTIMATES AND JUDGMENTS

Use of estimates

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

Business combinations

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

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.

Legal and warranty claims on services rendered

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

Judgments

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

Lease termination of contracts with renewal and exit options

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

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

EXCHANGE RATES

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

			Statement of financial position period-end rates		Income statement period average rates	
			2020	**2019**	**2020**	**2019**
Australia	AUD	100	**67.66**	68.02	**64.75**	69.11
Brazil	BRL	100	**16.98**	24.07	**18.46**	25.24
Canada	CAD	100	**69.12**	74.47	**70.05**	74.89
Chile	CLP	100	**0.12**	0.13	**0.12**	0.14
China	CNY	100	**13.54**	13.93	**13.60**	14.40
Eurozone	EUR	100	**108.42**	109.03	**107.04**	111.29
United Kingdom	GBP	100	**119.75**	127.49	**120.47**	126.88
Russia	RUB	100	**1.19**	1.58	**1.31**	1.54
Taiwan	TWD	100	**3.15**	3.24	**3.19**	3.22
USA	USD	100	**88.45**	97.35	**93.92**	99.38

3. BUSINESS COMBINATIONS

The following business combinations occurred during 2020 and 2019:

BUSINESS COMBINATIONS 2020

In 2020, the Group completed six business combinations for a total purchase price of CHF 536 million (note 21).

- 100% of Thomas J. Stephens & Associates, Inc., a company providing clinical research serving the cosmetic and personal care industry in the USA (effective 8 January 2020)
- 100% of CTA Gallet, a company operating vehicle inspection services in France and providing road safety inspections (effective 2 June 2020)
- 100% of Groupe Moreau, a company providing vehicle inspection services in France (effective 28 August 2020)
- 100% of Engineering Control Limited, a consultancy company focusing on process automation and functional safety of process systems in New Zealand (effective 4 November 2020)
- 80% of Ryobi Geotechnique International Pte Ltd a company specializing in providing geoengineering solutions in Singapore (effective 31 December 2020)
- 100% of SYNLAB Analytics & Services, a leading European environmental, food testing, life activities and tribology services company (effective 31 December 2020)

These companies were acquired for an amount of CHF 536 million and the total goodwill generated on these transactions amounted to CHF 481 million.

All the above transactions contributed a total of CHF 16 million in revenue and CHF 2 million in operating income in 2020. Had all acquisitions been effective 1 January 2020, the revenue for the period from these acquisitions would have been CHF 254 million and the operating income would have been CHF 30 million.

On 31 December 2020 SGS has acquired SYNLAB Analytics & Services. This acquisition will strengthen Group's presence in North-Western Europe in environmental testing, food testing, life activities and oil condition monitoring as well as allowing SGS to enter new markets in the Nordics. SYNLAB Analytics & Services has not contributed to Group's revenue and operating income in 2020.
Had the company been acquired on 1 January 2020 the revenue for the year would have been CHF 207 million and the operating income CHF 22 million.

On 31 December 2020 SGS has acquired Ryobi Geotechnique International Pte Ltd.. This acquisition supports Group's strategic evolution following TIC megatrends as well as the presence of Industrial business in Singapore. Ryobi Geotechnique International Pte Ltd. has not contributed to Group's revenue and operating income in 2020. Had the company been acquired on 1 January 2020 the revenue for the year would have been CHF 25 million and the operating income CHF 4 million.

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

DIVESTMENT 2020

The Group has disposed of Pest management and fumigation operations in Belgium and Netherlands for a total purchase price of CHF 68 million, generating a gain on disposal of CHF 63 million.

BUSINESS COMBINATIONS 2019

In 2019, the Group completed 11 business combinations for a total purchase price of CHF 185 million (note 21).

- 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, pharma 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 the 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)

In 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 21).

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.

In 2019, 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.

DIVESTMENT 2019

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

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)	2020	2019
ADJUSTED OPERATING INCOME*	**900**	**1 063**
Amortization and impairment of acquired intangibles	(31)	(36)
Restructuring costs	(84)	(89)
Goodwill impairment	(37)	(21)
Gain on business disposals	63	268
Transaction and integration costs	(16)	(19)
Other non-recurring items[1]	–	(84)
OPERATING INCOME	**795**	**1 082**

1. 2019 included mainly 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

* Alternative Performance Measures (APM), refer to the ‘2020 Full Year APM’ document

ANALYSIS OF REVENUE AND OPERATING INCOME

December 2020

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Operating income by business
AFL	996	175	(4)	(5)	(16)	63	(4)	209
MIN	639	111	(1)	(7)	–	–	–	103
OGC	776	76	–	(5)	–	–	(2)	69
CRS	1 054	264	(2)	(3)	–	–	(1)	258
CBE	429	82	(10)	(3)	(8)	–	–	61
IND	847	72	(7)	(13)	(10)	–	(2)	40
EHS	471	42	(4)	(3)	–	–	(6)	29
GIS	392	78	(3)	(45)	(3)	–	(1)	26
TOTAL	**5 604**	**900**	**(31)**	**(84)**	**(37)**	**63**	**(16)**	**795**

* Alternative Performance Measures (APM), refer to the '2020 Full Year APM' document

SEGMENT INFORMATION RESTATEMENT

Following the completion of a strategic review, the Transportation business line (TRP) has been integrated in our other business segments as of 1 January 2020. The previously reported 2019 segment disclosures have been restated to reflect this change and are disclosed in the table below.

December 2019 restated

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Other non-recurring items	Operating income by business
AFL	1 074	172	(3)	(13)	–	–	(2)	(11)	143
MIN	753	128	(1)	(14)	–	–	–	(8)	105
OGC	1 075	120	(4)	(15)	–	268	(10)	(22)	337
CRS	1 091	270	(3)	(8)	–	–	–	(11)	248
CBE	497	99	(6)	(5)	–	–	(4)	(5)	79
IND	1 091	116	(13)	(20)	(21)	–	(1)	(15)	46
EHS	540	67	(4)	(5)	–	–	(1)	(5)	52
GIS	479	91	(2)	(9)	–	–	(1)	(7)	72
TOTAL	**6 600**	**1 063**	**(36)**	**(89)**	**(21)**	**268**	**(19)**	**(84)**	**1 082**

* Alternative Performance Measures (APM), refer to the '2020 Full Year APM' document

December 2019 published

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Other non-recurring items	Operating income by business
AFL	1 074	172	(3)	(13)	–	–	(2)	(11)	143
MIN	753	128	(1)	(14)	–	–	–	(8)	105
OGC	1 075	120	(4)	(15)	–	268	(10)	(22)	337
CRS	1 021	262	(3)	(8)	–	–	–	(10)	241
CBE	447	91	(6)	(5)	–	–	(4)	(4)	72
IND	930	112	(10)	(15)	(21)	–	–	(12)	54
EHS	540	67	(4)	(5)	–	–	(1)	(5)	52
TRP	500	66	(5)	(11)	–	–	(2)	(7)	41
GIS	260	45	–	(3)	–	–	–	(5)	37
TOTAL	**6 600**	**1 063**	**(36)**	**(89)**	**(21)**	**268**	**(19)**	**(84)**	**1 082**

* Alternative Performance Measures (APM), refer to the '2020 Full Year APM' document

RESTRUCTURING COSTS

The Group incurred a pre-tax restructuring charge of CHF 84 million (2019: CHF 89 million), out of which CHF 45 million is recognized for GIS activities, mainly driven by the termination of the single-window contract with the Government of Ghana and the vehicle inspection contract with the Government of Uganda.

Total restructuring costs comprised personnel reorganization of CHF 44 million (2019: CHF 67 million) as well as fixed asset impairment of CHF 25 million (2019: CHF 9 million) and other charges of CHF 15 million (2019: CHF 13 million).

REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT

(CHF million)	2020	%	2019	%
Europe/Africa/Middle East	2 508	44.8	2 894	43.9
Americas	1 102	19.7	1 579	23.9
Asia Pacific	1 994	35.5	2 127	32.2
TOTAL	**5 604**	**100.0**	**6 600**	**100.0**

Revenue in Switzerland from external customers for 2020 amounted to CHF 149 million (2019: CHF 177 million). No country represented more than 20% of revenues from external customers in 2020 nor 2019.

MAJOR CUSTOMER INFORMATION

In 2020 and 2019, 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)	2020	%	2019	%
Europe/Africa/Middle East	2 102	59.4	1 494	48.3
Americas	806	22.8	945	30.5
Asia Pacific	628	17.8	656	21.2
TOTAL SPECIFIC NON-CURRENT ASSETS	**3 536**	**100.0**	**3 095**	**100.0**

Specific non-current assets in Switzerland for 2020 amounted to CHF 164 million (2019: CHF 131 million).

RECONCILIATION WITH TOTAL NON-CURRENT ASSETS

(CHF million)	2020	2019
Specific non-current assets as above	3 536	3 095
Deferred tax assets	161	174
Retirement benefit assets	90	78
Non-current loans to third parties	8	16
TOTAL	**3 795**	**3 363**

CAPITAL ADDITIONS BY BUSINESS SEGMENT

	December		December restated		December published	
(CHF million)	2020	%	2019	%	2019	%
AFL	40	15.4	46	15.9	46	15.9
MIN	28	10.9	36	12.4	36	12.4
OGC	41	15.8	48	16.6	48	16.6
CRS	82	31.7	75	25.8	65	22.4
CBE	4	1.5	5	1.7	5	1.7
IND	30	11.6	38	13.1	25	8.6
EHS	21	8.1	23	7.9	23	7.9
TRP	n.a.	n.a.	n.a.	n.a.	31	10.7
GIS	13	5.0	19	6.6	11	3.8
TOTAL	**259**	**100.0**	**290**	**100.0**	**290**	**100.0**

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT

(Average number of employees)	2020	2019
Europe/Africa/Middle East	36 350	37 946
Americas	17 878	21 863
Asia Pacific	34 870	34 685
TOTAL	**89 098**	**94 494**
Number of employees at year end	91 698	92 661

5. REVENUES FROM CONTRACTS WITH CUSTOMERS

TIMING OF REVENUE RECOGNITION

	2020		2019 restated		2019 published	
(CHF million)	Services transferred at a point in time	Services transferred over time	Services transferred at a point in time	Services transferred over time	Services transferred at a point in time	Services transferred over time
AFL	89%	11%	85%	15%	85%	15%
MIN	72%	28%	69%	31%	69%	31%
OGC[1]	81%	19%	68%	32%	68%	32%
CRS[2]	81%	19%	83%	17%	85%	15%
CBE[2]	96%	4%	98%	2%	97%	3%
IND[2]	57%	43%	59%	41%	56%	44%
EHS	76%	24%	77%	23%	77%	23%
TRP[2]	n.a.	n.a.	n.a.	n.a.	83%	17%
GIS[2]	91%	9%	93%	7%	94%	6%
TOTAL	**79%**	**21%**	**77%**	**23%**	**77%**	**23%**

1. The disposal of the PSC business in the USA has impacted the proportion of revenue recognized at a point in time versus over time in OGC
2. See note 2 on Segment information restatement

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

(CHF million)	2020	2019
Unbilled revenues and work in progress	**160**	195
Trade receivables	**856**	953
Contract liabilities	**189**	155

Revenue evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2020, SGS has recognized revenue of CHF 93 million related to contract liabilities at 31 December 2019. In 2019, the revenue recognized from contract liabilities at 31 December 2018 amounted to CHF 81 million. Revenue recognized from performance obligations satisfied in previous periods were immaterial in 2020 and 2019.

The remaining performance obligations (unsatisfied or partially satisfied) expected to be recognized for long-term contracts amount to CHF 568 million at 31 December 2020, out of which CHF 300 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 2020 were not significant, while amortization and impairment losses were nil.

6. GOVERNMENT GRANTS

Government grants for the period amount to CHF 36 million (2019: CHF 5 million), presented as a deduction of salaries and wages expenses. The Group has applied for subsidies in certain countries for which a scheme has been put in place to cover partial unemployment due to the Covid-19 pandemic. Conditions attached to the grants differ from one country to another and the Group recognizes the grants only when the conditions are met. The outstanding balance recognized in the statement of financial position amounted to CHF nil million (2019: CHF nil million).

7. OTHER OPERATING EXPENSES

(CHF million)	2020	2019
Consumables, repairs and maintenance	446	490
Travel costs	246	362
Rental expense, insurance, utilities and sundry supplies	136	161
External consultancy fees	105	104
IT expenses	91	87
Communication costs	66	99
Allowance for expected credit losses	3	32
Gain on disposal of property, plant and equipment	(2)	(2)
Miscellaneous operating expenses	115	162
TOTAL	**1 206**	**1 495**

8. FINANCIAL INCOME

(CHF million)	2020	2019
Interest income	11	17
Foreign exchange gains/(losses)	1	1
Other financial income	–	–
TOTAL	**12**	**18**

9. FINANCIAL EXPENSES

(CHF million)	2020	2019
Interest expense[1]	46	49
Loss on derivatives at fair value	11	27
Other financial expenses	9	3
Net financial expenses on defined benefit plans	–	–
TOTAL	**66**	**79**

1. 2020 includes CHF 20 million (2019: CHF 25 million) of lease liabilities interest expense (see note 13)

10. TAXES

MAJOR COMPONENTS OF TAX EXPENSE

(CHF million)	2020	2019
Current taxes	251	299
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences	(14)	16
TOTAL	**237**	**315**

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)	2020	2019
Profit before taxes	742	1 017
TAX AT STATUTORY RATES APPLICABLE TO THE PROFITS EARNED IN THE COUNTRY CONCERNED	**139**	**205**
Tax effect of non-deductible or non-taxable items	24	21
Tax effect on losses not currently treated as being recoverable in future years	21	48
Tax effect on losses previously considered irrecoverable, now expected to be recoverable	(12)	(14)
Non-creditable foreign withholding taxes	39	34
Minimum taxes	6	2
Prior period adjustments	11	5
Rate changes	6	4
Other	3	10
TAX CHARGE	**237**	**315**

DEFERRED TAX AFTER NETTING

(CHF million)	2020	2019
Deferred tax assets	161	174
Deferred tax liabilities	(53)	(23)
TOTAL	**108**	**151**

COMPONENTS OF DEFERRED INCOME TAX BALANCES

	2020		2019	
(CHF million)	Assets	Liabilities	Assets	Liabilities
Right-of-use assets	–	128	–	131
Fixed assets	42	8	45	6
Trade receivable, unbilled revenues and work in progress	26	5	29	7
Defined benefit obligation	15	9	22	7
Provisions and other	56	–	50	–
Lease liabilities	135	–	137	–
Intangible assets	2	65	2	22
Tax losses carried forward	47	–	39	–
DEFERRED INCOME TAXES	**323**	**215**	**324**	**173**

NET CHANGE IN DEFERRED TAX ASSETS/(LIABILITIES)

(CHF million)	Total
NET DEFERRED INCOME TAX ASSET AT 1 JANUARY 2019	**173**
IFRS 16 adjustment	9
Acquisition of subsidiaries	(2)
(Charged) to the income statement	(16)
Credited to other comprehensive income	6
Exchange differences and other	(19)
NET DEFERRED INCOME TAX ASSET AT 31 DECEMBER 2019	**151**
Acquisition of subsidiaries	(42)
Credited to the income statement	14
(Charged) to other comprehensive income	(4)
Exchange differences and other	(11)
NET DEFERRED INCOME TAX ASSET AT 31 DECEMBER 2020	**108**

The Group has unrecognized tax losses carried forward amounting to CHF 152 million (2019: CHF 139 million).

UNRECOGNIZED TAX LOSSES CARRYFORWARDS AT 31 DECEMBER 2020

(CHF million)	
Expiring in the next 3 years	27
Expiring in 4–10 years	34
Available without limitation	91
TOTAL UNRECOGNIZED TAX LOSSES	**152**

At 31 December 2020, the unrecognized deferred tax assets amount to CHF 47 million (2019: CHF 60 million).

At 31 December 2020, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 621 million (2019: CHF 2 929 million) of undistributed earnings that may be subject to tax if remitted to the parent company. As set out in note 22, 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 then, the Group takes the view that it is probable that they will not be reversed in the foreseeable future.

11. EARNINGS PER SHARE

Basic earnings per share are calculated as follows:

	2020	2019
Profit attributable to equity holders of SGS SA (CHF million)	480	660
Weighted average number of shares ('000)	7 489	7 552
BASIC EARNINGS PER SHARE (CHF)	**64.05**	**87.45**

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 29):

	2020	2019
Profit attributable to equity holders of SGS SA (CHF million)	480	660
Diluted weighted average number of shares ('000)	7 516	7 575
DILUTED EARNINGS PER SHARE (CHF)	**63.82**	**87.18**

12. PROPERTY, PLANT AND EQUIPMENT

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2020				
COST				
At 1 January	478	2 154	743	3 375
Additions	6	135	90	231
Acquisition of subsidiaries	5	45	14	64
Disposals	(11)	(93)	(59)	(163)
Exchange differences and other	(14)	(99)	(73)	(186)
At 31 December	464	2 142	715	3 321
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	256	1 677	516	2 449
Depreciation	15	164	53	232
Impairment	15	7	3	25
Acquisition of subsidiaries	1	24	4	29
Disposals	(10)	(86)	(57)	(153)
Exchange differences and other	(6)	(94)	(33)	(133)
At 31 December	271	1 692	486	2 449
NET BOOK VALUE AT 31 DECEMBER 2020	**193**	**450**	**229**	**872**

(CHF million)	Land & buildings	Machinery & 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**

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware as well as construction-in-progress assets amounting to CHF 37 million (2019: CHF 27 million).

At 31 December 2020, the Group had commitments of CHF 7 million (2019: CHF 5 million) for the acquisition of land, buildings and equipment.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(CHF million)	Right-of-use assets			Total	Lease liabilities
	Land & buildings	Machinery & equipment	Other tangible assets		
AT 1 JANUARY	**539**	–	**72**	**611**	**644**
Additions	92	–	37	129	123
Acquisition	37	6	2	45	46
Depreciation expense	(125)	–	(40)	(165)	–
Interest expense	–	–	–	–	20
Payment of lease liabilities and interests	–	–	–	–	(181)
Exchange difference and other	(27)	–	(3)	(30)	(31)
AT 31 DECEMBER 2020	**516**	**6**	**68**	**590**	**621**

Analyzed as:	2020
Current liabilities	151
Non-current liabilities	470
TOTAL	**621**

(CHF million)	Right-of-use assets			Total	Lease liabilities
	Land & buildings	Machinery & 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**

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

Included in other tangible assets are mainly vehicles for CHF 62 million (2019: CHF 66 million).

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

(CHF million)	2020	2019
Euro (EUR)	229	208
US Dollar (USD)	94	120
Renminbi Yuan (CNY)	93	102
Taiwan Dollar (TWD)	29	35
Australian Dollar (AUD)	21	20
Canadian Dollar (CAD)	15	14
Indian Rupee (INR)	12	12
Morocco Dirham (MAD)	6	10
New Zealand dollar (NZD)	8	9
Russian Ruble (RUB)	7	9
Hong Kong Dollar (HKD)	5	7
British Pound Sterling (GBP)	7	7
Brazilian Real (BRL)	3	6
Korean Won (KRW)	7	6
Other	85	79
TOTAL	**621**	**644**

The Group leases mainly offices, laboratory spaces and vehicles. During the year ended 31 December 2020, an additional CHF 4 million (2019: CHF 8 million) was recognized as an expense in the income statement.

(CHF million)	2020	2019
IFRS 16 OTHER QUANTITATIVE INFORMATION		
Expense relating to short-term leases	2	5
Expense relating to leases of low-value assets	2	2
Expense relating to variable lease payments	–	1
TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT	**4**	**8**

14. GOODWILL

(CHF million)	2020	2019
COST		
AT 1 JANUARY	**1 281**	**1 224**
Additions	481	142
Consideration/fair value adjustments on prior years' acquisitions	(5)	(5)
Disposal	(6)	(32)
Impairment	(37)	(21)
Exchange differences	(63)	(27)
AT 31 DECEMBER	**1 651**	**1 281**

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

- For the following four business lines, CGUs cover the entire worldwide operations since customer activities are executed by the local entities, the clients and customers that they serve and the drivers of cash inflows are largely interdependent on worldwide basis across each business line:
  - Consumer and Retail (CRS)
  - Oil, Gas and Chemicals (OGC)
  - Environment, Health and Safety (EHS)
  - Minerals (MIN)
- The Agriculture, Food and Life (AFL) 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

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

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

As required by IAS 36 and considering specific impairment indicators, the technical consultancy activity in the USA was assessed as a separate CGU within the Certification and Business and Enhancement (CBE) business line.

The acquisition of SYNLAB Analytics & Services, completed on 31 December 2020, has generated additional goodwill of CHF 439 million. Considering completion date as well as announced changes in the management reporting of business lines, this goodwill remains unallocated at 31 December 2020.

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)	2020	2019
AFL	211	251
IND	257	257
EHS	153	167
MIN	106	113
CBE	98	112
OGC	103	105
CRS	113	107
GIS	171	169
Unallocated	439	–
TOTAL	**1 651**	**1 281**

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.

However, following the closure of certain activities within the business lines and restructuring as a result of the global downturn and ongoing economic uncertainty, the Group recognized an impairment loss of CHF 37 million mainly allocated to the following CGUs or groups of CGUs:

- An impairment of CHF 10 million has been recognized in our IND CGUs mainly in North America in the transportation testing and engineering activities as the recoverable amount of the CGU was lower than its carrying amount due to the worldwide downturn of the automotive industry
- An impairment of CHF 16 million has been recognized in our AFL Life clinical CGU due to a decline in expected synergies for our clinical research activities as a result of the closure of the business in France
- An impairment of CHF 11 million has been recognized following the reorganization of the Group's Transportation business mainly impacting the aviation, audit and advisory services in Australia (CBE), which have been heavily impacted by the Covid-19 pandemic

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.

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

	2020
AFL	9.4%
IND	6.4%–12.2%
EHS	7.8%
MIN	10.7%
CBE	6.2%–12.1%
OGC	9.4%
CRS	9.3%
GIS	6.9%–7.3%

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

SENSITIVITY TO CHANGES IN ASSUMPTION

After considering the Goodwill impairment loss of CHF 37 million, sensitivity analyses were conducted using the following key assumptions

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

For all impairment tests, changing the key assumptions retained in the scenario using the sensitivity analyses described above would not result in any additional impairment.

SPECIFIC IMPAIRMENT TEST PERFORMED FOR CBE TECHNICAL CONSULTANCY USA

Due to a decline in sales, primarily driven by the suspension of several large technical consultancy projects and a reduction in projects associated with business transactions due to lower deal activity in the USA as a result of the Covid-19 pandemic, an impairment test has been conducted for this CGU using the following key assumptions:

- Pre-tax discount rate of 12.1% assuming a risk size premium of 5.2% reflecting uncertain future revenue development for consultancy businesses
- Strong recovery in 2021, supported by recommencement of suspended projects and increasing transactional activity, with a 2021 revenue growth rate of approximately 200% to reach pre-Covid-19 pandemic level and an average growth rate of 12% from 2022 to 2025
- Average EBITDA margin back to its historical trend prior Covid-19 pandemic in the mid 20s from 2021 to 2025
- Long-term growth rate of 2% after 2025

Based on the above assumptions, the recoverable amount exceeds the carrying amount for this CGU for which the Group’s share of goodwill is CHF 78 million.

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

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

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

Missing the 2021 revenue target by 35% and decreasing both the 2022 to 2025 average revenue growth and average EBITDA margin by 4 pp[1] respectively, whilst leaving other assumptions unchanged (including the risk size premium of 5.2% in the pre-tax discount rate), would bring the value in use of the CGU to its carrying amount.

1. Percentage points

15. OTHER INTANGIBLE ASSETS

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets: Internally generated	Computer software and other assets: Purchased	Total
2020					
COST					
At 1 January	93	238	158	302	791
Additions	–	1	14	13	28
Acquisition of subsidiaries	10	165	1	–	176
Disposals	(9)	(9)	(3)	(37)	(58)
Exchange differences and other	(3)	(7)	12	(16)	(14)
At 31 December	91	388	182	262	923
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At 1 January	68	137	137	262	604
Amortization	6	23	12	11	52
Impairment	–	3	–	3	6
Acquisition of subsidiaries	2	(1)	–	–	1
Disposals	(9)	(10)	(3)	(36)	(58)
Exchange differences and other	(2)	(8)	1	(6)	(15)
At 31 December	65	144	147	234	590
NET BOOK VALUE AT 31 DECEMBER 2020	**26**	**244**	**35**	**28**	**333**

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets: Internally generated	Computer software and other assets: 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**

16. OTHER NON-CURRENT ASSETS

(CHF million)	2020	2019
Non-current loans or amounts receivable from third parties	8	16
Retirement benefit asset	90	78
Other non-current assets	56	55
TOTAL	**154**	**149**

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

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

In 2020, other non-current assets included deposits for guarantees and restricted cash of CHF 36 million (2019: CHF 35 million).

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

At 31 December 2020 and 2019, the fair value of the Group's other non-current assets approximates their carrying value.

17. TRADE RECEIVABLES

(CHF million)	2020	2019
Trade receivables	1 032	1 162
Allowance for expected credit losses	(176)	(209)
TOTAL	**856**	**953**

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

(CHF million)	2020	2019
At 1 January	(209)	(196)
Acquisition of subsidiaries	(1)	(1)
Increase in allowance recognized in the income statement	(3)	(36)
Utilizations	19	18
Exchange differences	18	6
TOTAL AT 31 DECEMBER	**(176)**	**(209)**

18. OTHER RECEIVABLES AND PREPAYMENTS

(CHF million)	2020	2019
Prepayments	69	66
Derivative assets	8	15
Other receivables	111	138
TOTAL	**188**	**219**

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.

19. CASH AND CASH EQUIVALENTS

(CHF million)	2020	2019
Cash and short-term deposits	1 766	1 425
Deposits on demand	–	40
Short-term loans	–	1
TOTAL	**1 766**	**1 466**

20. CASH FLOW STATEMENT

20.1. NON-CASH AND NON-OPERATING ITEMS

(CHF million)	Notes	2020	2019
Depreciation of property, plant and equipment	12	232	252
Impairment of property, plant and equipment and other intangible assets	12 and 15	31	40
Depreciation/impairment of right-of-use asset	13	165	178
Amortization of intangible assets	15	52	57
Impairment of goodwill	14	37	21
ECL[1] on trade receivables, unbilled revenues and work in progress		3	31
Net financial expenses	8 and 9	54	61
(Decrease)/increase in provisions and employee benefits		(14)	48
Share-based payment expenses		17	17
Gain on disposals		(65)	(268)
Share of results from associates and other entities		(1)	4
Taxes	10	237	315
NON-CASH AND NON-OPERATING ITEMS		**748**	**756**

1. Expected Credit Losses

20.2. DECREASE/(INCREASE) IN WORKING CAPITAL

(CHF million)	2020	2019
Decrease in unbilled revenues and inventories	17	29
Decrease/(increase) in trade receivables	71	(66)
Decrease/(increase) in other receivables and prepayments	25	(17)
Decrease/(increase) in trade and other payables	23	(5)
Increase in other creditors and accruals	37	31
Increase in other provisions	13	25
DECREASE/(INCREASE) IN WORKING CAPITAL	**186**	**(3)**

20.3. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

		Cash impact	Non cash impact				
(CHF million)	1 January	Financing cash flows	Equity movement	Acquisition and disposals	New Leases	Other movements[1]	31 December
2020							
Corporate bonds	2 105	499	–	–	–	(4)	2 600
Bank loans	8	388	–	162	–	(2)	556
Put option on acquisition	89	–	(23)	–	–	(4)	62
Lease liabilities	644	(161)	–	46	123	(31)	621
Other financial liabilities	25	(1)	1	–	–	(2)	23
TOTAL	**2 871**	**725**	**(22)**	**208**	**123**	**(43)**	**3 862**

1. Other movements include interest accruals and payments, amortization under effective interest rate method, currency effects and other contingent consideration movements

		Cash impact	Non cash impact				
(CHF million)	1 January	Financing cash flows	Equity movement	Acquisition and disposals	New Leases	Other movements[1]	31 December
2019							
Corporate bonds	2 484	(375)	–	–	–	(4)	2 105
Bank loans	4	–	–	4	–	–	8
Put option on acquisition	–	–	89	–	–	–	89
Lease liabilities	713	(174)	–	(12)	127	(10)	644
Other financial liabilities	24	(12)	12	2	–	(1)	25
TOTAL	**3 225**	**(561)**	**101**	**(6)**	**127**	**(15)**	**2 871**

1. Other movements include interest accruals and payments, amortization under effective interest rate method, currency effects and other contingent consideration movements

21. ACQUISITIONS

ASSETS AND LIABILITIES ARISING FROM ACQUISITIONS

(CHF million)	Fair Value on SYNLAB Analytics & Services	Fair value on Ryobi Geotechnique International Pte Ltd	Fair value on other acquisitions 2020	Total fair value on acquisition 2020	Total fair value on acquisition 2019
Property, plant and equipment	27	7	1	35	4
Right-of-use assets	32	3	10	45	1
Intangible assets	156	9	10	175	40
Other non-current assets	1	–	–	1	1
Trade receivable	30	1	3	34	11
Other current assets	24	6	1	31	7
Cash and cash equivalents	32	7	5	44	24
Current liabilities	(62)	(5)	(5)	(72)	(19)
Non-current liabilities	(216)	(6)	(12)	(234)	(5)
Non-controlling interests	–	(4)	–	(4)	(21)
NET ASSETS ACQUIRED	**24**	**18**	**13**	**55**	**43**
Goodwill	433	26	22	481	142
TOTAL PURCHASE PRICE	**457**	**44**	**35**	**536**	**185**
Acquired cash and cash equivalents	(32)	(7)	(5)	(44)	(24)
Consideration payable	–	–	(3)	(3)	(1)
Payment on prior year acquisitions	–	–	2	2	9
Prepayment on acquisitions	1	–	–	1	–
NET CASH OUTFLOW ON ACQUISITIONS	**426**	**37**	**29**	**492**	**169**

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

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets. 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 14 million (2019: CHF 13 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.

22. 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.

	Notional amount		Market value	
(CHF million)	**2020**	**2019**	**2020**	**2019**
FOREIGN EXCHANGE FORWARD CONTRACTS				
Currency:				
Australian Dollar (AUD)	(9)	(12)	–	–
Brazilian Real (BRL)	(31)	(42)	(2)	(1)
Canadian Dollar (CAD)	11	21	–	–
Chilean Peso (CLP)	(24)	(36)	(2)	–
Chinese Renminbi (CNY)	17	8	–	–
Colombian Peso (COP)	(3)	(5)	–	–
Euro (EUR)	(59)	(187)	(2)	1
British Pound Sterling (GBP)	(36)	48	–	–
Hong Kong Dollar (HKD)	12	23	–	–
Indian Rupee (INR)	2	2	–	–
Japanese Yen (JPY)	(1)	(2)	–	–
Kenyan Shilling (KES)	(3)	(4)	–	–
Korean Won (KRW)	2	4	–	–
New Zealand Dollar (NZD)	(7)	(3)	–	–
Philippines Peso (PHP)	(14)	(8)	–	–
Polish Zloty (PLN)	(3)	(5)	–	–
Russian Ruble (RUB)	(4)	4	–	–
Turkish New Lira (TRY)	2	1	–	–
US Dollar (USD)	(106)	(501)	2	7
South African Rand (ZAR)	(19)	(21)	(1)	(1)
Other	(19)	(11)	–	–
TOTAL	**(292)**	**(726)**	**(5)**	**6**

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 2020, the Group has unbilled revenue and work in progress of CHF 160 million (2019: CHF 195 million) which is net of an allowance for expected credit losses of CHF 15 million (2019: CHF 19 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 aging of trade receivables as of invoice date at 31 December 2020:

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 – 60 days	0%	701	–
61 – 90 days	0.5%-5%	80	3
91 – 120 days	10%-25%	40	6
121 – 180 days	20%-50%	36	11
181 – 240 days	35%-75%	21	9
241 – 300 days	50%-75%	14	9
301 – 360 days	75%-100%	10	8
> 360 days	100%	130	130
TOTAL		**1 032**	**176**

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**

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 2020 is the carrying amount of financial assets including derivatives.

In addition, the Group has issued CHF 193 million (2019: CHF 212 million) financial guarantees to certain financial institutions that have provided credit facilities and foreign exchange lines to its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

Analysis of financial assets by class and category at 31 December 2020:

			Fair value					
	Amortized cost		At fair value through OCI		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash-equivalents	1 766	1 766	–	–	–	–	1 766	1 766
Trade receivables	856	856	–	–	–	–	856	856
Other receivables[1]	114	114	–	–	–	–	114	114
Unbilled revenues and work in progress	160	160	–	–	–	–	160	160
Non-current loans or amounts receivable from third parties	8	8	–	–	–	–	8	8
Marketable securities	–	–	9	9	–	–	9	9
Derivative assets	–	–	–	–	8	8	8	8
TOTAL FINANCIAL ASSETS	**2 904**	**2 904**	**9**	**9**	**8**	**8**	**2 921**	**2 921**

1. Excluding VAT and other tax related items

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

	Amortized cost		Fair value: At fair value through OCI		Fair value: At fair value through P&L		Total	
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash-equivalents	1 466	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
Non-current loans to third parties	16	16	–	–	–	–	16	16
Marketable securities	–	–	9	9	–	–	9	9
Derivative assets	–	–	–	–	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

In the fair value hierarchy, Level 1 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). Marketable securities, CHF 9 million (2019: CHF 9 million) qualify as Level 1, fair value measurement category. Derivative assets (2020: CHF 8 million; 2019: CHF 15 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 2020:

	Amortized cost		Fair value: At fair value through Equity		Fair value: 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	322	322	–	–	–	–	322	322
Other payables[1]	160	160	–	–	–	–	160	160
Loans and other financial liabilities	3 174	3 292	62	62	17	17	3 253	3 371
Lease liabilities	621	621	–	–	–	–	621	621
TOTAL FINANCIAL LIABILITIES	**4 277**	**4 395**	**62**	**62**	**17**	**17**	**4 356**	**4 474**

1. Excluding VAT and other tax related items

The corporate bonds qualify as fair value Level 1 which amounts to CHF 2 718 million (2019: CHF 2 209 million).

Other financial liabilities include CHF 62 million qualifying as fair value Level 3 (2019: CHF 89 million), which represents the estimated present value of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised. This includes the fair value of the redemption amount to acquire the remaining 40% of Maine Pointe LLC. The put/call option was initially set to be exercisable in June 2022, but has been extended to June 2023 following the unfavorable market environment due to Covid-19 pandemic. The fair value has been estimated at CHF 30 million by applying a discounted valuation method based on weighted average revenue growth scenarios and a discount rate of 1%. The put option is sensitive to changes in revenue and reaching an EBITDA target up to a maximum pay-out of CHF 83 million.

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

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 2019:

	Amortized cost		Fair value: At fair value through Equity		Fair value: 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

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2020:

(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	322	160	1 259	(1 263)	863	167	1 508
Within the second year	–	–	–	–	285	125	410
Within the third year	–	–	–	–	546	98	644
Within the fourth year	–	–	–	–	269	70	339
Within the fifth year	–	–	–	–	254	53	307
After five years	–	–	–	–	1 122	175	1 297

1. Excluding VAT and other tax related items

Undiscounted 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

The Group economically hedges its foreign exchange exposure on a net basis. The net position of the gross settled derivative financial instruments of CHF (4) million (2019: CHF 4 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2020.

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 2020 and 2019 with all other variables remaining constant.

Sensitivity analysis based on net hedged positions at 31 December 2020 and 2019:

	2020		2019	
(CHF million)	Income statement impact income/ (expense)	Equity impact increase/(decrease)	Income statement impact income/ (expense)	Equity impact increase/(decrease)
US Dollar (USD)	1	(2)	–	(3)
Euro (EUR)	(3)	–	(3)	–
CFA Franc BEAC (CFA)	3	–	3	–
Taiwanese Dollar (TWD)	–	1	–	1
Canadian Dollar (CAD)	–	2	–	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 2020 would increase/decrease by CHF nil (2019: CHF nil).

23. SHARE CAPITAL AND TREASURY SHARES

	Shares in circulation	Treasury shares	Total shares issued	Total share capital *(CHF million)*
BALANCE AT 1 JANUARY 2019	**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**
Treasury shares released into circulation	3 382	(3 382)	–	–
Treasury shares purchased for equity compensation plans	(15 834)	15 834	–	–
Treasury shares purchased for cancellation	(70 700)	70 700	–	–
BALANCE AT 31 DECEMBER 2020	**7 469 238**	**96 494**	**7 565 732**	**8**

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 565 732 (2019: CHF 7 565 732) fully paid in and divided into 7 565 732 (2019: 7 565 732) 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 2020, SGS SA held 96 494 treasury shares (2019: 13 342 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 2020, 3 382 treasury shares were sold or given in relation with the equity compensation plans and 15 834 were purchased.

On 17 February 2020, SGS SA announced a CHF 200 million share buyback program for the purpose of capital reduction. The program ended on 17 December 2020 and 70 700 shares were repurchased for a total amount of CHF 169 million at an average price of CHF 2 394.

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 Board of Directors will propose to the next Annual General Meeting of Shareholders an extension for two more years, until 23 March 2023.

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.

24. LOANS AND OTHER FINANCIAL LIABILITIES

(CHF million)	2020	2019
Bank loans	556	8
Corporate bonds	2 600	2 105
Put option on acquisition	62	89
Other financial liabilities	23	25
Derivatives	12	10
TOTAL	**3 253**	**2 237**
Current	863	38
Non-current	2 390	2 199

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 2% and on short-term loans from third parties range between 0% and 13%.

The loans from third parties exposed to fair value interest rate risk amounted to CHF 3 156 million (2019: CHF 2 105 million) and the loans from third parties exposed to cash flow interest rate risk amounted to CHF less than 0.5 million (2019: CHF 8 million).

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

Date of issue	Face value in CHF Million	Coupon in %	Year of Maturity	Issue price in %	Redemption price in %
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
06.05.2020	175	0.450	2023	100.117	100.000
06.05.2020	325	0.950	2026	100.182	100.000

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

	Bank loans and corporate bonds		Put option and Other financial liabilities	
(CHF million)	2020	2019	2020	2019
Swiss Franc (CHF)	2 601	2 105	30	17
Euro (EUR)	548	1	18	20
Brazilian Real (BRL)	4	7	–	2
US Dollar (USD)	–	–	31	71
British Pound Sterling (GBP)	–	–	1	2
New Zealand Dollar (NZD)	–	–	3	–
Other	3	–	2	2
TOTAL	**3 156**	**2 113**	**85**	**114**

25. 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 2020 of CHF 12 million (2019: CHF 14 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 5 million to this plan in 2021.

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 15 years.

The Group expects to contribute CHF 7 million to this plan in 2021.

UNITED KINGDOM

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

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

The weighted average of duration of the expected benefit payments from the combined plans is approximately 19 years.

The Group expects to contribute CHF 0.3 million to this plan in 2021.

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 8 million to those plans in 2021.

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
2020					
Fair value of plan assets	454	253	196	48	951
Present value of funded defined benefit obligation	(446)	(203)	(201)	(70)	(920)
FUNDED/(UNFUNDED) STATUS	**8**	**50**	**(5)**	**(22)**	**31**
Present value of unfunded defined benefit obligation	(11)	–	(4)	(62)	(77)
NET ASSET/(LIABILITY) AT 31 DECEMBER	**(3)**	**50**	**(9)**	**(84)**	**(46)**

(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)**

The net liability of CHF 46 million (2019: CHF 73 million) includes CHF 90 million (2019: CHF 78 million) of pension fund assets recognized in the item Other Non-Current Assets in note 16 and CHF 136 million (2019: CHF 151 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
2020					
Service cost expense	9	(5)	(1)	9	12
Administrative expenses	–	–	1	–	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**9**	**(5)**	**–**	**9**	**13**
Expense charged in:					
Salaries and wages	9	(5)	–	9	13
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**9**	**(5)**	**–**	**9**	**13**

(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**

Amounts recognized in the statement of other comprehensive income:

(CHF million)	CH	UK	USA	Other	Total
2020					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	(1)	(2)	1	(2)
Change in financial assumptions	6	21	14	(1)	40
Experience adjustments on benefit obligations	14	1	(3)	3	15
Actual return on plan assets excluding net interest expense	(19)	(29)	(19)	–	(67)
TOTAL RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	**1**	**(8)**	**(10)**	**3**	**(14)**

(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**

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

(CHF million)	CH	UK	USA	Other	Total
2020					
NET ASSET/(LIABILITY) AT 1 JANUARY	**1**	**38**	**(30)**	**(82)**	**(73)**
Expense recognized in the income statement	(9)	5	–	(9)	(13)
Remeasurements recognized in other comprehensive income	(1)	8	10	(3)	14
Contributions paid by the Group	6	1	8	8	23
Employer benefit payments	–	–	–	2	2
Exchange differences	–	(2)	3	–	1
NET ASSET/(LIABILITY) AT 31 DECEMBER	**(3)**	**50**	**(9)**	**(84)**	**(46)**

(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)**

Change in the defined benefit obligation is as follows:

(CHF million)	CH	UK	USA	Other	Total
2020					
Opening present value of the defined benefit obligation	443	207	224	127	1 001
Current service cost	9	1	1	9	20
Interest cost	1	4	6	1	12
Plan participants' contributions	5	–	1	–	6
Past service cost	–	(6)	(2)	–	(8)
Actual net benefit payments	(21)	(11)	(13)	(7)	(52)
(Gains)/losses due to changes in demographic assumptions	–	(1)	(2)	1	(2)
(Gains)/losses due to changes in financial assumptions	6	21	14	(1)	40
Experience differences	14	1	(3)	3	15
Exchange rate (gains)/losses	–	(13)	(21)	(1)	(35)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**457**	**203**	**205**	**132**	**997**

(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**

Change in fair value of plan assets is as follows:

(CHF million)	CH	UK	USA	Other	Total
2020					
Opening fair value of plan assets	444	245	194	45	928
Interest income on plan assets	1	4	6	1	12
Return on plan assets excluding amounts included in net interest expense	19	29	19	–	67
Actual employer contributions	6	1	8	10	25
Actual plan participants' contributions	5	–	1	–	6
Actual net benefit payments	(21)	(11)	(13)	(7)	(52)
Actual admin expenses paid	–	–	(1)	–	(1)
Exchange differences	–	(15)	(18)	(1)	(34)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**454**	**253**	**196**	**48**	**951**

(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**

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 79 million (2019: gain of CHF 108 million).

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

(CHF million)	CH	UK	USA	OTHER	TOTAL
2020					
Cash and cash equivalents	33	3	–	16	52
Equity securities	153	60	25	–	238
Debt securities	55	170	171	1	397
Assets held by insurance company	–	–	–	31	31
Properties	174	–	–	–	174
Investment funds	37	20	–	–	57
Other	2	–	–	–	2
TOTAL PLAN ASSETS AT 31 DECEMBER	**454**	**253**	**196**	**48**	**951**

(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**

In 2020 and 2019, 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 2020 and 2019 are as follows:

(Weighted average %)	CH	UK	USA	Other
2020				
Discount rate	0.1	1.4	2.6	1.0
Mortality assumption	LPP 2015 CMI 2016 1.25%	SPA03M104%/ SPAF94% CMI 2019 1.25%	PRI 2012 MP 2019	–
Salary progression rate	1.5	2.1	3.3	2.4
Future increase for pension in payments	–	2.7	–	0.3
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			2030	

(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	

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 34 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 14 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 14 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 8 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 20 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 11 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 2020 was CHF 61 million (2019: CHF 70 million).

26. PROVISIONS

(CHF million)	Legal and warranty claims on services rendered	Demobilization and reorganization	Other provisions	Total
AT 1 JANUARY 2020	**36**	**71**	**58**	**165**
Charge to income statement	17	67	9	93
Release to income statement	(3)	(9)	(3)	(15)
Payments	(10)	(45)	(7)	(62)
Exchange differences	(2)	(4)	(2)	(8)
AT 31 DECEMBER 2020	**38**	**80**	**55**	**173**

Analyzed as:	2020	2019
Current liabilities	85	74
Non-current liabilities	88	91
TOTAL	**173**	**165**

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 provisions 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.

27. TRADE AND OTHER PAYABLES

(CHF million)	2020	2019
Trade payables	322	336
Other payables	336	302
TOTAL	**658**	**638**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2020 and 2019, the fair value of the Group's trade accounts and other payables approximates the carrying value.

28. 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)	2020	2019
Guarantees	829	556
Performance bonds	230	163
TOTAL	**1 059**	**719**

The Group has issued unconditional guarantees of CHF 829 million (2019: CHF 556 million), as well as performance bonds and bid bonds of CHF 230 million (2019: 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.

29. 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 2020, a total of 1 514 Restricted Shares were granted to members of the Operations Council, in settlement of 50% of the annual incentive related to the 2019 performance. The Restricted Shares fully vest at grant date and are blocked for a period of three years from the grant date, until April 2023. 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 2020 Annual General Meeting, was CHF 3 379 248.

50% of the Annual Incentive related to the 2020 performance will be settled in Restricted Shares. The grant of the Restricted Shares will be done after the 2021 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 2021 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 2024. The Shareholding Ownership Guideline 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 2020, a total of 2 338 Restricted Share Units (RSUs) were granted to selected key employees under the Restricted Share Units Plan 2020. The RSUs vest three years after the grant date. The value at grant date of the RSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 5 206 609.

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 2019**	**Canceled**	**Exercised or adjusted**	**Options Outstanding at 31 December 2020**
SGSBB-2015	Jan.18	Jan.20	1 798.00	40 208	–	(40 208)	–
TOTAL				**40 208**	–	**(40 208)**	–
Of which exercisable at 31 December				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 2019**	**Granted**	**Canceled**	**Vested or adjusted**	**Units Outstanding at 31 December 2020**
SGS-RSU-17	Apr.20	1 857	–	(61)	(1 796)	–
SGS-PSU-18	Feb.21	25 936	–	(1 483)	–	24 453
SGS-RSU-18	Apr.21	1 991	–	(172)	(12)	1 807
SGS-RSU-19	Apr.22	1 929	–	(107)	–	1 822
SGS-RSU-20	Apr.23	–	2 338	(47)	–	2 291
TOTAL		**31 713**	**2 338**	**(1 870)**	**(1 808)**	**30 373**

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 2020, the equity overhang, defined as the total number of share units, restricted shares and shares underlying options outstanding (30 373 units) divided by the total number of outstanding shares (7 565 732 shares) amounted to 0.40%.

The Company's burn rate, defined as the number of equities (restricted shares and share units) granted in 2020 (3 852 units) divided by the total number of outstanding shares, was 0.05%.

The Group recognized during the year a total expense of CHF 17 million (2019: CHF 17 million) in relation to equity compensation plans.

Shares available for future plans:

	Total
AT 1 JANUARY 2019	**(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)**
Repurchased shares	15 834
Granted SGS-RSU-20 plan	(2 338)
Shares for PSU cancelled and adjusted	1 483
Shares for RSU cancelled and adjusted	390
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	(1 577)
AT 31 DECEMBER 2020	**(4 579)**

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

	2020 Total	2019 Total
Number of shares held	25 794	13 342
Shares allocated for 2017 RSU plans	–	(1 857)
Shares allocated for 2018 PSU plans	(24 453)	(25 936)
Shares allocated for 2018 RSU plan	(1 807)	(1 991)
Shares allocated for 2019 RSU plan	(1 822)	(1 929)
Shares allocated for 2020 RSU plan	(2 291)	–
SHARES REQUIRED FOR FUTURE EQUITY COMPENSATION PLANS AT 31 DECEMBER	**(4 579)**	**(18 371)**

30. 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)	2020	2019
Short-term benefits	14	20
Post-employment benefits	1	1
Share-based payments	2	3
TOTAL	**17**	**24**

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 2020 and 2019, 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 29.

The total compensation, including social charges, received by the Board of Directors amounted to CHF 2 459 000 (2019: CHF 2 268 000).

The total compensation (cash and shares/options), including social charges, received by the Operations Council (including Senior Management) amounted to CHF 14 855 000 (2019: CHF 22 205 000).

LOANS TO MEMBERS OF GOVERNING BODIES
As at 31 December 2020, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from previous year).

TRANSACTIONS WITH OTHER RELATED PARTIES
In 2020 and in 2019, the Group did not perform any activity generating revenue for the other related parties.

During 2020 and 2019, neither related trade receivable balances unpaid nor expense in respect of any bad or doubtful debts due from these related parties were recognized.

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

As at 31 December 2020, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 18.91% (December 2019: 16.73%) of the share capital and voting rights of the Company. At the same date, the Group held 1.28% of the share capital of the Company (December 2019: 0.18%).

32. 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 23 February 2021, and will be submitted for approval on 23 March 2021 during the Annual General Meeting of Shareholders.

On 7 January 2021 the Group announced the acquisition of Analytical & Development Services in the UK, providing ISO/IEC 17025 accredited food testing activities.

On 29 January 2021, the Group completed the acquisition of a 55.92% majority stake into BZH GmbH Deutsches Beratungszentrum für Hygiene, a German based subsidiary of SYNLAB Analytics & Services (A&S).

On 2 February 2021, the Group announced the acquisition of Autoscope/CTOK, operating three vehicle inspection services centers in France.

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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 statement of financial position as at 31 December 2020, 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 126 to 169) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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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
Materiality	Based on our professional judgment we determined materiality for the Group as a whole to be CHF 43 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 175.

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.

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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's balance sheet includes CHF 160 million of unbilled revenue and work-in-progress (3% of total Group revenues). The Group recognises revenue on fees for services rendered to third parties when the services have been completed. However, under certain circumstances, including where services are not billed at the end of each financial period, revenue is recognised 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. 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 by year-end as it is highly dependent on the nature and complexity of the services being provided and the contractual terms with customers. The assessment of the degree of completion of the project and the estimated profitability requires judgement. The revenue and profit recognised by year-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 the revenues from contracts with customers in note 5.	Our audit work included the following procedures on work-in-progress and unbilled revenues: • We reviewed SGS's revenue recognition policies and obtained an understanding of the process for work-in-progress and unbilled revenues recognition; • 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 selected samples of unbilled revenue and work-in-progress balances recorded at the prior year-end to review and compare to subsequent invoices and cash received from clients in order to evaluate the reliability of management's estimation process and to test for appropriateness of past revenue recognition; • We selected 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 selected samples 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 on a sample basis. We 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.**

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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 CHF1'651 million of goodwill (23.9% 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 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 models include sensitivity testing of key assumptions, including revenue growth, operating margin and discount rate. As a result of the impact on many of SGS's businesses in the first half of 2020 from COVID-19 imposed lock-downs and restrictions, management conducted full impairment tests taking into account reductions in sales and results as at 31 May 2020 and recorded impairments totaling CHF 37 million in the Half-year results. In the second half of the year, management conducted analysis to determine if there were any new indicators of impairment. We consider the annual impairment testing of goodwill to be a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by estimates of future market and economic conditions which are inherently uncertain, and because of the materiality of the balance to the financial statements as a whole. We also note it is considered to be a significant accounting judgement and estimate (note 2). Also SGS acquired SYNLAB Analytics & Services as at 31 December 2020 and performed provisional purchase price accounting resulting in a material increase in goodwill (CHF 439 million). The provisional goodwill amount is subject to judgement and estimation in relation to the fair value of the assets and liabilities purchased including the value ascribed to other intangible assets such as customer relationships, and despite being acquired during the year is still required to be subject to impairment consideration. Refer to the accounting policy in note 2 and the goodwill balances and impairment testing inputs in note 14	We assessed the appropriateness of SGS's impairment testing methodology applied with reference to IAS36 "Impairment of Assets" including consideration of the judgements in determining the CGU's to which goodwill is allocated. 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 tested the design and implementation of key internal controls implemented by management related to testing for impairment. We specifically reviewed the impairments identified and recorded by management totaling CHF 37 million. We then assessed each remaining CGU for risk of impairment with reference to actual financial performance in 2020 and analysis of headroom levels from management's tests. In conducting this analysis we also performed a review of any unexpected changes in key assumptions from the prior year including discount rates and growth rates. Following our risk assessment, we identified the goodwill (CHF 78 million) associated with CBE Technical Consultancy USA CGU as significant risk because the results of that operation declined significantly from 2019 to 2020. SGS concluded that no impairment was required due to an anticipated rebound in sales growth in 2021 and beyond. For CGU's where we assessed the risk of impairment as remote, no further audit work was performed. For CGUs assessed with increased but not significant level of risk, we assessed the impairment testing models and calculations by: • Checking the mathematical accuracy of the impairment model and the extraction of inputs from source documents; • Challenging the discount rates applied in the impairment reviews incorporating the use of Deloitte experts in valuation as part of the team; • Comparing forecasted long-term growth rates to economic data; • Evaluating the sensitivity in the valuation resulting from changes to the key assumptions applied, including but not limited to discount rates, margin rates and revenue growth rates; • Performing retrospective review to compare prior period forecasts with actual results; • Verifying that forecasted cash-flows were consistent with Board approved forecasts, and, • Reviewing the sensitivity disclosures in the annual report, refer to note 14.

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For the CGU assessed as having a significant level of risk, we performed the below additional audit procedures:

- Compared the Q1 pipeline weighted for probability of success and then annualised, to management's 2021 forecast revenue and performed additional sensitivity analysis on management's impairment model taking lower than forecast revenue into account;
- Assessed the appropriateness of cash-flow assumptions by analysing and performing substantive detail testing on a sample of the 2021 opportunity pipeline.;
- Obtained CRM documentation from the CGU's systems, supporting the samples selected above to substantiate the existence and amount of the opportunity. We also held meetings with the operational opportunity leaders to corroborate progress, opportunity value of and likelihood of success recorded in the opportunity pipeline; and
- Held discussions with senior Group management including the CEO, CFO and those charged with governance in relation to their expectations of the business.

For the provisionally calculated goodwill related to the SYNLAB Analytics & Services acquisition, we utilised our own experts to review and challenge the provisional purchase price allocation. We assessed the identification of assets including other intangibles and the valuation methodologies used to calculate the fair value with specific focus on the valuation of customer relationships and the resulting goodwill balance. To assess management's conclusion that there is no impairment of the goodwill, we considered the timing of the acquisition (31 December 2020), the business valuation supporting the transaction, the competitive nature of the acquisition and subsequent events.

Based on the audit procedures performed, we consider the judgements applied in the determination of CGUs, the assumptions included in the impairment testing models and management's conclusions on impairment, together with the disclosures set out in the consolidated financial statements, to be appropriate.

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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 CHF 43 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.

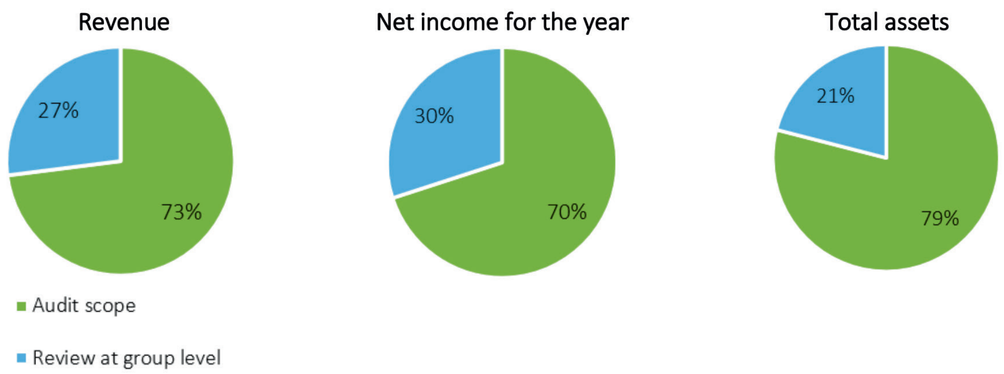
The materiality applied by the component auditors ranged from CHF8.6 million to CHF25.8 million depending on the scale of the component's operations, the component's contribution to Group profit before tax and our assessment of risks specific to each location.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 2.1 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 significant 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 17 key locations in 2020. In addition, we requested 11 components to perform specified audit procedures on account balances (principally Revenue, Accounts Receivable, Work-In-Progress and Unbilled Revenues). We obtained assurance over these countries through a combination of audit procedures performed locally, within the SGS shared service centres and centrally at the Head office.

In aggregate, these components represented the scope coverage below:



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Remaining wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit performed by the group audit team. 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 meetings with management and audit teams 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. This year, the meetings and selected working paper reviews by the group team were performed virtually given travel restrictions imposed as a result of COVID19.

For all components in scope for group reporting, we have included the component audit partner in our team briefing, discussed their risk assessment, risk of fraud discussions 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

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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	Aurelie Darrigade
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 23 February 2021

2. SGS SA

2.1. Income Statement

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	Notes	2020	2019
OPERATING INCOME			
Dividends from subsidiaries		592	782
TOTAL OPERATING INCOME		**592**	**782**
OPERATING EXPENSES			
Other operating and administrative expenses		(5)	(6)
Other operating expenses		–	(36)
TOTAL OPERATING EXPENSES		**(5)**	**(42)**
OPERATING RESULT		**587**	**740**
FINANCIAL INCOME			
Financial income	6	39	67
Exchange gain, net		–	1
TOTAL FINANCIAL INCOME		**39**	**68**
FINANCIAL EXPENSES			
Financial expenses	6	**(48)**	(55)
Liquidation of subsidiaries, net		**(1)**	(7)
TOTAL FINANCIAL EXPENSES		**(49)**	**(62)**
FINANCIAL RESULT		**(10)**	**6**
PROFIT BEFORE TAXES		**577**	**746**
Taxes		–	(1)
Withholding taxes		(10)	(10)
PROFIT FOR THE YEAR		**567**	**735**

2.2. Statement of Financial Position at 31 December

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

(CHF million)	Notes	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		540	550
Other financial assets		7	52
Amounts due from subsidiaries		534	497
Accrued income and prepaid expenses		2	–
TOTAL CURRENT ASSETS		**1 083**	**1 099**
NON-CURRENT ASSETS			
Investments in subsidiaries	2	1 980	1 745
Loans to subsidiaries		1 475	887
Long-term assets		2	–
TOTAL NON-CURRENT ASSETS		**3 457**	**2 632**
TOTAL ASSETS		**4 540**	**3 731**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHORT-TERM LIABILITIES			
Bank overdraft		9	10
Amounts due to subsidiaries		232	210
Bank short-term loans		542	–
Corporate bonds (less than one year)	3	275	–
Deferred income and accrued expenses		52	42
Provisions		1	33
TOTAL SHORT-TERM LIABILITIES		**1 111**	**295**
LONG-TERM LIABILITIES/NON-CURRENT LIABILITIES			
Long-term liabilities – Third party		1	–
Long-term liabilities – subsidiaries		290	323
Corporate bonds	3	2 325	2 100
TOTAL LONG TERM LIABILITIES/NON-CURRENT LIABILITIES		**2 616**	**2 423**
SHAREHOLDERS' EQUITY			
Share capital	4 to 5	8	8
Statutory capital reserve	4 to 5	34	34
Statutory retained earnings	4 to 5	878	940
Own shares for share buyback	4 to 5	(169)	–
Reserve for own shares held by a subsidiary	4 to 5	62	31
TOTAL SHAREHOLDERS' EQUITY		**813**	**1 013**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4 540**	**3 731**

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 less than 10 people for this company (2019: less than 10).

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting principles required by Swiss law. In certain instances, the 2019 comparative figures were reclassified with no impact on previous year net income and retained earnings to match the current year presentation.

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. Unrealized gains and losses arising on foreign exchange transactions are included in the determination of the net profit, except long-term unrealized 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 recognized 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 193 to 195.

In 2020, SGS SA acquired 80% of the capital of Ryobi Geotechnique Pte Ltd in Singapore. The share purchase agreement includes an option to acquire the remaining 20% of Ryobi Geotechnique Pte Ltd in 2025. The option may be exercised if certain conditions are met.

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
06.05.2020	175	0.450	2023	100.117	100.000
06.05.2020	325	0.950	2026	100.182	100.000

* Recorded as short term bond

On 6 May 2020, SGS SA issued two bonds, one CHF 175 million with a 0.450% coupon and one CHF 325 million with a 0.950% coupon (2019: nil).

As at 31 December 2020, one bond in the above table is classified as short-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 2019	**8**	**34**	**35**	**(158)**	**948**	**867**
Dividends paid	–	–	–	–	(589)	(589)
Decrease in the reserve for own shares	–	–	(4)	–	4	–
Cancellation of treasury shares	–	–	–	158	(158)	–
Profit for the year	–	–	–	–	735	735
BALANCE AT 31 DECEMBER 2019	**8**	**34**	**31**	**–**	**940**	**1 013**
Dividends paid	–	–	–	–	(598)	(598)
Transfer to the reserve for own shares	–	–	31	–	(31)	–
Share buyback program	–	–	–	(169)	(0)	(169)
Profit for the year	–	–	–	–	567	567
BALANCE AT 31 DECEMBER 2020	**8**	**34**	**62**	**(169)**	**878**	**813**

5. SHARE CAPITAL

	Shares in circulation	Own shares	Total shares issued	Total share capital CHF (million)
BALANCE AT 1 JANUARY 2019	**7 550 707**	**83 025**	**7 633 732**	**8**
Own shares released into circulation	1 683	(1 683)	–	–
Capital reduction by cancellation of own shares	–	(68 000)	(68 000)	–
BALANCE AT 31 DECEMBER 2019	**7 552 390**	**13 342**	**7 565 732**	**8**
Own shares released into circulation	3 382	(3 382)	–	–
Own shares purchased for future equity compensation plans	(15 834)	15 834	–	–
Treasury shares purchased for cancellation	(70 700)	70 700	–	–
BALANCE AT 31 DECEMBER 2020	**7 469 238**	**96 494**	**7 565 732**	**8**

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 565 732 (2019: CHF 7 565 732) fully paid-in and divided into 7 565 732 (2019: 7 565 732) 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 2020, SGS SA held 96 494 of its own shares, thereof 70 700 directly and 25 794 through an affiliate company.

On 17 February 2020, SGS SA announced a CHF 200 million share buyback program for the purpose of capital reduction. The program ended on 17 December 2020 and 70 700 shares were repurchased for a total amount of CHF 169.3 million at an average purchase price of CHF 2 394.62 per share.

Further, in 2020 15 834 shares have been repurchased through an affiliate company for covering future equity compensation plans, whilst 3 382 shares were released into circulation.

6. FINANCIAL INCOME AND FINANCIAL EXPENSES

(CHF million)	2020	2019
FINANCIAL INCOME:		
Interest income 3rd party	–	4
Interest income Group	39	63
FINANCIAL INCOME	**39**	**67**
FINANCIAL EXPENSES		
Interest expenses 3rd party	(28)	(27)
Interest expenses Group	(6)	(7)
Other financial expenses	(14)	(21)
FINANCIAL EXPENSES	**(48)**	**(55)**

7. GUARANTEES AND COMFORT LETTERS

(CHF million)	2020 issued	2020 utilised	2019 issued	2019 utilised
Guarantees	2 055	341	709	488
Performance bonds	53	35	55	55
TOTAL	**2 108**	**376**	**764**	**543**

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 99 to 102.

8.2. REMUNERATION MODEL

This section appears in the SGS Remuneration Report paragraph 3 in the Annual Report on pages 102 to 112.

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 112 to 114.

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 115 to 120.

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 held by Members of the Board of Directors as at 31 December 2020:

Name	Shares
C. Grieder	90
A. F. von Finck	1 000
C. Grupp	1
S. R. du Pasquier	10
P. Desmarais, Jr.	37
K. Sorenson	36
I. Gallienne	1
G. Lamarche	25
S. Atiya	92
T. Hartmann	–

The following table shows the shares 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, Jr.	10
K. Sorenson	–
I. Gallienne	1
G. Lamarche	25
C. Grieder	5

9.2. SHARES AND OPTIONS HELD BY SENIOR MANAGEMENT

The following table shows the shares and restricted shares held by Senior Management as at 31 December 2020:

Name	Corporate Responsibility	Restricted shares	Shares
F. Ng	Chief Executive Officer	599	2 125
D. de Daniel	Chief Financial Officer	163	1 165
O. Merkt	General Counsel and Chief Compliance Officer	136	200

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

Name	Corporate Responsibility	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

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 2020, or as the date of their last notification as per Article 20 of the Swiss Stock Exchange Act were Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) with 18.91% (December 2019: 16.73%) of the share capital and voting rights of the company.

At the same date, SGS Group held 1.28% of the share capital of the Company (2019: 0.18%).

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

(CHF)	2020	2019
Profit for the year	566 859 163	735 232 728
Balance brought forward from previous year	335 400 834	200 446 558
Dividend not paid on own shares bought in 2020 prior the Annual General Meeting in March 2020	6 202 320	–
Dividend paid on own shares released into circulation in 2019 prior the Annual General Meeting on 22 March 2019	–	(85 410)
Capital reduction by cancellation of shares	–	68 000
Share buyback program	(169 299 740)	–
(Transfer to)/Reversal from the reserve for own shares	(30 626 419)	3 930 158
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	**708 536 159**	**939 592 034**
Proposal of the Board of Directors:		
Dividends[1]	(597 539 040)	(604 191 200)
BALANCE CARRIED FORWARD	**110 997 119**	**335 400 834**
Ordinary gross dividend per registered share	80.00	80.00

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 23 February 2021, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 23 March 2021.

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Switzerland

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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 2020, 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 2020, presented on pages 178 to 184, 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.

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SGS SA
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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 CHF1'980 million as of 31 December 2020 (43.6% of total assets). The list of principal Group subsidiaries can be found in the Annual Report on pages 193 to 195 (Section 4 – Material Operating Companies and Ultimate Parent). The company also has loans to subsidiaries amounting to CHF1'475 million (32.5% of total assets). The valuation of these assets is dependent on the ability of these subsidiaries to generate positive cash-flows in the future. In accordance with Swiss Law the company values individually each investment and related loans and reviews them annually to identify impairment indicators. An impairment is recorded if the recoverable values of individual investments are lower than the associated carrying values, or if loan balances are no longer considered recoverable from the associated entities. The company implemented a multi-step risk assessment to identify investments and loans impairment indicators and prepares a discounted cash flow forecast for each risky asset identified. 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 tested mathematical accuracy of the impairment models and the accuracy of extraction of inputs from source documents; • 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.**

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SGS SA
Statutory Auditor's Report
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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.

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SGS SA
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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

Aurelie Darrigade
Licensed Audit Expert

Geneva, 23 February 2021

3. Historical Data

3.1. SGS Group – Five-Year Statistical Data Consolidated Income Statements

FOR THE YEAR ENDED 31 DECEMBER

(CHF million)	2020	2019	2018	2017	2016
REVENUE	**5 604**	**6 600**	**6 706**	**6 349**	**5 985**
Salaries and wages	(2 797)	(3 357)	(3 422)	(3 193)	(3 009)
Subcontractors' expenses	(352)	(386)	(387)	(394)	(368)
Depreciation, amortization and impairment	(517)	(548)	(317)	(338)	(336)
Gain on business disposal	63	268	–	–	–
Other operating expenses	(1 206)	(1 495)	(1 634)	(1 530)	(1 456)
OPERATING INCOME (EBIT)	**795**	**1 082**	**946**	**894**	**816**
Financial income	12	18	20	14	8
Financial expenses	(66)	(79)	(58)	(57)	(53)
Share of profit of associates and joint ventures	1	(4)	–	–	–
PROFIT BEFORE TAXES	**742**	**1 017**	**908**	**851**	**771**
Taxes	(237)	(315)	(218)	(187)	(185)
PROFIT FOR THE YEAR	**505**	**702**	**690**	**664**	**586**
Profit attributable to:					
Equity holders of SGS SA	480	660	643	621	543
Non-controlling interests	25	42	47	43	43
OPERATING INCOME MARGINS IN %	**14.2**	**16.4**	**14.1**	**14.1**	**13.6**
AVERAGE NUMBER OF EMPLOYEES	**89 098**	**94 494**	**96 492**	**93 556**	**89 626**

3.2. SGS Group – Five-Year Statistical Data Consolidated Statements of Financial Position

AT 31 DECEMBER

(CHF million)	2020	2019	2018	2017	2016
Property, plant and equipment	872	926	969	1 002	972
Right-of-use assets	590	611	–	–	–
Goodwill	1 651	1 281	1 224	1 238	1 195
Other intangible assets	333	187	202	222	246
Investments in joint-ventures, associates and other	34	35	36	36	38
Deferred tax assets	161	174	203	168	165
Other non current-assets	154	149	133	137	122
TOTAL NON-CURRENT ASSETS	**3 795**	**3 363**	**2 767**	**2 803**	**2 738**
Inventories	57	45	46	46	41
Unbilled revenues and work in progress	160	195	226	293	249
Trade receivables	856	953	969	1 068	997
Other receivables and prepayments	188	219	214	236	252
Current tax assets	77	77	94	104	88
Marketable securities	9	9	9	10	9
Cash and cash equivalents	1 766	1 466	1 743	1 383	975
TOTAL CURRENT ASSETS	**3 113**	**2 964**	**3 301**	**3 140**	**2 611**
TOTAL ASSETS	**6 908**	**6 327**	**6 068**	**5 943**	**5 349**
Share capital	8	8	8	8	8
Reserves	1 282	1 536	1 851	2 036	2 243
Treasury shares	(230)	(30)	(191)	(125)	(478)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	**1 060**	**1 514**	**1 668**	**1 919**	**1 773**
Non-controlling interests	74	81	75	86	80
TOTAL EQUITY	**1 134**	**1 595**	**1 743**	**2 005**	**1 853**
Loans and other financial liabilities	2 390	2 199	2 110	2 095	1 735
Lease liabilities	470	490	2	1	1
Deferred tax liabilities	53	23	30	45	42
Defined benefit obligations	136	151	119	143	154
Provisions	88	91	89	73	76
TOTAL NON-CURRENT LIABILITIES	**3 137**	**2 954**	**2 350**	**2 357**	**2 008**
Loans and other financial liabilities	863	38	412	45	55
Lease liabilities	151	154	–	–	–
Trade and other payables	658	638	685	647	598
Provisions	85	74	21	35	44
Current tax liabilities	140	145	127	151	166
Contract liabilities	189	155	112	97	86
Other creditors and accruals	551	574	618	606	539
TOTAL CURRENT LIABILITIES	**2 637**	**1 778**	**1 975**	**1 581**	**1 488**
TOTAL LIABILITIES	**5 774**	**4 732**	**4 325**	**3 938**	**3 496**
TOTAL EQUITY AND LIABILITIES	**6 908**	**6 327**	**6 068**	**5 943**	**5 349**

3.3. SGS Group – Five-Year Statistical Share Data

(CHF unless indicated otherwise)	2020	2019	2018	2017	2016
SHARE INFORMATION					
REGISTERED SHARES					
Number of shares issued	7 565 732	7 565 732	7 633 732	7 633 732	7 822 436
Number of shares with dividend rights	7 469 238	7 552 390	7 550 707	7 551 408	7 538 507
PRICE					
High	2 843	2 689	2 683	2 541	2 317
Low	1 974	2 213	2 170	2 051	1 734
Year-end	2 670	2 651	2 210	2 541	2 072
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	141.91	200.37	220.86	254.16	235.22
Basic earnings per share[1]	64.05	87.45	84.54	82.41	71.54
Dividend per share ordinary	80.00	80.00	78.00	75.00	70.00
Total dividend per share	80.00	80.00	78.00	75.00	70.00
DIVIDENDS (CHF MILLION)					
Ordinary[2]	598	604	589	566	528
TOTAL	598	604	589	566	528

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 11 of SGS Group Results.
2. As proposed by the Board of Directors.

3.4. SGS Group Share Information

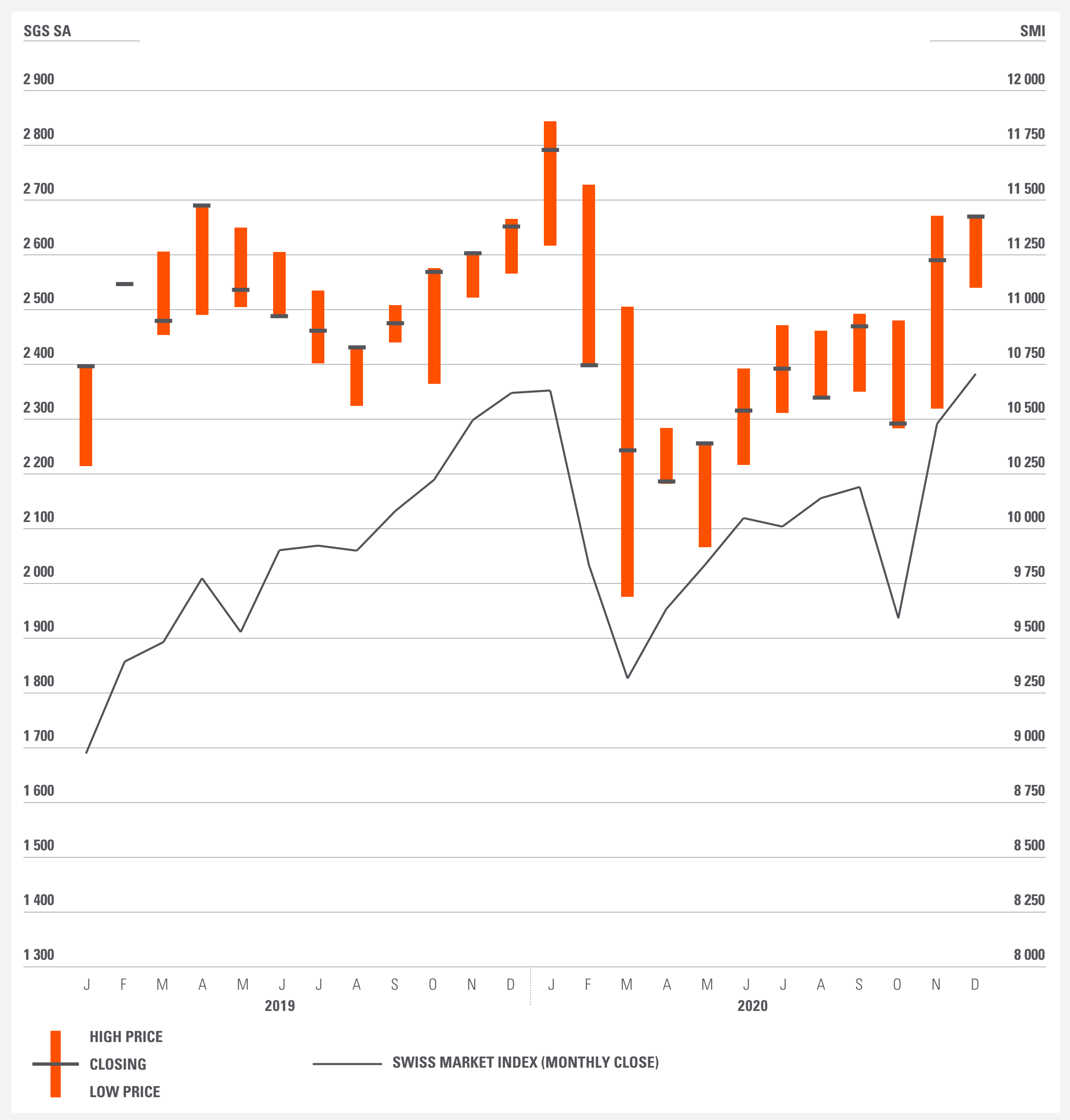
SHARE TRANSFER

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 2020 market capitalization was approximately CHF 20 201 million (2019:CHF 20 057 million). Shares are quoted on the SIX Swiss Exchange.

3.5. Closing Prices for SGS & the SMI 2019-2020



4. Material Operating Companies and Ultimate Parent

The disclosure of legal entities is limited to entities whose contribution to the Group revenues in 2020 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, Luanda	USD	30 000	49	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
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS Industrial – Instalaçaões, Testes e Comissionamentos Ltda Sao Paulo	BRL	91 266 840	100	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	100	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	85	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
Democratic Republic of Congo	SGS Minerals RDC SARL, Lubumbashi	USD	50 000	100	D
Denmark	SGS Danmark A/S, Glostrup Hvidovre	DKK	700 000	100	I
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
Finland	SGS FIMKO,Helsingfors	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 Guinée Conakry SA ,Conakry	GNF	50 000 000	100	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% Held by group	Direct/ indirect
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	D
Lao (People's Democratic Republic)	SGS (Lao) Sole Co., Ltd., Vientiane	LAK	2 444 700 000	100	D
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
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	281,068,828	100	D
Moldova	SGS (Moldova) SA, Chisinau	MDL	488 050	100	D
Mongolia	SGS-IMME Mongolia LLC, Ulaanbaatar	MNT	1 787 846 388	55	I
Morocco	SGS Maroc SA, Casablanca	MAD	17 982 000	100	D
Mozambique	SGS MCNET Moçambique Limitada, Maputo	MZN	343 716 458	80	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	D
Norway	SGS Norge A/S, Austrheim	NOK	804 000	100	I
Oman	SGS Minerals (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

Country	Name and domicile	Issued capital currency	Issued capital amount	% Held by group	Direct/ indirect
Portugal	SGS Portugal – Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Qatar	SGS Qatar WLL,Doha	QAR	200 000	49	D
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	AO SGS Vostok Limited, Moscow	RUB	18 000 000	100	D
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
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	100 000	100	I
Switzerland	SGS SA, Geneva	CHF	7 565 732		Ultimate parent company
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	African Assay Laboratories (Tanzania) Ltd, Dar Es Salaam	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., Wilmington	USD	73 701 996	100	I
United States	Maine Pointe LLC, Duxbury	USD	10'000	60	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 TRADING
SIX Swiss Exchange

COMMON STOCK SYMBOLS
Bloomberg: Registered Share: SGSN.VX
Reuters: Registered Share: SGSN.VX
Telekurs: Registered Share: SGSN
ISIN: Registered Share: CH0002497458
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ANNUAL GENERAL MEETING OF SHAREHOLDERS
Tuesday, 23 March 2021
Geneva, Switzerland

2021 HALF-YEAR RESULTS
Monday, 19 July 2021

INVESTOR DAYS
Thursday and Friday
27-28 May 2021

DIVIDEND PAYMENT DATE
Ex-date: Thursday 25 March 2021
Record date: Friday 26 March 2021
Payment date: Monday 29 March 2021

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