



Annual General Meeting Geneva – 15 March, 2011

Speech by Mr. Chris Kirk, Chief Executive Officer
(refers to the slide presentation)

Ladies and Gentlemen, dear Shareholders, good afternoon.

I am very pleased to report another good year for SGS despite the challenging and volatile economic environment. It would not have been possible without the dedication of the Operations Council, all of whom are here today, and the dynamism of our 64'000 employees around the world. I would like to thank them all for their hard work, drive and enthusiasm to make this happen.

FINANCIAL HIGHLIGHTS

Your Group reported revenue growth of 4.1% in constant currencies to 4.8 billion Swiss Francs. This was achieved despite the termination of our Irish vehicle testing concession. Without the loss of this contract our growth would have been 5.5%. It is also important to note the acceleration of growth during the period, from 1.7% in the first half to 6.6% in the second.

Our adjusted operating income showed a solid increase of 6.6% to a new record operating margin of 17.8%. Net profit amounted to 588 million Swiss francs. We added 3'900 new colleagues through organic growth, gearing up to achieve our growth plan and almost 1'300 through acquisition. Eight of our ten businesses were able to grow despite the difficult trade environment.

Agri showed stable revenue with significant gains in inland services almost offsetting the very low volumes of grain exports out of Eastern Europe as a result of export bans. The European Union has introduced the "Reduction of Emissions Directive". This ensures that Biomass and vegetable oils used in alternative fuels come from sustainable sources and contribute to the reduction of Green House Gases. Agricultural services in Germany have worked closely with the authorities there to develop this standard and have become an accredited body of the Federal Agency of Agriculture, a major achievement and a good opportunity for continued growth.

Minerals showed a strong rebound of 13.1 % as increased demand for Energy Minerals and bulk commodities drove our trade business. Exploration spending recovered from lows in 2009 which had a very positive impact on profitability. Both growth and margin exceeded 20% in the second half which shows how rapidly this business team is able to mobilize for growth.

Oil and Gas had a good year with growth of 4.2% despite reduced activity in the Gulf of Mexico after the disaster there and the floods in Australia. We had a very strong performance in Port and Terminal Operations and we continued our investment programme in the Upstream oil and gas sector. 2010 saw the first commercial deployment of an SGS FluidPro™ PAL, to off-shore Angola. These portable labs bring precise PVT testing right to the wellhead representing direct added value for our customers. Indirectly, these labs also save the rig owner valuable drilling rig time, the cost of which is many multiples of the cost of the testing.

Life Science Services showed growth of 3.9%, mainly driven by our Quality Control testing and bio-analysis businesses. The key highlight of the year was the acquisition of the M-Scan group. The premier lab network in its field worldwide, M-Scan provides mass spectrometry for the identification and development of large molecule drugs like vaccines and monoclonal antibodies. A key player in this vast and rapidly developing part of the pharmaceutical market, M-Scan positions SGS at the forefront of the industry.

Consumer Testing Services grew solidly at 7% with most of the growth coming from our investments in emerging markets. All segments contributed but of particular interest was the development of our sustainability and solar testing services. We continued our investment in our global laboratory network adding three new automotive parts testing laboratories in both China and India. Despite this investment programme and rapid growth the CTS operating margin climbed to an all time high of 25.8%.

Systems & Services Certification continued to improve its margin to 21.1% on the back of 7.9% growth. Strategically focussing on the food and automotive sectors and on global key accounts will drive continued success in this business.

Industrial Services recorded a 3.1% growth with six acquisitions in China, South Korea, Australia, The Netherlands, France, and here in Châtel St Denis! We are strengthening our Advanced Non Destructive Testing business and will continue expanding our laboratory network. Importantly, our first customer began testing their wind turbine blades at our technology centre in Tianjin, China. Bigger than the SGS Head Office, the technology centre can accommodate 75m turbine blades and provides a different perspective on what an SGS laboratory looks like.

The acquisition of EKO-Project in 2009 contributed to the growth in **Environmental Services**. Generally speaking this business showed weakness despite a lot of local initiatives. As a result, the strategic focus of this business is presently under review.

As I mentioned earlier, we lost the Irish vehicle testing concession which explains the significant decline in revenues in **Automotive**. Interestingly, excluding this loss, the business both grew and improved its margins through the year. The good news is that on 31 December we acquired ITV in Spain and Argentina. This acquisition more than offsets the loss of the Irish contract!

Last but not least, **Governments & Institutions Services** had a very solid year through successful development of various Product Conformity Assessment programmes. SGS has been appointed for a Product Conformity Assessment programme in Iraq which starts in May this year. The programme is designed to protect Iraqi consumers from substandard products and to restrict the importation of inferior and fake goods. These conformity assessment programmes are proving a real advantage to the developing world and in many cases stop the dumping of substandard, unsafe goods on unwary consumers. They provide an excellent opportunity for growth for your Group.

ACQUISITIONS 2010-2011

We completed a record 10 acquisitions in 2010. These acquisitions will generate CHF 146 million in revenues and CHF 34 million in Operating Income on an annual basis.

The largest transaction, the acquisition of ITV in Spain and Argentina, occurred just at year-end. ITV currently has 833 employees and operates 43 vehicle inspection centres in Spain and 32 in Argentina.

With this acquisition, SGS establishes a significant foothold in the Spanish market and further enhances its position in Argentina in line with our strategic objectives.

During the year, we also acquired M-Scan as I mentioned earlier:

- Intron in the Netherlands
- KCQT in Korea
- AST in Australia
- Am'Tech in France
- HJEL in China, the first of two to date
- Atest in Switzerland
- Assayers in Canada and Verilab in Chile

This year we have already completed 7 transactions for 6 businesses in 7 countries which clearly demonstrates our ability to sustain acquisitive growth within the entire Group!

THE PLAN 2014

Last year we announced our 2014 Growth Plan. As you will remember we expect to achieve CHF 8 billion of revenue with a 20% Operating margin, effectively doubling our operating income and generating an EPS of CHF 140. We are just at the beginning of this journey and we are all fully committed to its' achievement.

Obviously to achieve these targets we need to make some investments. We expect an accelerated capital expenditure of almost CHF 500 million together with an additional development funding of CHF 150 million to drive organic growth and to acquire revenues of about CHF 700 million.

There are some pillars on which The Plan is built:

- As a Group we will continue to be the leader in our Industry and develop our leadership internally to remain best in class and the employer of choice.
- We will maximise our efficiency and productivity by a renewed focus on how we do business, innovatively and without internal boundaries
- The health and safety of our staff around the world and the impact we have on the environment, communities and all of our stakeholders will be paramount to ensuring The Plan is achieved.

You will have received our second [Corporate Sustainability Report](#) as you entered. I encourage you to read it. It shows you how serious we are about sustainability at SGS and the targets we have established for the future.

SO WHERE ARE WE TODAY?

There have been a number of totally unexpected events at the start of this year:

- Our operations were temporarily closed in Tunisia and Egypt.
- In Ivory Coast our activities have slowed and in many parts of Queensland our operations are still drying out.
- In Christchurch our entire team is safe and all of our 300 people in Japan are accounted for after the incredible disaster that they endured last Friday.
- We are doing everything possible to get their lives back to normal, quickly.
- And of course the Swiss Franc continues to be very strong.

Despite all of these things, I am pleased to report that this year all of our 10 businesses and 10 regions are growing. The Group is experiencing double digit growth and organically, high single digits at the same margin as last year. Given the problems in many parts of the world we are happy with the way the year has begun.

Ladies and Gentlemen, dear Shareholders, thank you for your attention and good afternoon.

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