



Annual General Meeting
Geneva – 21 March, 2017

Speech by Mr. Frankie Ng, Chief Executive Officer
(Refers to the slide presentation)

Ladies and Gentlemen, Dear Shareholders, good afternoon,

It is my pleasure to present our results for 2016.

I am very pleased to report solid results for your company. During the year we implemented several new projects to drive the continued growth and health of the company.

One such example comes in the assessment of our business portfolio. Today, we have greater transparency on new growth projects and we are able to better identify non-performing business segments.

To benefit from economies of scale, a transformation of support functions was launched. A governance model has been established as a standard for future replication, our major back-office streams were identified and related financial and IT processes redesigned to align with the new standard processes.

We also strengthened our Business Principles and policies that address a continually changing market and regulatory environment. We continue to develop integrated reporting methods to support our sustainability efforts with the creation of an enhanced materiality matrix, which incorporates the findings of the annual risk review, and we will also soon be introducing a new SGS Human Rights Statement and Code of Conduct for Suppliers. These new statements will guide and ensure that human rights are respected across all our operations and at every step of the supply chain.

Our journey to become a more sustainable company remained intact during the year.

We made significant improvements in our global safety performance, in the reduction of CO₂ emissions and we expanded our investments further in local communities.

We maintained our status as a carbon neutral company and we began working towards our goal of having at least 30% of women in leadership positions.

And for the 3rd year running, SGS was included in the Dow Jones Sustainability Indices and was recognized as a global leader in responding to climate change on CDP's Climate A List.

Our acquisitions pipeline remained strong in 2016 with the completion of 19 acquisitions, as well as two strategic investments. These additions were made worldwide, across several business lines and with a particular focus on growing operations in China and North America, to align with strategic growth objectives.

Of course, none of this would have been possible without the dedication of the members of the Operations Council, who are here today, and the passion and innovative spirit of our 90'000 colleagues in the network.

I would like to thank all of you for your confidence and express my sincere gratitude to the Board of Directors. Your guidance and support are the foundation that drive these good results.

Total revenues reached 6.0 billion Swiss francs and we are on track to deliver the revenue growth projected in the 2020 strategic plan. The Group realised revenue growth of 6.0% on a constant currency basis, of which 2.5% was organic and 3.5% was contributed by recent acquisitions. On a historical reported basis, our revenues increased by 4.8%.

Our new Agriculture, Food and Life and Transportation business lines have been successfully implemented, both delivering solid revenue growth. These businesses along with our other non-energy-related business drove revenues for the Group, representing 72% of total earnings.

The energy-related markets remained challenging. Low oil prices, ongoing difficulties in the global gas markets and soft demand for minerals continued during the year. As a result, we experienced pricing pressure on services for Minerals, Industrial and Oil, Gas and Chemicals.

To offset this impact, we undertook a number of restructuring measures, resulting in one-off expenses, including asset impairments, amounting to 48.8 million Swiss francs.

Net profit amounted to 586 million Swiss francs and our core operating cash flow remained strong exceeding 1 billion Swiss francs.

We welcomed more than 5,200 new colleagues through organic growth and acquisitions. However, as a result of the restructuring plan, 955 colleagues unfortunately had to leave our organisation. We ended 2016 with nearly 90'000 employees operating across the globe.

Agriculture, Food and Life delivered solid revenue growth of 6.1% with strong performance in Life, Food and Trade activities. This was slightly offset by a slowdown in the agricultural input market which affected the demand for contract research activities.

Minerals delivered 2.6% revenue growth in a market that continues to experience reduced exploration expenditure. This performance was above market expectations demonstrating the strength of the business strategy.

Oil, Gas and Chemicals declined by 2.1%. Low oil prices and further market deterioration affected overall performance.

Consumer and Retail delivered revenue growth of 6.3%. High single-digit growth was achieved in most regions.

Certification and Business Enhancement achieved revenue growth of 9.1%. Training activities, focused on the adoption of new standards and regulations, were particularly strong during the year.

Industrial delivered revenue growth of 5.5% despite an organic decline in the Energy and Construction markets which impacted the TIC sector.

Environmental, Health and Safety delivered the strongest growth for the Group at 23.6%. This superb growth was driven by the expansion of environment testing services in North America, increased volumes from global health and safety contracts (mainly in Europe), and strong trends in the dioxins market in Brazil, China and Taiwan.

Transportation continued to deliver strong results, once again achieving double-digit growth at 12.9%. Growth came from all activities of the business.

Governments and Institutions also achieved double-digit growth of 10%, continuing to benefit from high volumes in Product Conformity Assessments along with two new programmes starting up in Cameroon and Gabon.

SO WHERE ARE WE TODAY?

We continue to reorganise the company to be more agile to meet changing market conditions and to be closer to our clients. Our operational dashboard gives us a more transparent view of our businesses which will allow us to act more rapidly as market shifts occur.

We will continue to aggressively push into fast growing sectors including e-commerce, data analytics, and the opening of domestic markets in China.

For 2017, I would like to confirm the guidance we provided to the market, to deliver solid organic revenue growth, higher adjusted operating income, on a constant currency basis, and to generate robust cash flow.

Ladies and Gentlemen, I thank you for your attention and continued support.

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