



## Annual General Meeting

March 19, 2018, Geneva

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### Speech by Frankie Ng, Chief Executive Officer

(Makes reference to a slide presentation)

Ladies and gentlemen, dear shareholders,

I would like to wish you a warm welcome to our AGM.

I am pleased to report that SGS achieved good results in 2017.

Throughout the year, we continued to work on our projects to ensure the SGS Group remains in robust health and continues to grow. In accordance with the 2020 strategic plan, most of our business lines achieved sound results. I would note in particular **Transportation, Agriculture, Food & Life**, and **Consumer & Retail**.

Financially, the Group saw revenue grow by 5.4% on a constant currency basis, including 4.2% organic growth. Total revenue was CHF 6.3 billion. Profit for 2017 was CHF 664 million, a 13.3% improvement over the prior year.

During 2017, we made twelve acquisitions across five sectors of our business: five in North America, four in Europe, two in the South East Asia Pacific region, and one in Africa. These acquisitions were in line with our Group strategy, and have enabled us to really make a mark in key sectors and regions.

At the end of 2017, the SGS Group employed more than 95,000 people across a network of more than 2,400 offices and laboratories worldwide.

I would like to take this opportunity to thank you all for the trust you have placed in us, and to say how grateful I am to the Board of Directors. These positive results have been achieved through your ongoing support, through the commitment shown by the Operations Council, and through the professionalism demonstrated by all our teams.

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I want to look at each SGS Group business line in turn.

Firstly, let me highlight the excellent performance in **Transportation**. Its activities are in high demand across the board, and this has led to double-digit organic growth. Our testing activity in both the automotive and aviation sectors continues to grow, with new contracts in Europe. We also plan to offer new online services in 2018.

Strong performance by our Electrical & Electronic and Cosmetics, Personal Care and Household departments, as well as sustained performance in Softlines and Hardlines, helped us achieve growth in **Consumer Goods & Retail** in line with our 2017 targets. Overall, our Wireless

activities are displaying linear growth, with a good dynamic in China and against strong competition in Korea. Our expansion of Softlines and Hardlines continues, with an emphasis on Asian countries such as Indonesia and Vietnam, as well as a particular focus on the Chinese internal market for national standards.

I must highlight the excellent results achieved by **Agriculture, Food & Life**, where Food-related activities were particularly dynamic. These results are mainly due to strong growth across our network, and to several acquisitions. Recent investments in precision farming have maintained growth in our Seed & Crop department. Life achieved double-digit growth in its laboratory activities.

The Energy Minerals sector rallied, with particularly good results: it saw sustained double-digit growth. **Minerals'** strategy, centred around on-site laboratories, bore fruit in 2017. This generated the expected return, largely because many mines resumed operations.

**Certification & Business Enhancement** also achieved positive results by expanding training and assessment activity in most regions. Transferring back-office functions and optimising audits remained a priority, in order to reduce operating costs in our main branches.

**Oil, Gas & Chemicals** performed well in the face of harsh market conditions, due in part to its Plant and Terminal Operations and Upstream activities. Transformation, particularly in Upstream activities, combined with improved productivity and a more buoyant industry overall, brought sound results.

**Environmental, Health & Safety** improved its growth. It did so by extending its laboratory offering, providing services focused on occupational health and safety, and providing new, innovative maritime sector services. Regulations are becoming ever stricter, and market expectations rise ever higher as a result. We are optimising our network, and expect our activity to grow. A healthier US economy will be the main factor in the bigger margins we predict.

**Governments & Institutions** saw its revenue rise slightly, and has pledged to further develop its new platform for analysing images of scanned containers. It also continues to expand TransitNet solutions, for which we forecast yet another year of record growth: these will strengthen our offering to governments.

Income from **Industrial** activity is increasingly stable in inspection-related services in the e-mobility and infrastructure sector. We aim to significantly improve our operating margin in 2018 by diversifying, adopting more favourable market positions, and reorganizing some of our activities.

Digitalisation continues to influence work and life on a daily basis. It impacts directly, and increasingly, on activities in our industry. We have established a **Digital & Innovation** structure within SGS to help us adapt to these fundamental changes and anticipate future developments. We have also developed strategic partnerships with leading-edge digital companies, so we can innovate for the benefit of our clients and our own operations.

We continued to take steps towards sustainability in 2017, as part of our ongoing corporate commitment. Our Group is a role model at international level in terms of sustainability. We have

pledged to add value for our stakeholders – especially our employees – and our shareholders: a pledge which extends far beyond the organisation itself.

In 2017, besides becoming a carbon-neutral company, SGS was included in the FTSE4Good ethical investment index for the first time. The Dow Jones Sustainability Index recognised the Group's contribution to environmental sustainability for the fourth consecutive year, identifying it as an industry leader. Also for the fourth year running, SGS won the EcoVadis Gold medal, and was ranked in the top 1% of sustainable companies.

In conclusion, looking ahead to 2018, I can confirm that we remain fully committed to our 2020 strategic plan, while also accelerating both organic growth and M&A activity, which will guarantee us a higher return on our capital investment.

It only remains for me to thank you all for your attention and continued support.

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