DIRECTION

FRANKIE NG, CEO AND CARLA DE GEYSELEER, CFO

INVESTOR DAYS, 29-30 OCTOBER 2015
TABLE OF CONTENTS

- SGS Business Principles
- Market evolution and opportunities
- Realign SGS strategic focus
- Finance
- Strategic direction
BUSINESS PRINCIPLES AND SUSTAINABILITY AMBITIONS
SGS BUSINESS PRINCIPLES
SUCCESS IS...

INTEGRITY
MAKING SURE WE BUILD TRUST

HEALTH & SAFETY
MAKING SURE WE ESTABLISH SAFE AND HEALTHY WORKPLACES

PROFESSIONALISM
MAKING SURE WE ACT AND COMMUNICATE RESPONSIBLY

RESPECT
MAKING SURE WE TREAT ALL PEOPLE FAIRLY

SUSTAINABILITY
MAKING SURE WE ADD LONG TERM VALUE TO SOCIETY

LEADERSHIP
MAKING SURE WE WORK TOGETHER AND THINK AHEAD
SUSTAINABILITY AMBITIONS 2020

ENVIRONMENT
- Reduce our annual CO₂ emissions (per FTE) by 20% *
- Reduce our annual CO₂ emissions (by revenue) by 20% *

PEOPLE
- Maintain a natural turnover rate of no more than 10%
- 30% of leadership positions will be held by women
- Reduce our TRIR and LTIR by 50% *

COMMUNITY
- Increase our investment in communities around the world by 30% *. Focus on volunteering

PROFESSIONAL EXCELLENCE
- Link management incentive plan to sustainability
- Deliver measurable sustainable value to society

We use our scale and expertise to enable a more sustainable future.
We ensure that we minimize our impact on the environment throughout the value chain.
We are good corporate citizens and invest in the communities in which we operate.

*against a 2014 baseline
MARKET EVOLUTION AND OPPORTUNITIES
## Fundamental Change in the TIC Market Over the Last 10 Years

### From

1. Emerging market production and western consumption
2. Centralised retail distribution
3. 1 to 3 global suppliers
4. "Universal" service provider
5. Financially (tax) and statutory driven regulation

### To

1. Emerging market production / consumption and lower western consumption (lower growth)
2. Multi channels distribution (e-platforms)
3. Dozens of listed equivalent suppliers
4. End market pure play (major domestic market)
5. Quality, protection, efficiency, HSE driven regulation
OPPORTUNITIES

- Mid/long term prospects in the TIC industry remain favourable

- New market drivers
  - Stricter Environmental, Health & Safety regulations
  - New distribution channels such as e-Commerce
  - Automation, data analytics and new technologies
  - Gradual opening of the China domestic market
    - Compensating factor for current uncertainty on China growth

- Drivers specific to SGS
  - Small presence in NAM relative to the market and competition
  - Geographic expansion and replication of services
  - New services development, e.g. SGS Art Services

- Other market short term conditions
  - Volatility of the oil price and persistent difficulties in minerals
  - Price and volume pressure leading to margin erosion
REALIGN SGS STRATEGIC FOCUS
REALIGN STRATEGIC FOCUS

- Management team
- Business lines
- Strategic initiatives
- Regions
- Dashboard
REALIGN SGS STRATEGIC FOCUS

NEW MANAGEMENT TEAM
# NEW OPERATIONS COUNCIL

## REGIONS
- **DIRK HELLEMANS**
  - Northern, Central and Southern Europe
- **PAULINE EARL**
  - Western Europe
- **TEYMUR ABASOV**
  - Eastern Europe and Middle East
- **FRED HERREN**
  - Africa
- **KIMMO FULLER**
  - North America
- **ALEJANDRO GOMEZ DELA TORRE**
  - South and Central America
- **HELmut CHIK**
  - China and Hong Kong
- **MALCOLM REID**
  - South Eastern Asia and Pacific
- **DENNIS YANG**
  - East Asia

## FUNCTIONS
- **CARLA DE GHEYSELEER**
  - Finance
- **JEAN LUC DE BUMAN**
  - Corporate Development, Corporate Communications and Investor Relations
- **DOMINIQUE BEN DHAOU**
  - Human Resources
- **OLIVIER MERKT**
  - Legal & Compliance
- **FRANKIE NG**
  - Innovation & Strategic Transformation

## BUSINESS LINES
- **ALIM SAIDOV**
  - Oil, Gas and Chemicals
- **DERICK GOVENDER**
  - Minerals
- **FRANCOIS MARTI**
  - Industrial + TIC 4.0
- **OLIVIER COPPEY**
  - Agricultural, Food and Life
- **RICHARD SHENTU**
  - Consumer and Retail + E-Commerce
- **ROGER KAMGAING**
  - Governments and Institutions
- **JEFFREY MCDONALD**
  - Certification and Business Enhancement
- **THOMAS KLUKAS**
  - Transportation
- **PETER POSEMMERS**
  - Environmental, Health and Safety

### ABC
- **Strategic project**
- **New scope**
- **Changed position**
- **Newly appointed**
THE MANAGEMENT TEAM

- Experienced and multi-cultural team
  - 23 members
  - 13 nationalities covering all continents

- New OC* members
  - Kimmo Fuller, COO North America
    - American, formerly MD SGS US
  - Derick Govender, EVP Minerals Services
    - South African, formerly Director Minerals Services SGS Chile
  - Richard Shentu, EVP Consumer & Retail Services
    - Chinese, formerly MD SGS China

- Other non-OC senior positions
  - Anthony Hall, Innovation (formerly COO SEAP)
  - New CIO joining on 1 December 2015

* Operations Council
REALIGN SGS STRATEGIC FOCUS

BUSINESS LINES
REALIGN BUSINESS LINES STRUCTURE
AGRICULTURE, FOOD & LIFE (AFL)

- **Growth:** Increasing concerns from consumers and regulations (Food safety/security, toxins, allergens, supplements)

- **Portfolio diversification:** rising production cost and scarcity of natural resources

- **SGS is one of the largest Agri-Food service providers**
  - Services across several business lines with optimisation opportunities
  - Market growth potential at high single digit
  - Complete solution to the supply chain

- **Life focused on development of Laboratory Services**
  - Core skills and synergy with Agriculture and Food activities

**Revenue**

CHF 875 Mio
REALIGN BUSINESS LINES STRUCTURE

CONSUMER & RETAIL SERVICES (CRS)

- Refocus on “traditional” Softlines, Hardlines, Electrical & Electronics and Cosmetics, Personal Care & Household products (major profit contributor)

- Strong growth in technology
  - Internet of Things (IoT), Industry 4.0
  - Evolving technology and regulations

- Softlines and Hardgoods (mid term growth potentials)
  - New distribution channels

Revenue
CHF 825 Mio
REALIGN BUSINESS LINES STRUCTURE
TRANSPORTATION (TRP)

- Targeted sectors – Aerospace, Automotive, Marine, Rail
- Large sector with double digit growth potential (Regulation, advanced technologies)
- Leverage SGS expertise and network structure

Revenue
CHF 450 Mio
REALIGN BUSINESS LINES STRUCTURE: CERTIFICATION & BUSINESS ENHANCEMENT (CBE)

- Expand service portfolio to become a solution provider (Moving away from compliance certification only)
- Utilise SGS expertise to provide integrated solutions
  - Management systems and performance assessments
  - Learning solutions – SGS Academy
  - Technical support solutions
  - Supply chain verification
  - Management solutions

Revenue CHF 300 Mio
REALIGN SGS STRATEGIC FOCUS

STRATEGIC INITIATIVES
STRATEGIC INITIATIVES: TIC 4.0

- SGS automation, digitalisation and data analytics strategic initiative is named **TIC 4.0** *(In reference to Industry 4.0)*

- Customers require use of data from different sources to make **better decisions**
  - Optimize supply chain efficiency and size, production processes, product quality, quicker recall process and enhance control
  - Allow predictive analysis

- SGS generates large amount of data through its testing, inspection and auditing services. It can be used:
  - Data can be used as backbone for Traceability, Tracking, Predictive Maintenance and other services
STRATEGIC INITIATIVES: TIC 4.0

- **Digitalisation** of SGS services (for example usage of sensor technology) provide opportunities to use data analytics as core value proposition.

- **New IT tools** currently being deployed will help SGS to better structure its databases across the network.

- **Partnerships** with selected technology providers allow SGS to use data thus enhance services and broaden scope.

- The traditional **3 Vs** of Big Data:
  - Volume, *Velocity* and *Variety*
  - SGS adds the 4th one: *Veracity*
**Volume** refers to the “mass quantities of data that organizations are trying to harness to improve decision-making across the enterprise”

**Variety** refers to the complexity of multiple data types, “including structured, semi-structured and unstructured data”

**Velocity** refers to the speed at which data is created, processed, and analyzed

**Veracity** refers to the “level of reliability associated with certain types of data”
STRATEGIC INITIATIVES: E-COMMERCE

- **Fast growing distribution channel with weak penetration**
  - Less than CHF 20 Mio revenue directly related to e-Commerce portals
    - Main clients are Chinese portals (e.g. Made-In-China, Alibaba)
    - Traditional services such as supplier audits and inspection
  - Initial effort focused on consumer goods sector

- **Regulations change will put more pressure on portals**
  - More accountability on products sold on their sites
  - Chinese Government alleged that 70% of products traded on some portals could be fake or sub-standard

- **Migrate from B2B to potentially B2C**
  - As B2C transactions increase in e-Commerce portals, how to ensure product quality when portal is not the “retailer/distributor”
  - Shift quality driver to consumer
SGS group is the world's leading inspection, verification, testing and certification company, and is recognized as the global benchmark for quality and integrity.

**Founded:** 1878

**Services:** Testing, Inspection, Certification

**Revenue:** CHF 5.883 billion (2014)

**Headquarter:** Geneva, Switzerland

**Number of Employees:** 83,515 (end 2014)

**Number of Locations:** 1650 locations worldwide

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**Core Service**

SGS ensure trusted, ethical and environmentally conscious goods such as food, electronics, textiles, toys, footwear and housewares, etc. SGS inspects processes at every stage of production, and conducts material and functionality testing to verify and certify that products perform exactly as claimed. We ensure products, systems or services meet the requirements of standards, enables manufacturers, importers, exporters and retailers to gain a competitive edge.

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**Cooperated Partners**

- Best Buy
- Decathlon
- B&Q
- Walmart
- Coca-Cola
- Canon
- The Home Depot
- Auchan
- Kingfisher
- Carrefour
- Bosch
- Lenovo
- Fiat
- Tesco
- Haier
- State Grid
- Macy's
- COFCO
- Tesco
REALIGN SGS STRATEGIC FOCUS

REGIONS
REALIGN REGIONS FOCUS

- Optimise regional structure from 10 to 8
  - Faster decision making
  - Better strategic alignment and synergy
    - Merge Northern & Central Europe with Southern Central Europe (done)
    - Integrated Central America with South America (done)
    - Merge 3 Asian regions down to 2 (end 2016)

- Increase footprint in NAM and China
NAM - EXPAND FOOTPRINT

- **Limited footprint** compared to market size and competition
  - USA: key focus
  - Mexico: strong growth potentials

- **Diversification** as a key approach (OGC, MIN and IND account for over 70% of NAM revenue)

- **Strategic position** in NAM helps to drive growth overseas
  - Especially related to strategic accounts and international projects

- **Acquisitions** will be a key element in the expansion strategy

**NAM**
- 153 locations
- 104 laboratories
- 8,000 employees

**2020**: +>50% Rev.
CHINA - STILL MANY OPPORTUNITIES

- A CHF 15 Bn* domestic TIC market (2/3rd of it is untapped)
- Shift from export to local market
  - Represents 40% of SGS China revenue
  - Strong growth in Industrial, Food and Transportation (Auto, Rail)
- Consumer products have faster growth in high value goods
  - South & West China switching to telecom and electronic goods
  - North China & inland provinces focus on Softlines and Hardgoods
- Acquisitions to help acquiring relevant licenses and positioning for future market deregulation

* AQSIQ estimate, General Administration of Quality Supervision, Inspection and Quarantine
REALIGN SGS STRATEGIC FOCUS

DASHBOARD
DASHBOARD:
CRITERIA FOR BUSINESS PERFORMANCES

- Structured dashboard to assess business portfolio
  (More than 50 sub-business segments such as Softlines, Hardlines, E&E, CPCH in Consumer Goods and Retail)

- Dashboard based on growth, margin, cash flow and strategic significance

- 3 categories
  - Fast Profitable Growth
  - Stable Growth
  - New Growth

- On-going success monitoring
  - Sub-business segment not meeting criteria should be disposed
  - Review to be done each semester
DASHBOARD:
CRITERIA FOR BUSINESS PERFORMANCES

- Positive cash flow and strategic significance are pre-requisites to stay in the portfolio
- Max 18 months before executing full/partial disposals or shutdowns in the Stable Growth category
- Maximum 3-year incubation in the New Growth category before entering the Fast Profitable Growth category or executing full/partial disposals
DASHBOARD:
CRITERIA FOR BUSINESS PERFORMANCES

REVENUE

53%
Fast
Profitable
Growth

47%
Stable
Growth

H1 2015

0%
New Growth

MID-TERM
OBJECTIVE

X%
Fast
Profitable
Growth

<50%
Stable
Growth

Y%
New Growth
FINANCE

FINANCIAL FRAMEWORK

TRANSFORMING INITIATIVES TO ENHANCE PROFITABILITY AND CASH

CAPITAL ALLOCATION PRIORITIES
WHAT HAS SGS ACHIEVED IN 2015?

1. First TIC company with credit rating
2. Issuance of CHF 550 Mio bonds at historical low interest rate
3. Secured 11 acquisitions
4. Embarked on restructuring plan of CHF 64 Mio
5. Significant improvement in Net Working Capital
6. Align shareholder’s and management interests
7. Named as Industry Leader in DJ Sustainability Indices
FINANCIAL FRAMEWORK

MONITOR GROUP PERFORMANCE AND ALIGN INTERESTS WITH SHAREHOLDERS
FINANCIAL FRAMEWORK

1. Solid organic revenue growth
2. Resilient profitability
3. Robust cash flow generation
4. Sustainable and attractive returns
FINANCIAL FRAMEWORK

REVENUE AND ADJ. OPERATING INCOME

SOLID ORGANIC REVENUE GROWTH

REVENUE (CHF MIO; % ORGANIC GROWTH)

- 2010: 4,757 (+3.2%)
- 2011: 4,797 (+10.5%)
- 2012: 5,569 (+10.2%)
- 2013: 5,830 (+4.4%)
- 2014: 5,883 (+4.0%)
- LTM 06/15: 5,830 (+3.0%)

ADJ. OPERATING INCOME (CHF MIO; % MARGIN)

- 2010: 848 (17.8%)
- 2011: 815 (17.0%)
- 2012: 931 (16.7%)
- 2013: 977 (16.8%)
- 2014: 947 (16.1%)
- LTM 2015: 939 (16.1%)

RESILIENT PROFITABILITY
FINANCIAL FRAMEWORK
CASH CONVERSION AND ROIC

ROBUST CASH FLOW GENERATION

SUSTAINABLE AND ATTRACTIVE RETURNS

ADJ. CASH CONVERSION RATIO\(^1\) (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>2010</td>
<td>73.5%</td>
</tr>
<tr>
<td>2011</td>
<td>67.4%</td>
</tr>
<tr>
<td>2012</td>
<td>67.6%</td>
</tr>
<tr>
<td>2013</td>
<td>75.8%</td>
</tr>
<tr>
<td>2014</td>
<td>74.4%</td>
</tr>
<tr>
<td>LTM 06/15</td>
<td>86.1%</td>
</tr>
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</table>

ROIC\(^2\) (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>27.2%</td>
</tr>
<tr>
<td>2011</td>
<td>21.9%</td>
</tr>
<tr>
<td>2012</td>
<td>20.3%</td>
</tr>
<tr>
<td>2013</td>
<td>21.7%</td>
</tr>
<tr>
<td>2014</td>
<td>20.4%</td>
</tr>
<tr>
<td>LTM 06/15</td>
<td>20.2%</td>
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1. Core operating cash flow / Adjusted EBITDA
2. Definition: (Net Income / (Non current assets + Net Working Capital))
REINFORCE ALIGNMENT OF INTERESTS

**VEHICLE**
- LTIP
- STIP

**SHAREHOLDING OWNERSHIP GUIDELINES**
- Applicable to Operations Council members effective 2015
- Required level of 3 times Annual Base Salary for the CEO
- Required level of 2 times Annual Base Salary for the OC members

**DRIVERS**
- Long-term strategic performance
- Achieving business objectives
- Supporting SGS culture and values

**PERFORMANCE MEASURES**
- Relative TSR
- Relative Net Organic Growth
- Relative NPAT growth
- Free Cash Flow
- Group revenue growth
- Group NPAT + Position specific Profit, ROIC and NWC

**PURPOSE**
- Align executive compensation with shareholders interest and reward long-term performance
- Align executive compensation with shareholders interest and reward short and mid-term performance

**PLAN PERIOD**
- 3 years performance period
- 1 year performance period

**PAY-OUT**
- 100% PSU¹
- 50% Cash
- 50% RSU²

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¹ Performance Share Units
² Restricted Share Units
TRANSFORMING INITIATIVES TO ENHANCE PROFITABILITY AND CASH GENERATION

**RESILIENT PROFITABILITY**

Margin improvement through transformation of the support functions and procurement savings

**ROBUST CASH FLOW GENERATION**

Robust cash flow through sustainable NWC improvement
GLOBAL BUSINESS SERVICES

MARGIN IMPROVEMENT THROUGH TRANSFORMATION
OF THE SUPPORT FUNCTIONS
SIMPLIFY, STREAMLINE AND OPTIMIZE SUPPORT FUNCTIONS

1. Back office efficiency through shared services, regional hubs and outsourcing

2. Focus on agile, sustainable operating models to efficiently support a growing global organization with multiple business lines and multiple segments

3. Enhanced analytics and reporting to track financial and operational performance

4. Grow talent within the Support Functions in order to service as business partners

5. Leverage technology to improve transactional productivity and increase efficient access to information
1. Set the ambition for the SGS support functions

2. Evaluate the efficiency and effectiveness of SGS’s support organization and processes
   Determine performance gaps against ambition

3. Evaluate the need for support transformation initiatives to ensure consistency with migration to best practice service delivery model
   Q4 - 2015

4. Propose options for the future support organization, resources and supporting technology architecture which will enable the envisaged ambition to be realized
3 MACRO-REGIONAL SHARED SERVICES

China, Middle East, Africa will be dealt with separately
**Governments & Institutions**
- Start centralization of specific GIS back office functions globally in Asia
- >10% of GIS Global workforce

**Deploy Global Strategy**
- Global, Multi-stream
- One Project & one Operations model

**Start SSC Centralization in Europe**
- Start centralization of specific SSC back office functions for Europe
- ~7% of European SSC workforce
**DEPLOY GLOBAL BUSINESS SERVICES STRATEGY**

**SIMPLIFY, STREAMLINE AND OPTIMIZE SUPPORT ORGANISATION, PROCESSES AND SYSTEMS**

**LEVERAGE BEST PRACTICES**

<table>
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<th>FROM</th>
<th>TO</th>
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<tbody>
<tr>
<td>35 countries - covering major finance and technical back-office processes</td>
<td>Global Business Services operating 3 major Shared Service Centres</td>
</tr>
<tr>
<td>Focus on responsiveness</td>
<td>Service delivery, performance driven through measurement and feedback</td>
</tr>
<tr>
<td>Different systems</td>
<td>Common systems</td>
</tr>
<tr>
<td>Non-standard processes</td>
<td>Maximize standardisation</td>
</tr>
<tr>
<td>Separate functional staff</td>
<td>Common functional staff</td>
</tr>
<tr>
<td>Employees multitasking</td>
<td>Dedicated employees</td>
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FOCUSED PROGRAM TO REDUCE COST BASE

END STAGE

- One operational business model
- Three Shared Service Centres across the world¹
- Dedicated operations teams
- 1,500 employees (1.7% SGS workforce)

GROSS REDUCTION IN COST BASE

MIN. CHF 20 MIO

¹ Focusing on Europe and Asia in the first wave
PROCUREMENT

MARGIN IMPROVEMENT THROUGH SIGNIFICANT PROCUREMENT SAVINGS
ENHANCING VALUE THROUGH PROCUREMENT

1. Optimize strategic sourcing by leveraging negotiation power with suppliers and increasing compliance

2. Improve transactional efficiency by improving P2P process and by promoting self-invoicing for AP

3. Enhance supply chain management by optimizing inventories, cutting logistics costs and focusing on standardized SKUs to ease demand planning

4. Achieve savings on real estate by optimising the property portfolio, driving down the facility costs, systematically reviewing lease vs. buy model in order to optimize financial strategy for the portfolio

5. Strengthen suppliers’ innovation programme with a focus on Strategic Partners in order to support top line growth
SAVINGS 2015-2017: CHF180 MIO

PROCUREMENT SAVINGS BY REGION

<table>
<thead>
<tr>
<th>Year</th>
<th>CHF (Millions)</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>11</td>
</tr>
<tr>
<td>2016</td>
<td>19</td>
</tr>
<tr>
<td>2017</td>
<td>27</td>
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PROCUREMENT SAVINGS BY NATURE

- **20%** CAPEX
- **80%** OPEX

WORKING CAPITAL

ACHIEVE BEST-IN-CLASS PERFORMANCE
IN THE TIC INDUSTRY
WHAT HAS SGS ACHIEVED SINCE JANUARY 2015?

INSTITUTIONALIZED STRONG FOCUS ON CASH GENERATION AND WORKING CAPITAL MANAGEMENT TO CREATE VALUE

- Working capital management defined as a key finance priority
- Monthly tracking of working capital objectives at every executive committee meeting
- Introduction of working capital as part of managements’ short & long-term incentive targets

FIRST H1 NWC REDUCTION IN A DECADE

- CHF 9 Mio NWC reduction as of H1 2015, compared to an increase of CHF 180 Mio as of H1 2014
- NWC Improvement despite challenging market conditions
WHY IS THE NWC IMPROVEMENT SUSTAINABLE?

1. **Global roll-out of best practices** across the company
   - Standardization of invoicing and collection model supported by ERP and shared services organization
   - Optimization of inventory management and supplier payment terms

2. **Monthly review of NWC performance** across the organization including benchmarking within the TIC industry

3. **NWC improvement continues to be part of management short and long-term incentive plan**
WHAT ARE THE NEXT STEPS IN THE NWC IMPROVEMENT PROCESS?

CONTINUED STRONG EMPHASIS ON STRUCTURAL IMPROVEMENTS DURING 2016

- Standardization of OTC and P2P processes
- Optimization of the NWC for each activity within the SGS portfolio (spot vs project-driven businesses)

FY 2015 GUIDANCE

- Substantial improvement of full year NWC vs 2014
- NWC will remain a key driver of Core Operating Cash Flow improvement
CAPITAL ALLOCATION PRIORITIES

MAINTAIN A BALANCED CASH EQUATION
CAPITAL ALLOCATION PRIORITIES

1. Invest in organic growth projects and technology-driven partnerships

2. Deliver bolt-on acquisitions with attractive business synergies

3. Maintain a solid investment grade credit rating

4. Maintain an attractive shareholder return policy
CAPITAL ALLOCATION PRIORITIES

INVEST IN ORGANIC GROWTH PROJECTS AND TECHNOLOGY-DRIVEN PARTNERSHIPS

CAPEX (CHF MIO, % OF SALES)

ACQUISITION CASH CONSIDERATION (CHF MIO; # OF TRANSACTIONS)

DELIVER BOLT-ON ACQUISITIONS WITH ATTRACTIVE BUSINESS SYNERGIES
TECHNOLOGY-DRIVEN PARTNERSHIPS

TRACEONE

BUSINESS OVERVIEW
- Founded in 2001 in France, privately-owned business with 250 FTE in Europe and in the US
- Private Label PLM Market leader, with a proven track record in the food industry
- EUR 40 Mio revenue [in 2015E]
- 20,000+ Private Label suppliers representing 600,000+ raw materials suppliers connections

MAIN ATTRACTIONS FOR SGS
- State-of-the-art IT platform (Graph database)
- Solution built on a user friendly platform designed with simplicity in mind

Savi

BUSINESS OVERVIEW
- Founded in 1989 to develop sensor-based solutions (over 4 million Savi sensors deployed worldwide)
- Business thriving on government contract with the US Department of Defense and NATO in RFID
- In 2014, launched Savi Insights, a Software as a Service (SaaS) sensor solution for supply chain analytics

MAIN ATTRACTIONS FOR SGS
- Cloud-based platform to capture, integrate, store and analyze data from disparate sources
- To be expanded in various industry verticals (e.g. Asset monitoring or Cargo tracking)

Radio Frequency Identification (RFID) is the wireless use of electromagnetic fields to transfer data, for the purposes of automatically identifying and tracking tags attached to objects.
### KEY ACQUISITION CRITERIA

1. Building scale
2. Buying capabilities
3. Filling geographic gaps
4. Enhancing financial metrics
5. Maintaining strategic significance

### FOCUS ON KEY METRICS
- Run rate synergies
- Integration costs
- Implied EV/EBITDA multiple
<table>
<thead>
<tr>
<th><strong>SVA</strong></th>
<th><strong>Applus® RTD Belgium</strong></th>
<th><strong>Courtray</strong></th>
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</table>
| - Acquisition of an independent leading provider covering Food and Personal Care and Household / Detergent products in 2015  
- **Transaction rationale:**  
  - An ideal entry into the Food testing market and packaged / additional advisory services not currently within CTS  
  - Additional testing capability in the UK for Personal Care and Household / Detergents industry  
  - Portfolio reinforcement for UK customers | - Acquisition of a non-destructive testing activity in 2014  
- **Transaction rationale:**  
  - Complementary geographical footprint: #2 player on the industrial NDT market in Belgium  
  - Strong and complementary customer base  
  - Experienced and well educated employees fitting SGS culture  
  - Creation of higher barrier to entry in NDT market  
  - Facilitate integration | - Acquisition of an independent testing expert in disposable hygiene products in 2011  
- **Transaction rationale:**  
  - Specialized lab for disposable hygiene product testing  
  - Leading industry player owning reference testing equipment  
  - Very complementary activity with existing panel testing and performance testing capabilities for other products  
  - Potential replication of the capabilities in other regions |

**SGS DEVELOPING ITS FOOTPRINTS ON THE CORE UK MARKET IN A NEW FOOD TESTING SEGMENT**  
**SGS BECOMING A STRONG #1 ON THE PETROCHEMICAL NDT AND INSPECTION MARKET IN BELGIUM**  
**SGS BECOMING A GLOBAL PLAYER IN THE HYGIENE PRODUCT TESTING NICHE MARKET**
CAPITAL ALLOCATION PRIORITIES

DIVIDEND PER SHARE (CHF) AND PAYOUT RATIO² (%)

Jan. 14: new dividend policy setting
CHF 65 as a dividend floor for 2013-16

SHARE BUY-BACK PROGRAM (CHF MIO)

CHF 500 Mio for shares cancellation

- CHF 250 Mio for employee equity participation plans and/or utilisable as underlying securities for debt-like issuance

1. Dividend per share including ordinary and special dividends
2. Payout ratio: Dividend per share / Basic earnings per share
WELL BALANCED CASH EQUATION

STRONG TRACK RECORD IN 2011-14

GROWTH OPPORTUNITIES
CHF 1.4 BN

SHAREHOLDERS RETURNS
CHF 1.5 BN

OPERATING CF
CHF 2.7 BN

CHF 0.1 BN

- Net Debt Dec. 2011
- M&A
- Organic growth

CHF 0.3 BN

- Dividends
- Buybacks program
- Operating cash flows
- Net Debt Dec. 2014

1. Net Capex
WELL BALANCED CASH EQUATION

**SOURCES**

ROBUST OPERATING CASH FLOW GENERATION

**USES**

GROWTH OPPORTUNITIES

- Organic growth
- M&A

ATTRACTION SHAREHOLDERS RETURNS

- Solid dividend growth
- Share buy-back program
STRATEGIC DIRECTION
SUMMARY STRATEGY

1. Core skills and organisation of SGS are evolving and adapting to new market conditions

2. Global footprint of SGS is a key strength in addressing the link between the physical and digital “worlds”

3. Leverage economies of scale to deliver substantial savings and enhance cash generation

4. Achieve best-in class Net Working Capital performance in the TIC industry

5. Maintain a balanced equation between generated cash and the funding of growth opportunities and cash SGS returns to shareholders

6. Ultimately creating value to our Clients, Employees, Shareholders and other Stakeholders
2015 AND 2016 GUIDANCE

- Guidance 2015 – Management confirms
  - H2 organic growth in line with H1
  - Stable margin compared to prior year
  - Solid cash flow generation

- Guidance 2016
  - Organic growth in the range of 2.5% to 3.5%
  - Stable margin compared to prior year
  - Solid cash flow generation

Constant currency
OUTLOOK 2016 - 2020

- **Mid single digit organic growth** on average with improvement over the period supported by the new focused structure and new strategic initiatives

- **Accelerating M&A activities** with acquired revenue over the period in the range of CHF 1 billion

- **Adjusted Operating Income Margin** of at least 18% by end of the period supported by the new focused structure, new strategic and efficiency improvement initiatives

- **Strong cash conversion**

- **Solid returns on invested capital**