NEA STATUS & EVOLUTION

NEA established in 2017: China, Taiwan, HK, Korea, Japan, Vietnam, Mongolia

Market leadership position at an aggregate level

Present in all Group LOB: CRS, IND, AFL, CBE, OGC

Staff increase from 21,300 to 22,600 (2019)

Revenue CAGR of 6% and a stable margin, growth continues in 2019. China, SGS’s largest affiliate, has a double-digit CAGR

International trade vs domestic businesses ratio at 40:60. Growth momentum is stronger in the domestic business

A focus on increasing the portfolio balance across affiliates, LOB, international / domestic mix
Increasing pressure and uncertainties due to US / China disputes. Primarily impacting CRS, IND, Min, OGC and CBE

- Accelerated migration of the low-end industries
- Rapid growth in some non-China emerging markets like Vietnam but facing capacity and talent constraints. SGS Vietnam has grown at a rate of 20%+
- Skill levels, infrastructure and the complexity of supply chains still make China indispensable for production
- ‘China Plus’ becomes the most popular sourcing strategy
- Chinese companies now focusing more on domestic and emerging markets which exposes new opportunities to TIC sector
- The continued de-regulation of the Chinese TIC market becomes the catalyst
Strong communication and information technology trends including 5G, IoT, AI, Autonomous Driving

SGS is expanding testing and Auto EMC and Reliability capacity to meet rapid demand

First mover advantage with partial 5G upgrade

We expect increasing partnering opportunities with different parties like government agencies

Some examples of SGS partnerships:
- Partnering with major 5G equipment provider to validate their protocol
- JV with Allion to provide full scope Auto V2X services
- Government funded 5G Lab in Xian
- Investment in chipset-related services
Strong growth in the Chinese domestic market driven by de-regulation, the rise of middle class, internal demand and the Belt & Road Initiative

| More space being opened following administrative reforms like the abolition of *AQSIC | Being the biggest TIC service provider to eCom portals | Calibration lab network with 10 labs and full O2O solution to serve various industrial and manufacturing sectors |
| Provides market surveillance, testing and auditing services to government agencies like SAMR, EPB on food safety, environmental concerns | Growing GB standard testing in Softlines, Hardlines & EE | Supports China SOEs in more than 15 countries for the outbound investment projects |

*AQSIC - General Administration of Quality Supervision, Inspection and Quarantine*
SPEED & DISCIPLINE CRITICAL IN AN EVOLVING MARKET

Exited unprofitable and low margin activities

Continuous process optimization: Lean, WCS initiatives

550 staff released before the year end

Continuous R&D – developing new testing methods for new regulations and improving testing equipment utilization

Accelerating new and current automation and digitalization including: robotization, RPA, Knowledge Base, LIMS, SGS ePortal

Shadow operation center and Back Office like Changzhou model
Located between **Nanjing** (capital city Jiangsu) & **Shanghai**

- TIER 2 CITY with a relatively low cost of living, sufficient supply of housing, 4.7 million by population and very commercially supportive governmental administration
- Industrially focused: electronic components, auto and rolling stock parts. GDP at **US$100 BILLION**

- Strong supply of skilled labor: The Science and Education Park composed by 1 graduate school and 5 vocational institutes with more than **100,000 STUDENTS**
- Provides a shadow **OPERATION CENTER FOR SHANGHAI**
- BACK OFFICE CENTER for SGS China, Taiwan and HK: Currently covers Finance, CRS, CBE, OGC and is expanding