SGS BEYOND LABS SERVICES

Anne Hays - EVP Life Science Services

Investor Days, 24-25 October 2013

WHEN YOU NEED TO BE SURE

LIFE SCIENCE MARKET

GLOBAL PHARMA R&D SPENDINGS

R&D spending worldwide:
- 2013: $135.5 billion
- 2016: $145.5 billion

2013-2016: CAGR: +2.3%

GROWTH OF BIOLOGICS PART

Biologics growth rate : +11%, double of traditional small molecules

2017: Biologics and R&D: from 35% to 43%(expected)

MARKET PENETRATION

Outsourcing penetration rate of services suppliers worth 16% of the total R&D spending valuing the market to more than $20 billion

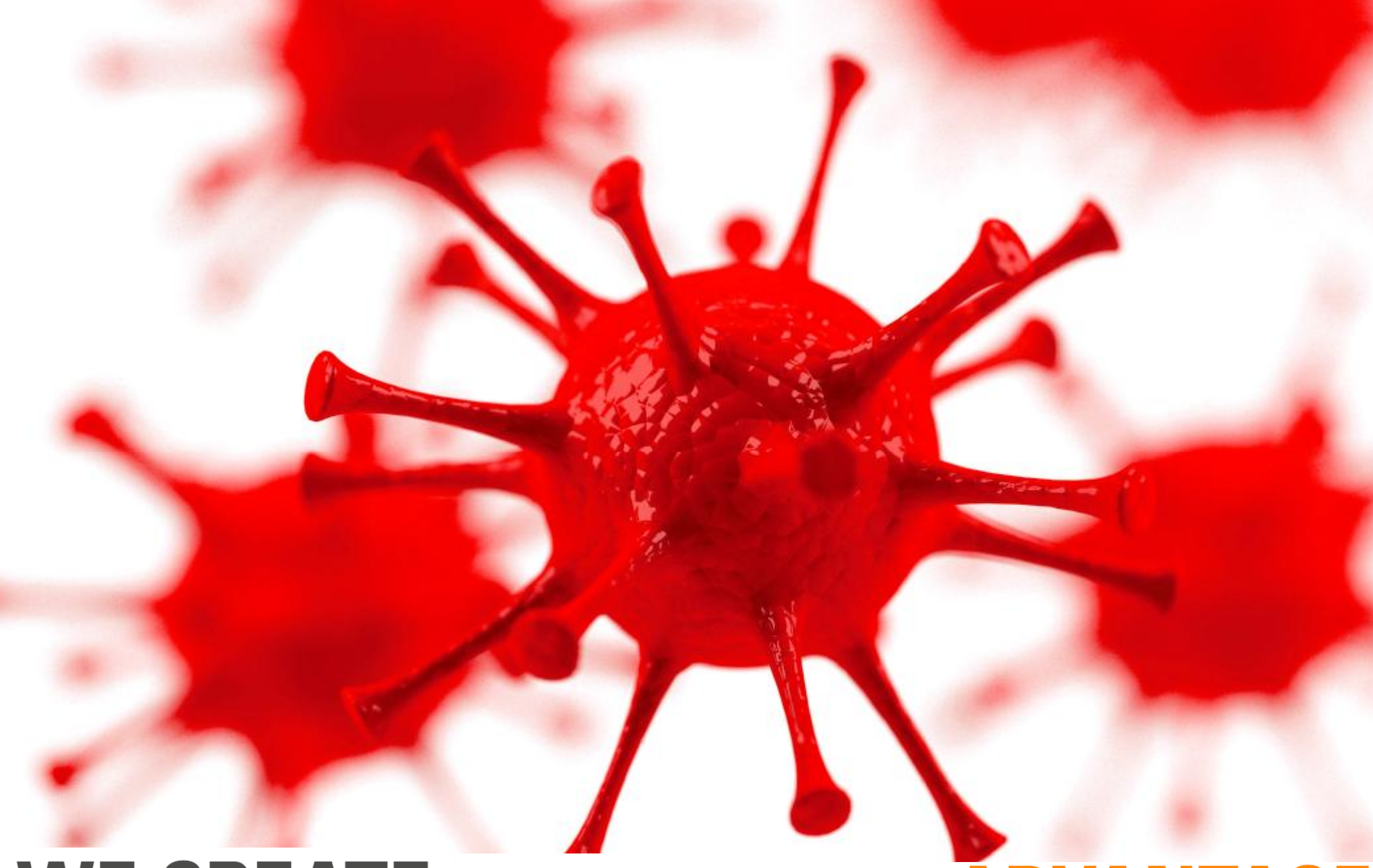
3 to 3.5 billion (double-digit growth for large molecules) estimated analytical share

The biggest pieces: Clinical trials (Phase I-IV) & manufacturing (CMO)

GROWTH OF PHARMERGING MARKET

Major pharma hubs:
- Mature market like NAM (40%)
- Europe (30%)

RoW (30%) boosted by emerging country demand (Asia – China and India) and new comers (Brazil, Russia, Korea)



WE CREATE COMPETITIVE ADVANTAGE

A FANTASTIC OUTSOURCING DYNAMIC

- LIFE BIO service portfolio growing from 5% (2010) to 36.5% of our laboratory revenue
  - Small molecule testing remains our bread & butter
  - Double-digit growth in biotech
- Ongoing restructuring within pharma industry increased demand for:
  - New expert services
  - SGS network synergies (SSC, ENVI)
  - New cooperation model such as booming demand on tailor-made FTE services (staff, facilities)
- Higher market attractiveness with new comers such as Samsung (biosimilar), Fuji, Sony or Philip Morris

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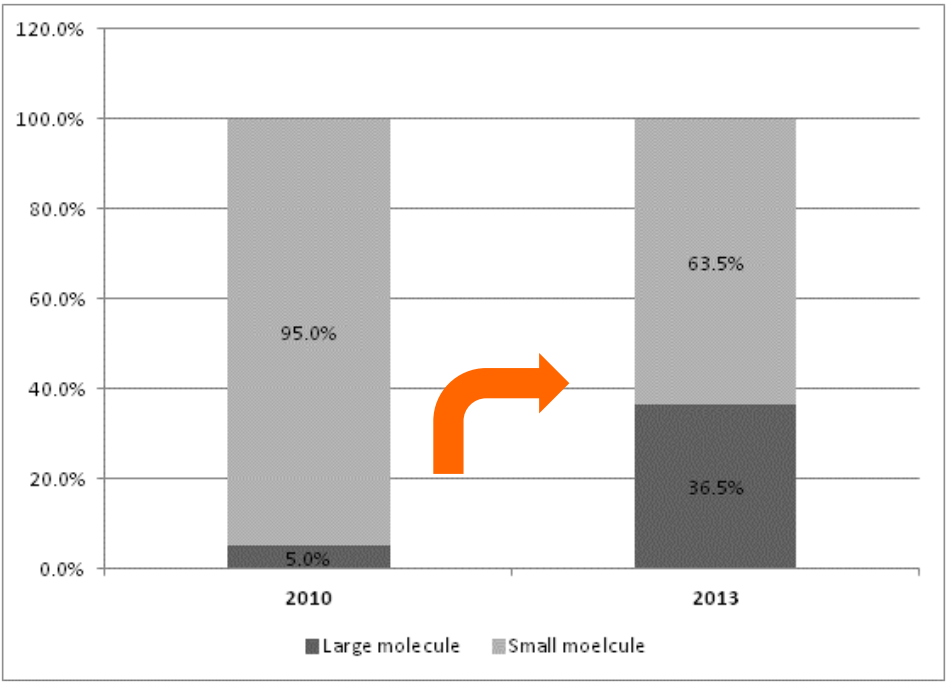
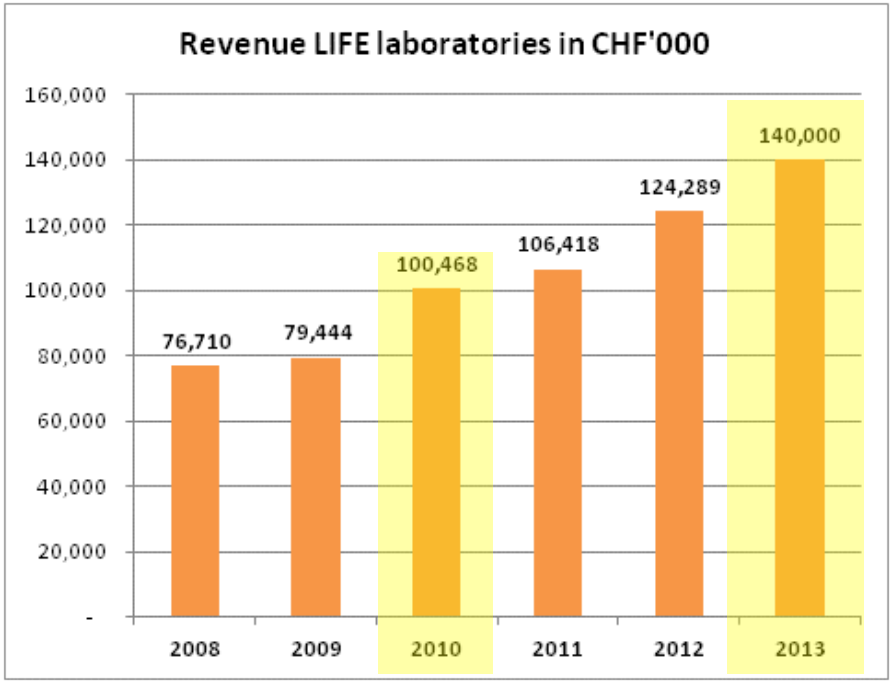
A FANTASTIC OUTSOURCING DYNAMIC

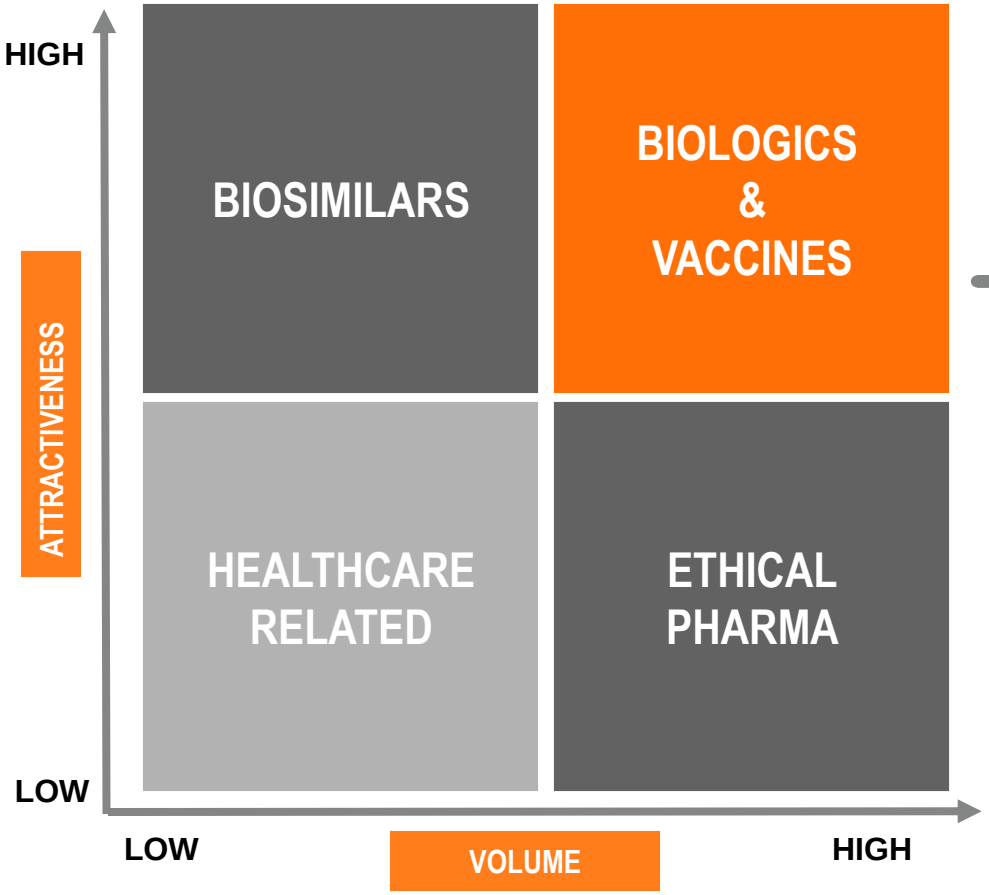
- SGS LIFE PORTFOLIO SWITCH (2010-2014)

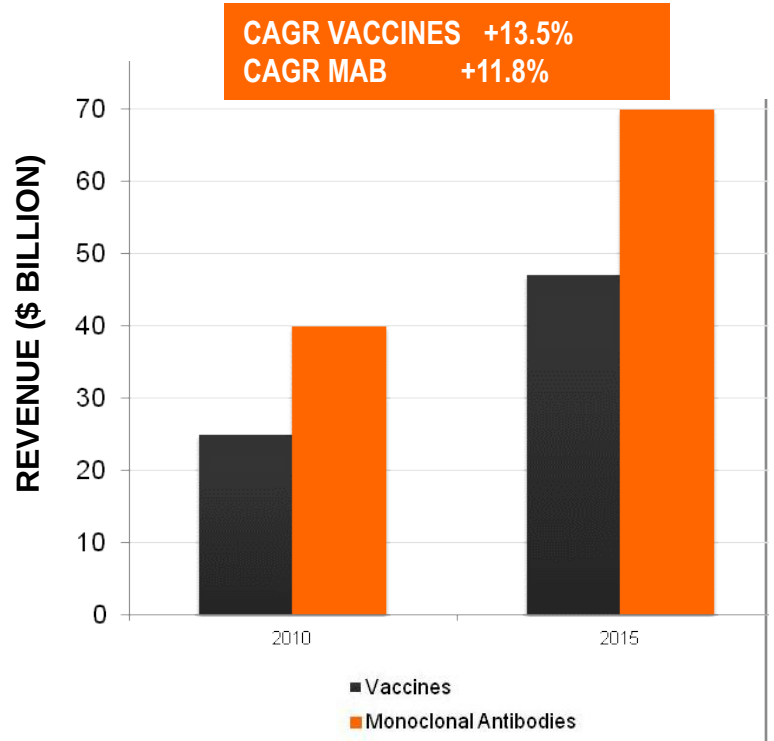


- CAGR 2008 - 2013: +12.8%



MARKET SEGMENTS OF SGS LIFE SCIENCE SERVICES





SOURCE: FROST & SULLIVAN 2011

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DRIVERS OF THIS MARKET, WHY SO BIO?

1$ INVESTED IN VACCINES = 6$ SAVED IN CURATIVE TREATMENTS

Market growth	CAGR 11% for Biologics versus 5% for traditionnal molecules
Ageing population	New pathologies: cancer, neurologic diseases -> promising drugs pipeline are Biologics
Asian populations drive demand for drugs (new and mature)	Preventive medicine: large vaccination campaigns in Asian countries
“Personalized medicines” (influence of genetic variation on drug effectiveness)	High specificity of Biologics drives personalized therapy

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GLOBAL
BENCHMARK

LABORATORY EVOLUTION - 2010

Clichy, Paris (FRA)
Wavre, (BEL)
Taunusstein (GER)
Berlin (GER)
Lincolnshire, IL (US)
Fairfield, NJ (US)
Mississauga, ON (CAN)
Singapore
Chennai (IND)
Shanghai (CHN)
Taiwan

LABORATORY EVOLUTION – ACQUISITION 2010

Wokingham (UK) ex-M-Scan
Geneva (CH), ex-M-Scan
Freiburg (GER), ex-M-Scan
West Chester, PA (US) ex M-Scan

LSS LABORATORY EVOLUTION – 2012

LABORATORY EVOLUTION – ACQUISITION 2012

Glasgow (UK), ex-Vitrology

LSS LABORATORY EVOLUTION – 2013

2010 / 2013 LIFE SCIENCE SERVICE HEADLINES

- Lab opening in India - Navi Mumbai Jan 2012
- Coming soon…
  - ***New*** Lab (Micro, chemistry) in Italy (**2013**)
  - ***New*** Lab (Bioanalytical) USA West coast (**2014**)
- WHO prequalified status for
  - Wavre, laboratory (Belgium)
  - Chennai, laboratory (India)
- GMP Pharmacy accreditation Antwerp CPU (BE)
- Bio-analytical lab in Poitiers (FR) & Wavre (BE)
  - Latest generation flow cytometers
  - Bio-safety Level 2 suite
  - ***New!*** Cell-based assay platforms
  - ***New!*** Serology lab - Sept-2012
- ***New!*** viral challenge testing facilities in Antwerp CPU (BE)
- Acquisitions expand biologics capabilities
  - ***New!*** Vitrology: molecular biology & virology - May 2012
  - M-Scan characterization- October 2010

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FROM MOLECULE TO MARKET

LIFE SCIENCE SERVICES - FULL SERVICE PORTFOLIO

WHEN YOU NEED TO BE SURE

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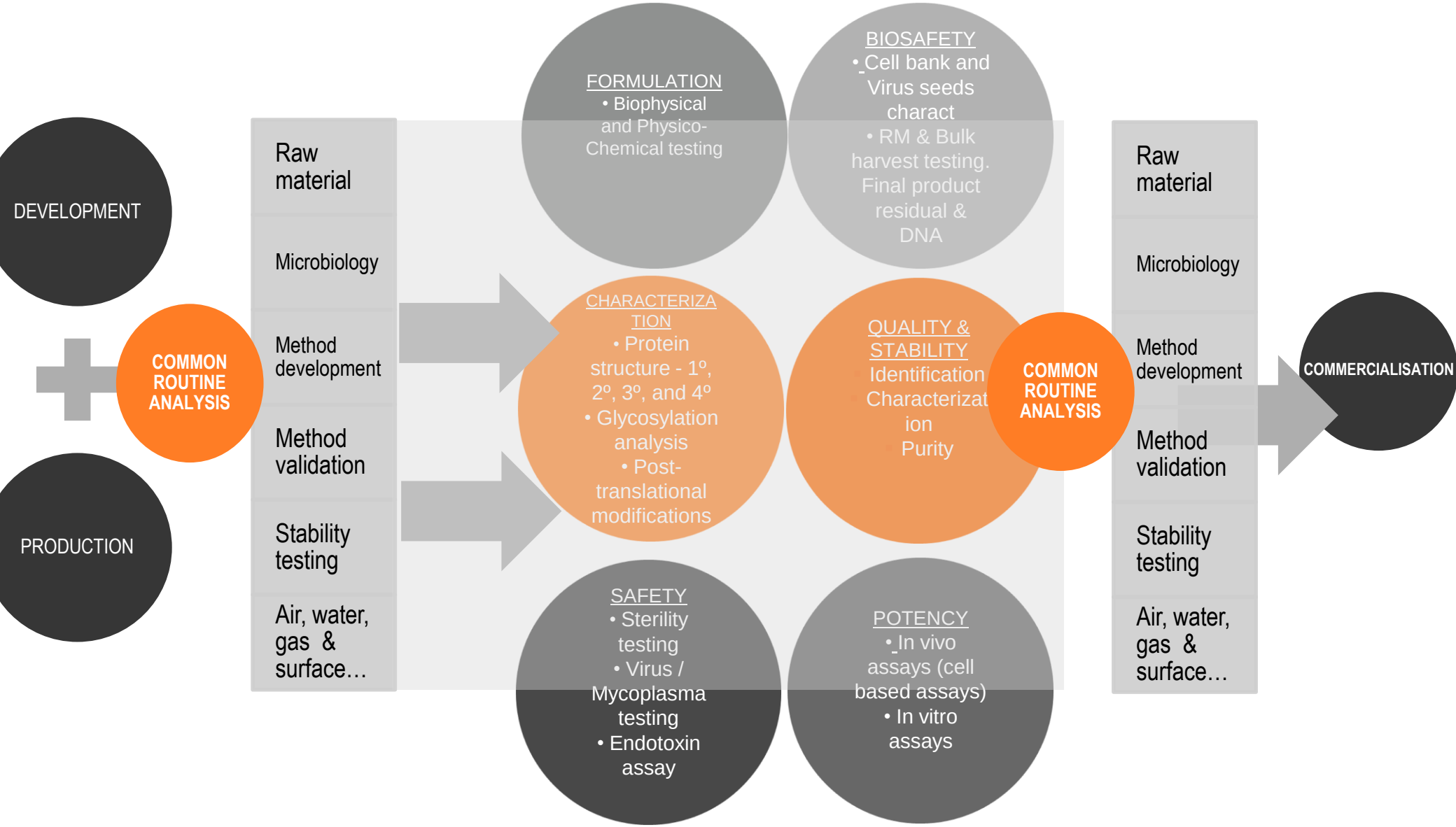
WHAT KIND OF ANALYSIS FOR BIOPHARMACEUTICALS?



CENTERS OF EXCELLENCE

CLIENT INQUIRY → PROJECT & ACCOUNT MANAGEMENT

	NORTH AMERICA	EUROPE & ASIA
BIOSAFETY VIRUS TESTING		UK - Glasgow
BIOSAFETY SEROLOGY		BE - Wavre
CELL-BASED ASSAY	CA - Mississauga	FR - Poitiers
IMMUNOGENICITY BIOMARKERS		FR - Poitiers
BIOLOGICS CHARACTERIZATION	US - West Chester, PA	UK - Wokingham
PRE/FORMULATION	US - Lincolnshire, IL	UK - Wokingham
EXTRACTABLES & LEACHABLES	US - Fairfield, NJ US - West Chester, PA	DE - Taunusstein UK - Wokingham IN - Mumbai
AIR, GAS & WATER ANALYSIS	US - Fairfield, NJ	FR - Clichy DE - Taunusstein IN - Mumbai
STABILITY	US - Fairfield, NJ CA - Mississauga	DE - Berlin BE - Wavre IN - Mumbai CN - Shanghai
REGULATORY AFFAIRS		IT - Livorno
CALIBRATION/QUALIFICATION		IT - Livorno

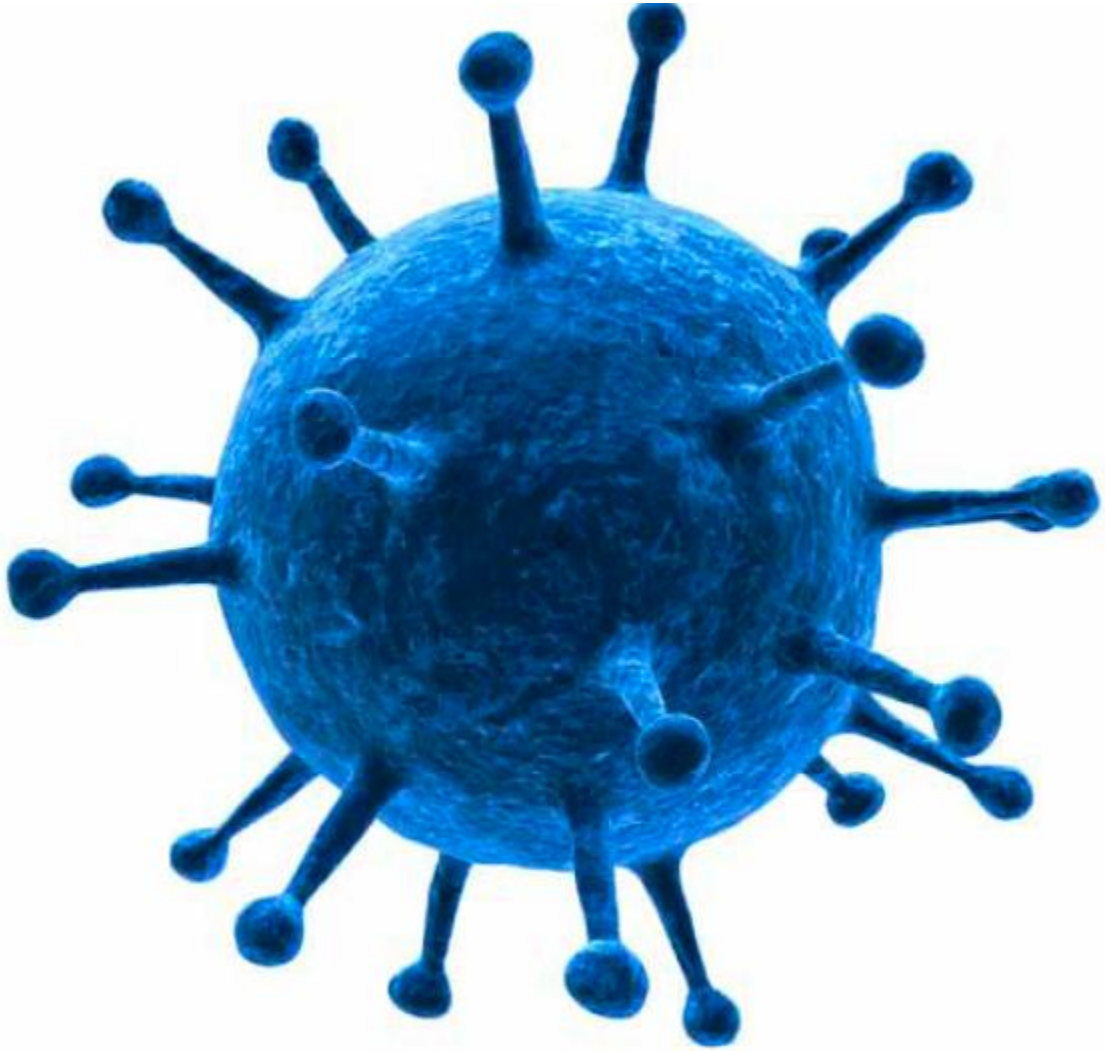
KEY ACCOUNTS SUCCESS STORY

MID-SIZE PHARMA

BIG PHARMA

DESCRIPTION OF THE PROJECT	NATURE OF THE SERVICES	INVESTMENT	MAIN SGS ACHIEVEMENT	SGS KEY SUCCESS FACTOR	PROJECTED REVENUE
Structural analysis of a biosimilar of FSH, requiring the support of the European M-Scan sites	Full scope of characterization services Also requires complementary services: standard and forced degradation stability, validation, extractable and leachable	Local program for formulation & stability	Customer stolen to competition because client was dissatisfied	Expertise, proactivity & capacity to invest quickly	CHF 3.0mio over 2 years
Creation of a fully-dedicated lab opened in January 2012 in Mumbai (IND)	FTE based contract (microbiolgy, stability, chemistry)	new state-of-the art laboratory	Lab is employing 65 FTE now Strenght of LIFE network as preliminary discussion started Jan-2011 in their NJ HQ	Network, proactivity & capacity to invest quickly	CHF 1.0 mio YTD Aug-2013

MAKING THE DIFFERENCE



2014

OUR VISION

To become # 1 in Biologics testing (large molecules)

To remain among the leaders in laboratory analytical services for small molecules

OUR STRATEGY

Reinforce our unique worldwide selling proposition by extending our current network to US, SAM, Asia…

Achieve preferred partner position with Big Pharma-Biotech companies in Biologics testing

High growth development in vaccines and monoclonal antibodies

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INNOVATION TO MAKE THE DIFFERENCE

- Global Reach - Geographic scope expansion with new labs
  - Americas
    - West coast
    - South of America
- Focus on Biologics with
  - New targeted services: pre formulation & stability testing
  - Traditional lab conversion : new bio lab in the US Fairfield lab
- Innovative selling process
  - New Outsourcing Business Models : FTEs
  - Global Key Account Strategy
  - Roll out of new CRM
- Network harmonization throughout Global LIMS & SOP
- Innovative marketing tools projects
  - New centralized analytical database, mobile app
  - Social Media with scientific SGS LSS Ambassadors

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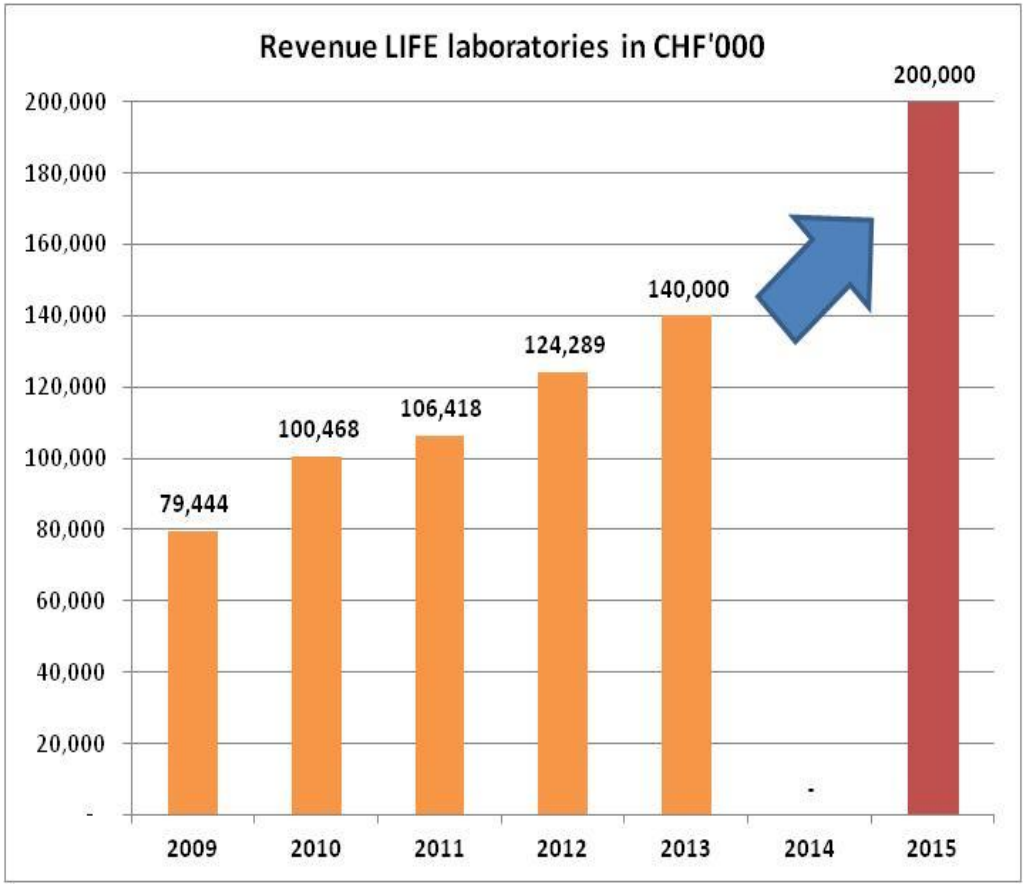
NEXT STEP FOR OUR STRATEGIC GROWTH



- Strenghten our services portfolio in biological testing
  - Acquire or develop missing services (Genomics, viral clearance)
  - Achieve 50% of our laboratory revenue in that arena by 2015
- Fill geographic empty spot in pharmerging markets (Brazil, Korea, Russia)
  - Adapt strategy to local needs & regulations
- Reach critical mass for our laboratory network
  - Exceed CHF 200mio revenue by 2015

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LIFE IS BIO...

...BIOTIFUL!

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2014
FOR THE COMPLETE PICTURE

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