SGS INVESTOR DAYS 24 – 25 OCTOBER 2013 USA

SGS @ NORTH AMERICA

Jeff Mc Donald – COO - North America

Investor Days, 24-25 October 2013

WHEN YOU NEED TO BE SURE

SGS

SGS PRESENCE IN NORTH AMERICAN REGION

- Established in 1918, in New York
- 153 locations and 104 laboratories
- Over 7,815 employees
  - USA 5,200
  - CANADA 1’930
  - MEXICO 480
  - CENTRAL AMERICA 205

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SGS NORTH AMERICA:
104 LABS IN THE REGION /
153 LOCATIONS IN THE REGION

SGS IN NORTH AMERICA COVERS ALL THE BUSINESS LINES

INDUSTRIES

- AGRICULTURE & FOOD
- AUTOMOTIVE
- CHEMICAL
- CONSTRUCTION
- CONSUMER GOODS & RETAIL
- ENERGY
- FINANCE
- INDUSTRIAL MANUFACTURING
- LIFE SCIENCES
- LOGISTICS
- MINING
- OIL & GAS

THEMES

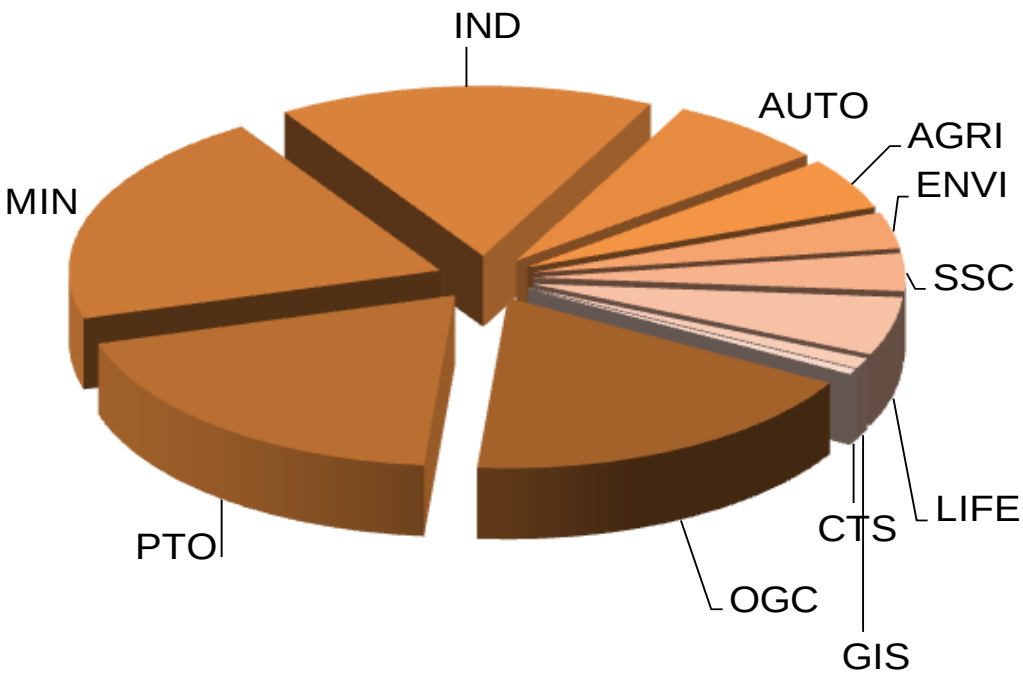
- ENVIRONMENT
- HEALTH & SAFETY
- RISK MANAGEMENT
- SUSTAINABILITY
- TRADE
- TRAINING COURSES AND SEMINARS

SERVICES BY TYPE

If you know the exact service you need

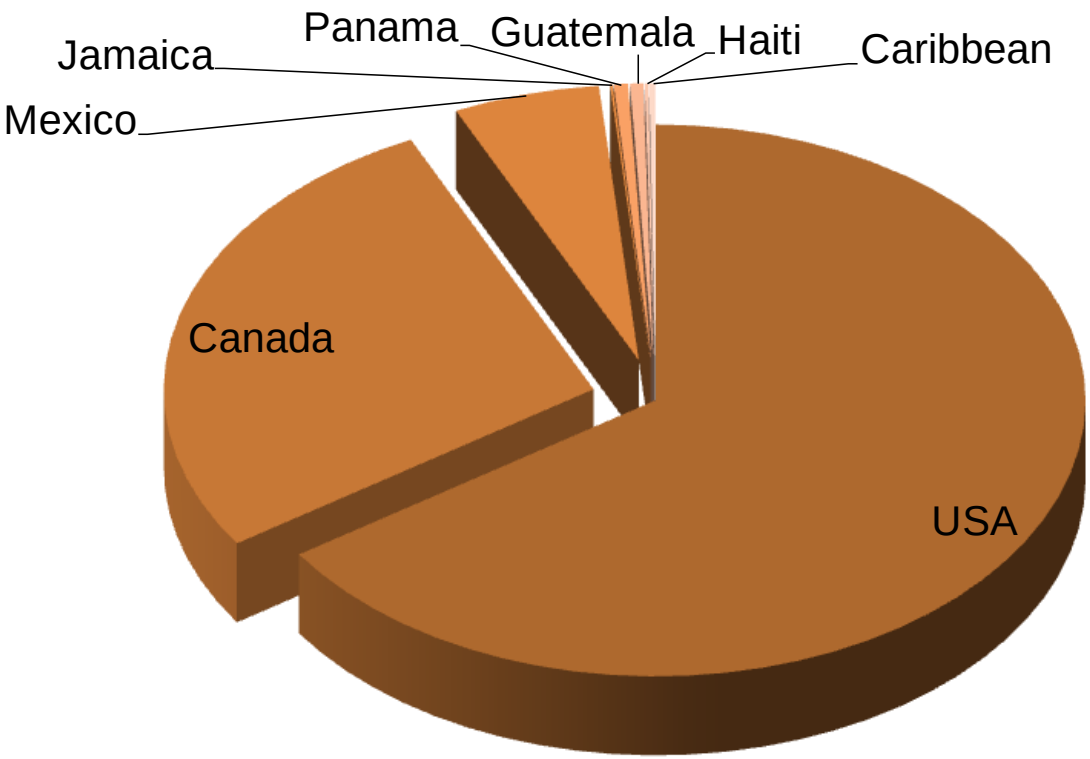
- AUDIT
- CERTIFICATION
- CONSULTANCY
- INSPECTION
- OUTSOURCING
- TESTING
- TRAINING
- VERIFICATION

REVENUE BY BUSINESS LINE - 2013



- Largest OGC and Minerals operations within SGS
- Balanced portfolio
- Continual Investment in key growth segments
- Significant upside in many business lines and geographies
- Several SGS Center of Excellence including world leading services and technologies:
  - OGC
  - Agricultural
  - Minerals

REVENUE BY COUNTRY



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NORTH AMERICA MARKET WHERE WE OPERATE

- Macro economic climate and likely changes to 2015
  - US:
    - GDP growth expected to be 2% for 2013, rising to 2.7% and 3% in 2014 and 2015, respectively
    - Inflation to remain quite low in 2013 at 1.2% before reaching 1.8% in 2014 and 2% in 2015
    - Unemployment projected to be 7.3% in 2013 and decreasing to 7% in 2014 and 6.6% in 2015
    - Short term interest rates to remain very low before climbing to 1% in 2015
  - Canada:
    - Expected GDP growth of approximately 1.8% in 2013 with growth to 2.7% in 2014 and 2015
    - Inflation around 1.4% in 2013 and then hovering around 2% the next 2 years
    - Unemployment of 7.5% in 2013 to slowly decline to 7.1% the next 2 years
  - Mexico
    - GDP growth of only 1.78% in 2013 but climbing to 3.74% in 2014 and 4.07% in 2015
    - Inflation expected in the range of 3.5% to 3.8% through 2015
    - Unemployment rate expected to be approximately 5.1% in 2013 and decrease to 4.8% in 2014 but increase to 5.2% in 2015

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SGS NORTH AMERICA STRENGTHS

- Dominant player and solid reputation with blue-chip customers in the Oil, Gas, Chemical and Minerals segments.
- Unmatched geographic coverage with the largest network of offices and labs in the region across the business lines to meet customers needs.
- Ability to provide broad range of services (including new and innovative) to meet client demands in specific segments / geographies: i.e. Off-shore / Upstream Oil & Gas, Food, Medical Device.
- Flexibility and ability to respond to changing market landscape and customer needs and develop new services to meet client needs.
- Recognized technical excellence in many diverse fields
- Internal resources focussed on efficiencies through ongoing 'Lean based initiatives' in labs and operations.
- Total focus on safety with a solid record of safety performance which is constantly improving.

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EVOLUTION OF SGS IN NORTH AMERICA

- Key Challenges
  - High cost labor environment
  - Movement of manufacturing and production off-shore to lower cost regions leading an evolution of industry and supply chains to new technologies and new areas.
  - Evolution of the energy market in the USA
  - Geographic expanse
- SGS Evolution
  - Continual development and transition into higher end technology services offerings
  - Moved to become a direct solution provider and an integral part of our client business
  - Providing timely data and information to allow our clients optimize their decisions, operations and supply chains
  - Focus on delivering specific service up and down business manufacturing and supply chains to meet client needs

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INDUSTRIAL SERVICES

The face of pipeline integrity

A network of materials testing laboratories

Best in class provider of integrity solutions for midstream assets

ENGINEERING AND DESIGN → FABRICATION AND ASSEMBLY → IN SERVICE → FAILURE AND/OR DECOMMISSIONING

SUPPLY CHAIN, ENGINEERING AND GEOTECHNICAL SERVICES

MATERIALS TESTING

- Finite element analysis
- Failure analysis
- Welding and fabrication

ASSET INTEGRITY SOLUTIONS

- Pipeline
- Upstream assets
- Midstream assets

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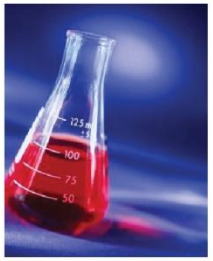
OIL, GAS & CHEMICALS SERVICES

- Shale Crude/Gas
- PVT Testing
- Metering & Calibration
- Portable/Mobile Labs
- Sample Automation
  Mini GOR

- Field Inspection
- Lab Testing
- Sample Management
- Loss Control
- Oil/Chem. Analysis
- Bio Fuel Testing
- Lab Staffing



EXPLORATION → PRODUCTION → TRANSPORTATION → REFINING → USED OIL

MAXIMIZING VALUE THROUGH THE HYDROCARBON CYCLE

- Shale Crude/Gas
- Offshore /Remote (PAL)
- ARQS
- Down Hole Testing
- Drilling Fluid (Mud)

- Rail Car Testing
- Pipeline Movements
- Shale Crude & Gas
- Mobile Laboratories
- Marine Services
- Loss Control
- Blending Data

- SGS Herguth Labs
- Wear Testing
- Failure Analysis
- Physical Properties
- Viscosity
- Element Analysis
- Tribology
- Research

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OIL, GAS & CHEMICALS SERVICES

"PTO" IS THE SGS TERM FOR VARIOUS PRODUCT HANDLING SERVICES AT OIL REFINERIES, CHEMICAL PLANTS, AND TERMINALS.

WHY COMPANIES CHOOSE SGS FOR PTO SERVICES:

- Reduced cost
- Strong safety and environmental track record
- Industry-wide experience and best practices
- Comprehensive training and regulatory compliance
- Reputation for well managed operations and long-term customer relationships

PTO HAS EXPERIENCED SOLID GROWTH SINCE 2010

- Industry continues to favor outsourcing of non-core functions such as PTO
- Shale production has created new opportunities, especially crude-by-rail offloading

OUTLOOK REMAINS POSITIVE, BUT THERE ARE SIGNIFICANT CHALLENGES:

- New players continue to enter the energy transportation and logistics space.
- Greater activity in this space increases opportunity as well as competitive threats

INCREASED COMPETITION FOR QUALITY WORKERS WILL CONTINUE TO DRIVE UP COSTS.

- Crude-by-rail will remain a viable transportation choice, but is likely to taper:
  - New pipelines continue to come online
  - Lower crude spreads (WTI v. Brent) favor pipeline and ship option
  - Increased regulatory scrutiny of crude-by-rail may dampen interest

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GROWTH OPPORTUNITIES

- Shale Gas / Oil Boom
- Changes in Crude Oil Supply to USA
- Aging Oil / Gas pipeline infrastructure in USA
- Infrastructure Investments in USA
- Food Testing
- Growth in Manufacturing: i.e. Automotive
- Outsourcing Opportunities
  - Refinery outsourcing of non-core businesses
  - Pharmaceutical companies increasing outsourcing laboratory testing
- Geographical Expansion: West Coast, Central America
- $50.0 bio to be spent on infrastructure repair in Mexico

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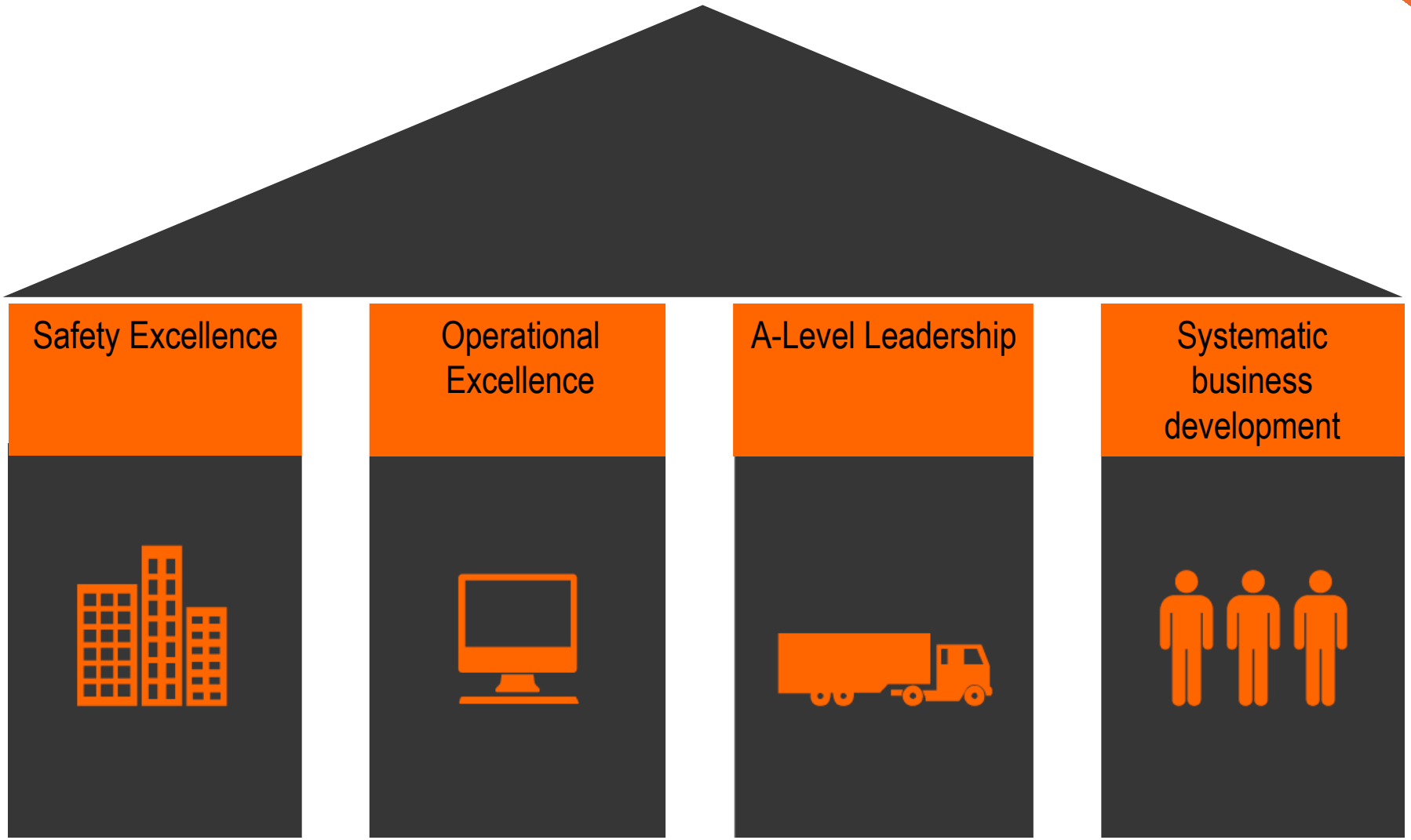
THE “4 PILLARS” TO OUR SUCCESS….



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USA

2014
FOR THE COMPLETE PICTURE

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