



Annual General Meeting **Geneva – 13 March, 2014**

Speech by Mr. Chris Kirk, Chief Executive Officer

Ladies and Gentlemen, Dear Shareholders, good afternoon,

I am very pleased to report solid results for SGS despite it being another difficult year for the economies around the world.

In this very challenging environment, whilst continuing to grow the business and improve our margin, we concentrated our efforts on improving Operational Excellence, our health and safety processes as well as improving the well-being of our employees.

Across the SGS Group we ensured the complete integration of several new acquisitions, bringing immediate benefits and new opportunities for our customers. Well defined, proven integration procedures helped us bring the additional resources and expertise of new acquisitions rapidly into the SGS network.

Our results would not have been possible without the dedication of the Operations Council, all of whom are here today, and the passion and innovative spirit of our 80'000 employees around the world.

I would like to thank all of them and express my gratitude to the Board of Directors without whose guidance and constant support these solid results would not have been possible.

FINANCIAL HIGHLIGHTS

Your Group achieved revenue growth of 6.5 % to 5.8 billion Swiss Francs, a new record, with Consumer Testing Services becoming our second business to exceed the one billion threshold in revenues.

Despite the difficult environment we achieved organic revenue growth of 4.4%, with Governments and Institutions Services, Automotive Services and Consumer Testing Services all achieving double digit growth.

Acquisitions accounted for additional growth of 2.1%, made up of 29 transactions on a rolling 12 month basis, of which 12 were completed this year.

Our adjusted Operating Income increased by 6.9% with an Operating Margin of 16.8%, marginally higher than prior year despite significantly weaker results in our Minerals Services and slow market conditions in Europe.

These weaknesses drove us to take further restructuring measures to right-size the organisation, resulting in one-off expenses of CHF 23 million net of tax.

Net profit including these restructuring costs amounted to 600 million Swiss francs, up 12.6% at constant currency which helped to generate our excellent free cash flow of CHF 591 million, an increase of 43.4%.

We added more than 1'500 new colleagues through organic growth and 1'200 through acquisitions, ending up the year with 80'000 employees.

Agri delivered good growth with double digit expansion in our Seed and Crop Services. We also introduced Ware Care fumigation services and Gravena field trials, both of which did very well throughout the year.

Minerals, as you know, is facing a cyclical downturn. Thanks to our broad geographical footprint and the acquisitions of E&S Engineering Solutions in the US and Time Mining in South Africa, we reported a decline of only 5.2% in what was a very difficult year.

Oil, Gas & Chemicals again delivered very good growth of 10.3%, with our Upstream Services growing by more than 30%.

We have invested a lot in these new activities and are very pleased to see them both becoming the driver for future expansion as well as for improved margins.

The emergence of shale oil and gas in the US is transforming our Oil Gas and Chemical activities in that country. We have developed a broad suite of services to offer to this new and burgeoning market. They include well integrity, production logging and down-well imaging, services which are also transportable to other countries as they develop unconventional energy sources.

Our Industrial and Environmental services are also benefitting from this boom but more of that in a moment.

Life Science Services significantly improved their performance during the year.

Our laboratories, which now represent over 60% of the business, performed very well, especially in North America.

Whilst the clinical trial business remains under pressure, we were able to grow the entire business by 8.8%, if we exclude the impact of the Paris clinic, and we significantly improved the margin to 13.2%.

Consumer Testing Services (CTS) had a truly fantastic year.

With double digit growth CTS became our second business to exceed CHF 1 billion in annual turnover.

All segments performed very well, particularly our Electrical & Electronics activities.

Our newest investments performed remarkably well, with automotive parts testing growing in excess of 50%, following capacity expansion in China and India.

Systems & Services Certification reached 4.1% growth, as weak market conditions in Europe and Japan partially offset the strong growth achieved in other geographies.

We acquired Hart Aviation, a global leader in aviation safety, based in Melbourne.

Industrial Services delivered growth of 8.3%, of which 6.2% through acquisitions.

The slowdown in Europe impacted our business but in the rest of the world we reached double digit growth.

During the year, we completed six acquisitions focused on achieving a balance between inspection and testing services and driving the growth of our laboratory services.

Labmat in Brazil, MSi in USA, CQA in Australia and the laboratories of MIS Testing in the UK all contributed to increase the Group's presence in the material testing space.

In Brazil, the Group acquired Enger, a leader in project supervision and technical consultancy for infrastructure, building and industrial projects which employs 410 staff.

The growth of our drilling equipment inspection business and pipeline integrity services have allowed us to offer enhanced services to the drilling companies active in the shale oil and gas regions of the USA.

Environmental Services reported negative organic growth mainly driven by the weak European economies but also last year's prolonged winter.

Thanks to our two acquisitions, RUK in Germany and MIS Environment in the UK, we were able to close the year with 3% growth.

Environmental Services is the final beneficiary of the shale oil development in the USA helping our customers to mitigate environmental issues tied to the extraction of the oil.

Together with Oil Gas and Chemicals and Industrial services, the Group is making a series of significant investments to leverage our existing presence and capitalise on the current boom in shale oil and gas.

Automotive Services delivered 11.4% growth, an outstanding performance in all regions, including Western Europe.

During the year we entered into the rapidly expanding Chinese vehicle safety inspection market in Qingdao through the acquisition of Yuanshu, hopefully the first of many such developments.

Governments & Institutions Services had a very good year with growth of 11.1% achieved principally by increasing volumes on all Product Conformity Assessment programmes and I cannot resist reporting the signature of a new full scale telecoms monitoring programme with the Government of Tanzania.

SO WHERE ARE WE TODAY?

Together with the Board, we conducted a strategic review of our portfolio of businesses and services.

The conclusion was that the strategic priorities identified in 2010, for the Plan 2014, remain broadly the same.

We will continue to add services along the value chains we serve; We will continue to concentrate our network and We will remain very disciplined.

For the next 3 years, we expect to achieve organic growth of 6 to 9 %, while improving our profitability.

With the commitment and dedication of each employee in 2014, SGS will continue to be the world's leading testing, inspection, certification and verification company.

Ladies and Gentlemen, Dear Shareholders, thank you for your attention and good afternoon.

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