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# SGS GROUP RESULTS 2014

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WHEN YOU NEED TO BE SURE



■ **FINANCIAL HIGHLIGHTS**

2014 Highlights

Revenue Analysis

Operating Income Analysis

Balance Sheet

Cash Flows

Currency Analysis

Second half 2014

Outlook 2015

■ **BUSINESS OVERVIEW**

# FINANCIAL HIGHLIGHTS

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## REVENUE

CHF 5,883  
MIO  
+5.4%<sup>2</sup>

ORGANIC  
+4.0%<sup>2</sup>

## ADJ. OPERATING INCOME AND MARGIN<sup>1</sup>

CHF 947 MIO +2.6%<sup>2</sup>  
AT 16.1% (0.4%) POINTS<sup>2</sup>

## OPERATING INCOME AND MARGIN

CHF 941 MIO UP 9.4%<sup>2</sup>  
AT 16.0% +0.6% POINTS<sup>2</sup>

## NET INCOME

CHF 629 MIO +11.1%<sup>2</sup>

## FREE CASH FLOW

CHF 607 MIO  
+2.7%

## 10 ACQUISITIONS ADDING

CHF 79 MIO<sup>3</sup> IN REVENUE  
CHF 15 MIO<sup>3</sup> IN  
OPERATING INCOME

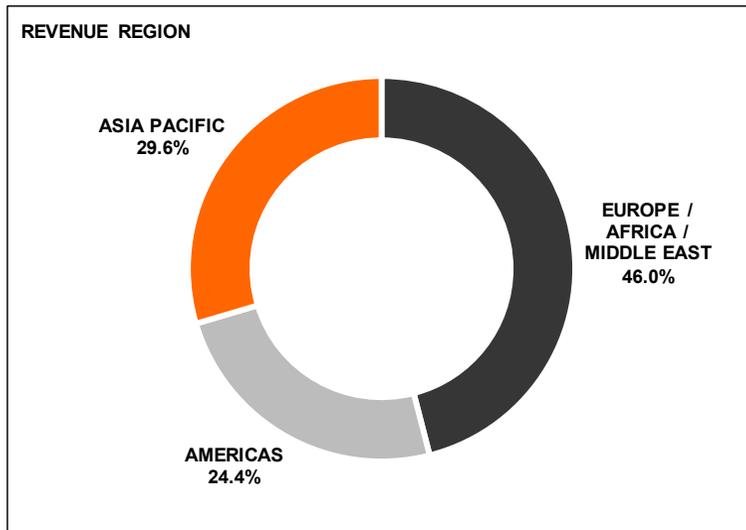
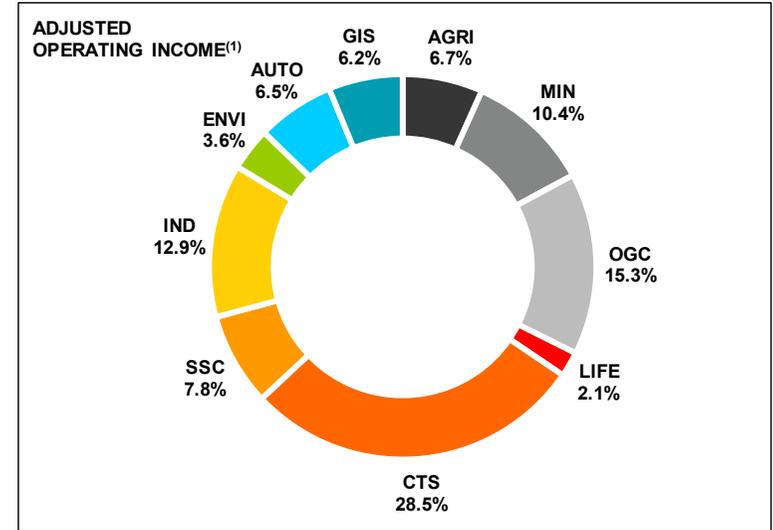
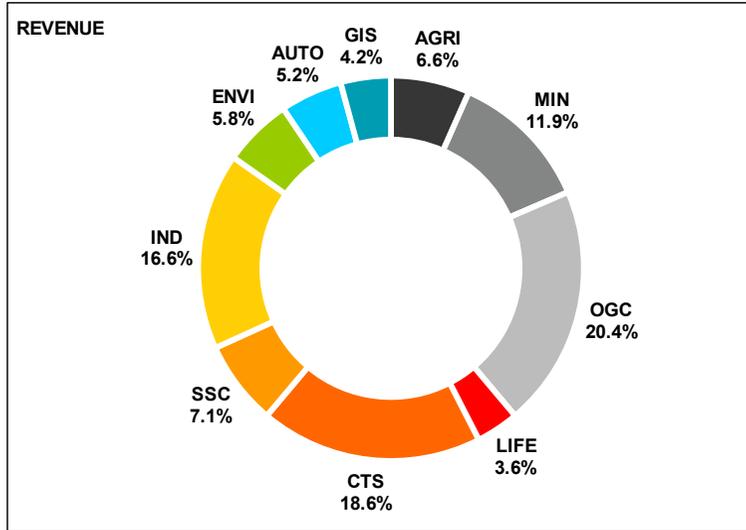
## EPS

CHF 81.99  
+10.9%<sup>2</sup>

**PROPOSED DIVIDEND TO SHAREHOLDERS OF CHF 68 PER SHARE +4.6%**

CHF million	2014 December	2013 December Pro-forma <sup>(2)</sup>	2013 December
<b>Revenue</b>	<b>5,883</b>	5,580	5,830
<i>Change in %</i>		5.4 %	0.9 %
<b>Adjusted Operating Income<sup>(1)</sup></b>	<b>947</b>	923	977
<i>Change in %</i>		2.6 %	(3.0)%
<b>Adjusted Operating Income Margin<sup>(1)</sup></b>	<b>16.1 %</b>	16.5 %	16.8 %
<b>Operating Income (EBIT)</b>	<b>941</b>	860	912
<i>Change in %</i>		9.4 %	3.2 %
<b>Operating Income (EBIT) Margin</b>	<b>16.0 %</b>	15.4 %	15.6 %
<b>Adjusted Net Income<sup>(1)</sup></b>	<b>634</b>	616	652
<i>Change in %</i>		2.9 %	(2.8)%
<b>Net Income</b>	<b>629</b>	566	600
<i>Change in %</i>		11.1 %	4.8 %
<b>Basic EPS (CHF)</b>	<b>81.99</b>	73.93	78.43

# SERVICE PORTFOLIO

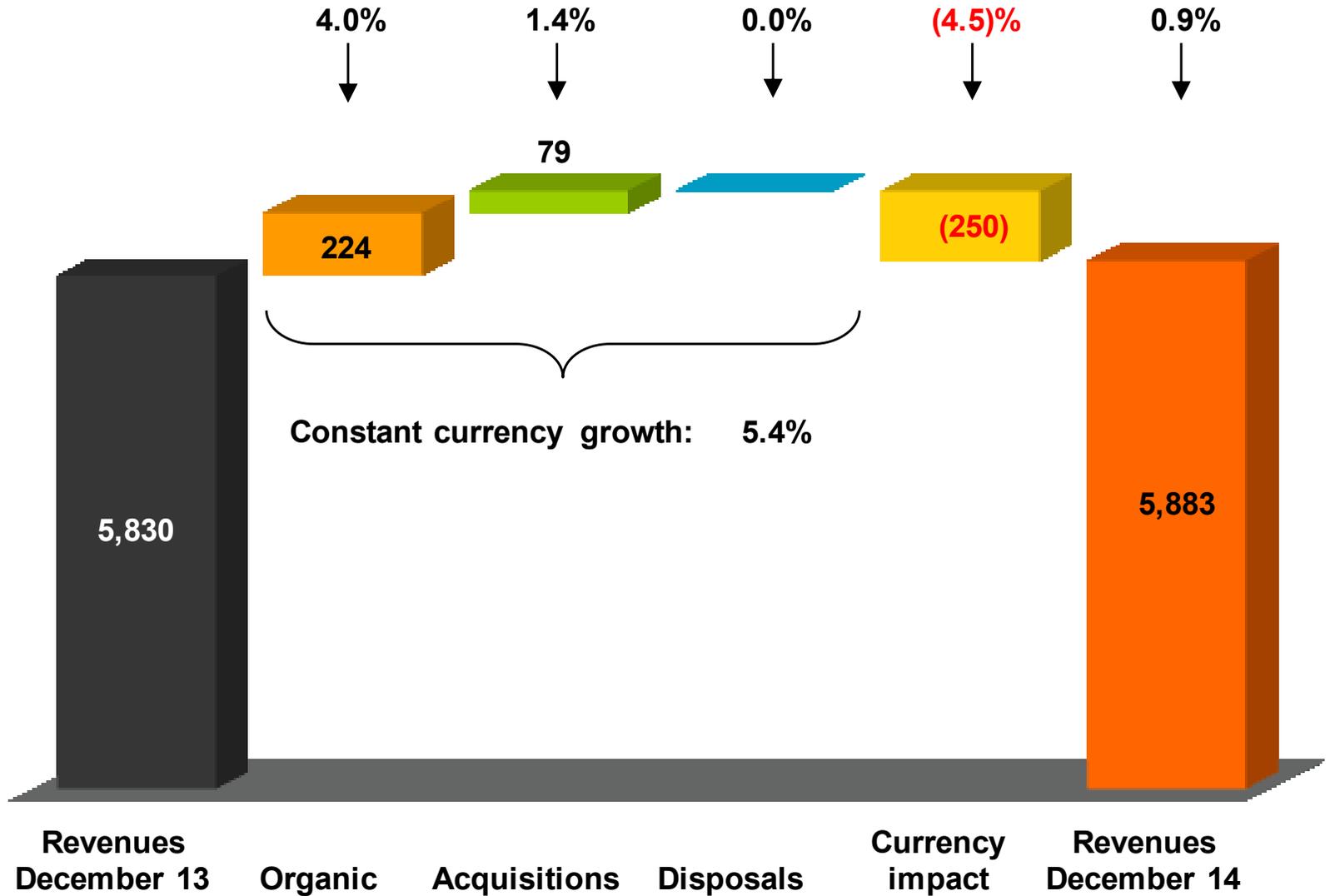


# REVENUE ANALYSIS

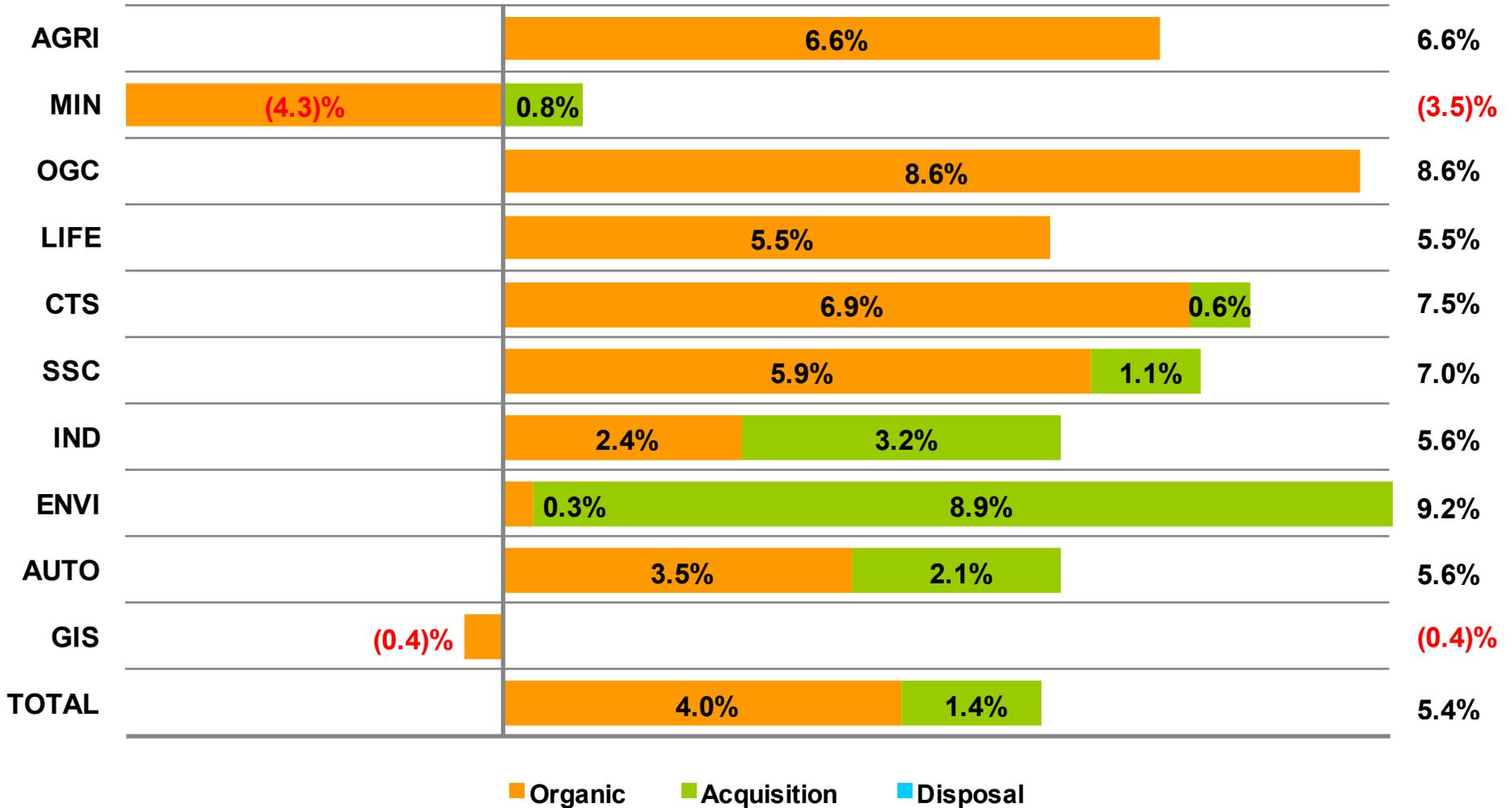
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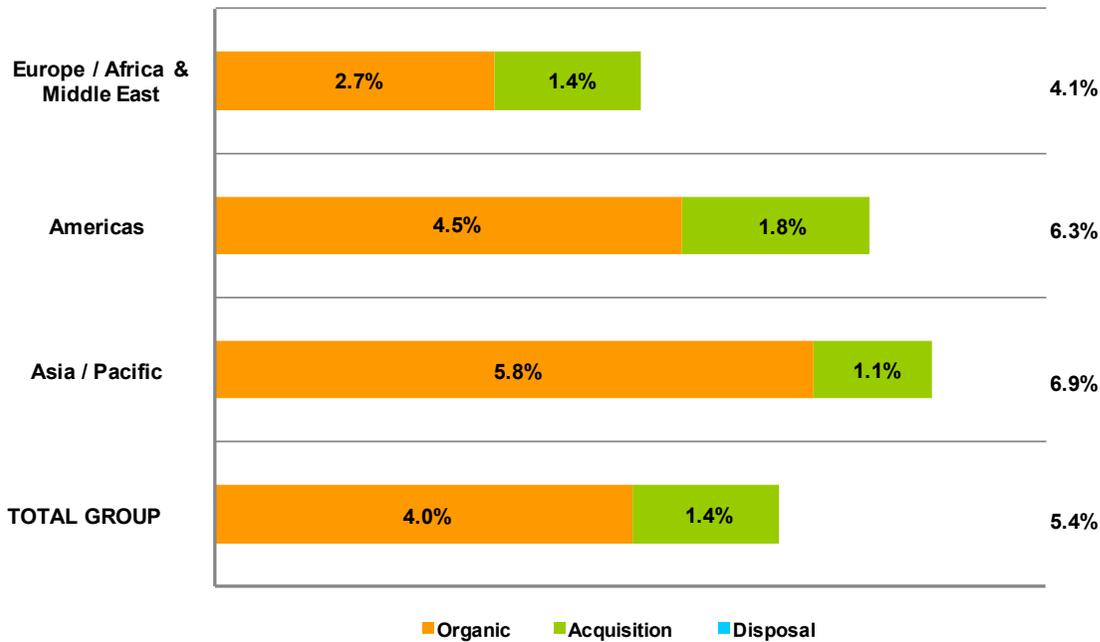
# REVENUE GROWTH COMPOSITION



# LOCAL CURRENCY GROWTH BY BUSINESS



# REVENUE GROWTH AND HEADCOUNT CHANGE BY REGION



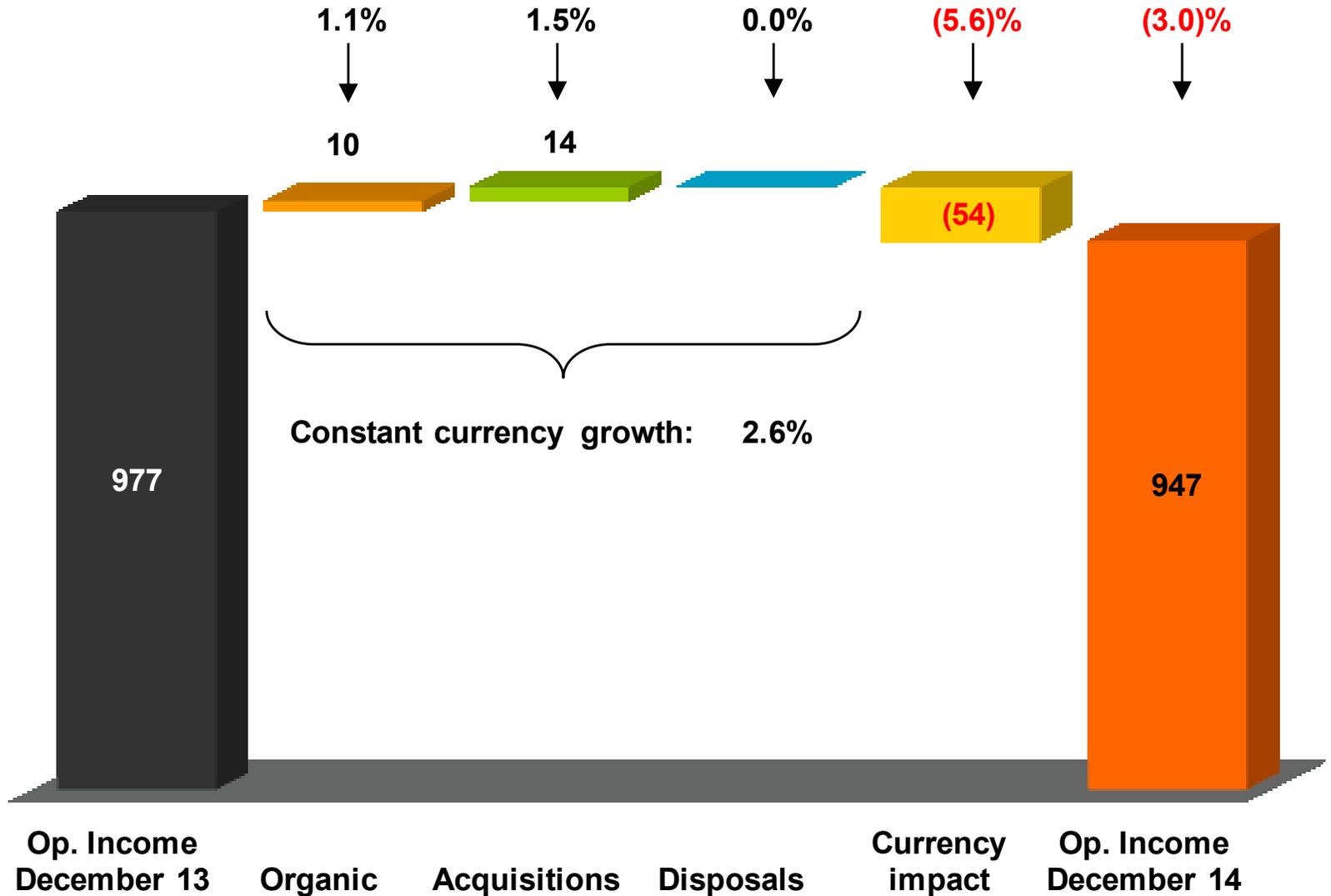
Δ in EOP headcount	2014 December	2013 December	Δ
<b>Group Headcount</b>	<b>84,246</b>	<b>81,948</b>	<b>2,298</b>
Organic Business Growth			1,718
Acquisitions			580
Disposals			-
<b>Increase in Group Headcount</b>			<b>2,298</b>
By Region	Headcount Δ	Headcount Δ%	Revenues Δ%
Europe / Africa / Middle East	1,509	4.6 %	4.1 %
Americas	(189)	(1.0)%	6.3 %
Asia / Pacific	977	3.2 %	6.9 %
<b>TOTAL</b>	<b>2,298</b>	<b>2.8%</b>	<b>5.4%</b>

# OPERATING INCOME ANALYSIS

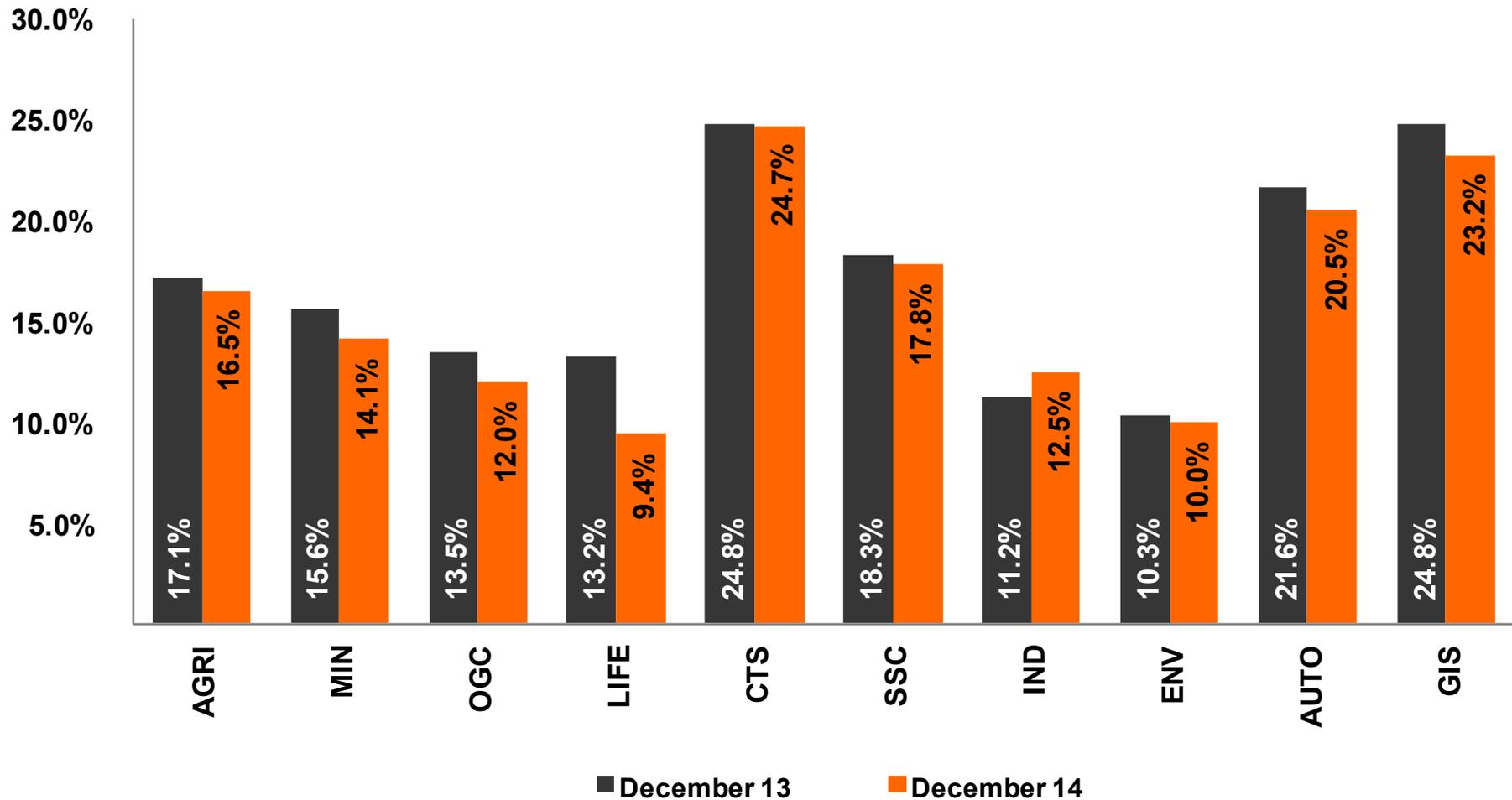
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# ADJUSTED OPERATING INCOME<sup>(1)</sup> GROWTH



# ADJUSTED OPERATING MARGIN<sup>(1)</sup> BY BUSINESS





# CONSOLIDATED BALANCE SHEET

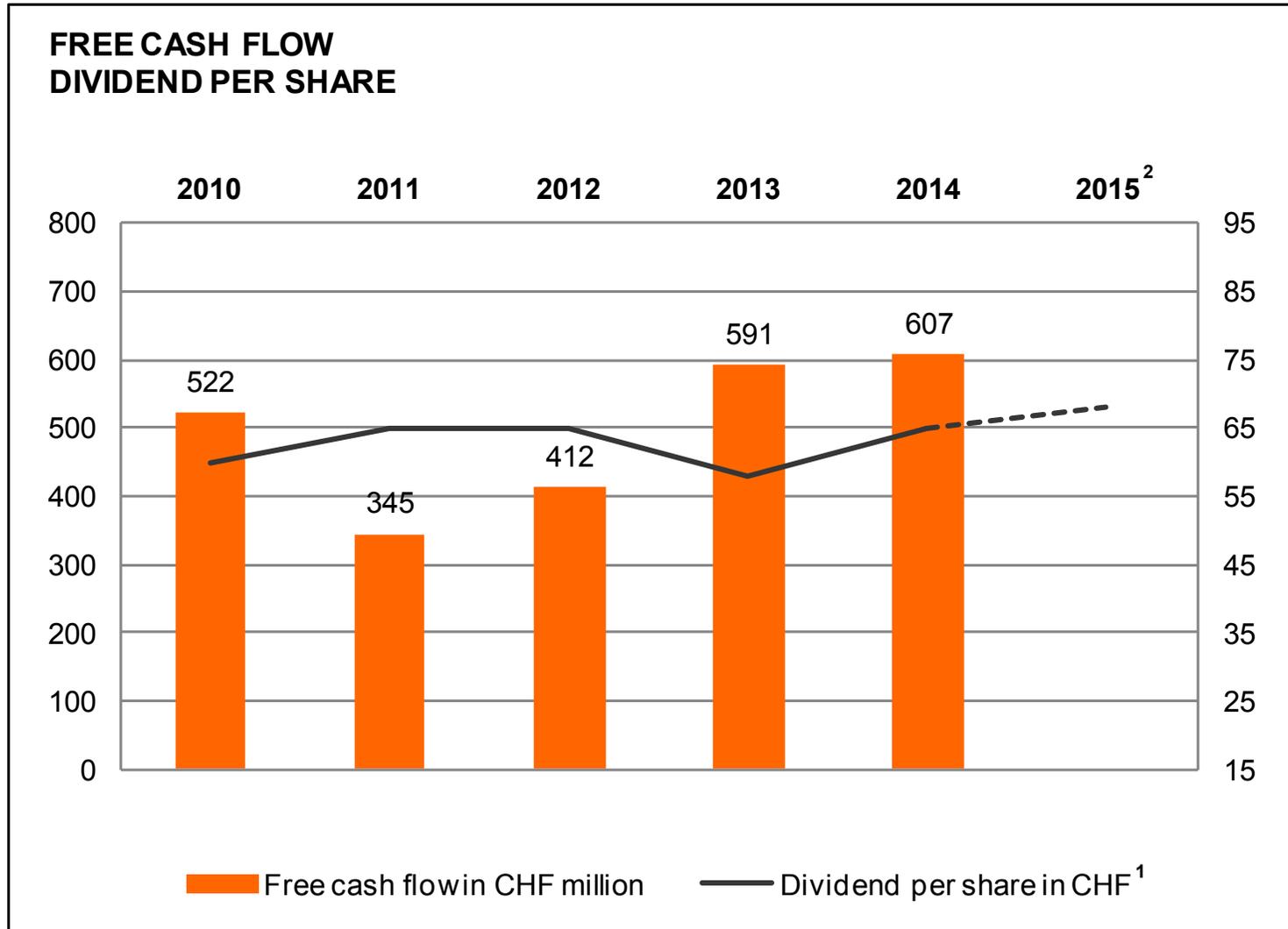
CHF million

Assets	Dec 14	Dec 13	Shareholders' equity and Liabilities	Dec 14	Dec 13
Land, buildings and equipment	1,043	1,029	Share capital	8	8
Goodwill	1,105	1,009	Reserves	2,319	2,135
Intangible assets	232	207	<b>Shareholders' equity</b>	<b>2,327</b>	<b>2,143</b>
Other Long-term assets	268	233	<b>Non-controlling interests</b>	<b>76</b>	<b>69</b>
<b>Non-current assets</b>	<b>2,648</b>	<b>2,478</b>	Long-term loans	1,672	1,293
			Provisions and other liabilities	347	256
			<b>Non-current liabilities</b>	<b>2,019</b>	<b>1,549</b>
Unbilled revenues and inventories	330	330	Accounts payable	511	502
Trade accounts and notes receivable	1,068	952	Other creditors and accruals	816	761
Other receivables and prepayments	371	306	Loans	18	15
Marketable securities	9	9	<b>Current liabilities</b>	<b>1,345</b>	<b>1,278</b>
Cash and cash equivalents	1,341	964	<b>Liabilities</b>	<b>3,364</b>	<b>2,827</b>
<b>Current assets</b>	<b>3,119</b>	<b>2,561</b>			
<b>Total</b>	<b>5,767</b>	<b>5,039</b>	<b>Total</b>	<b>5,767</b>	<b>5,039</b>

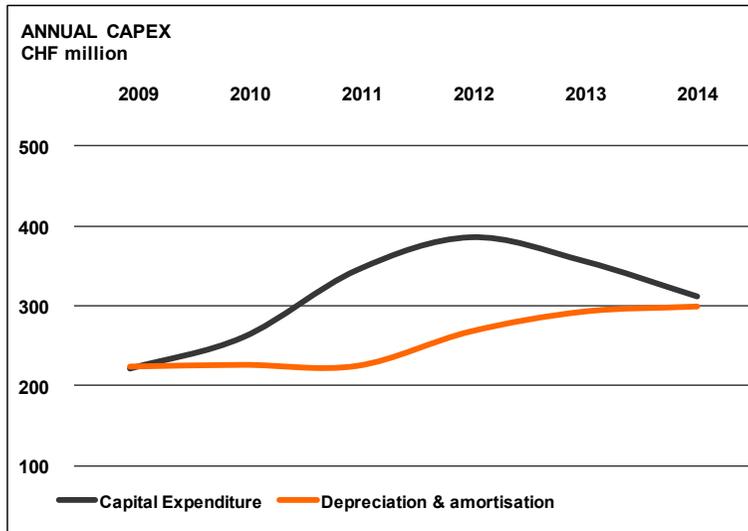
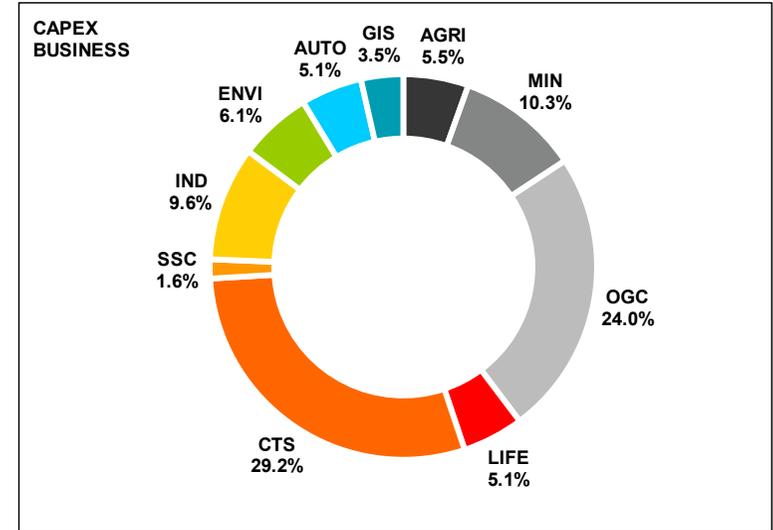
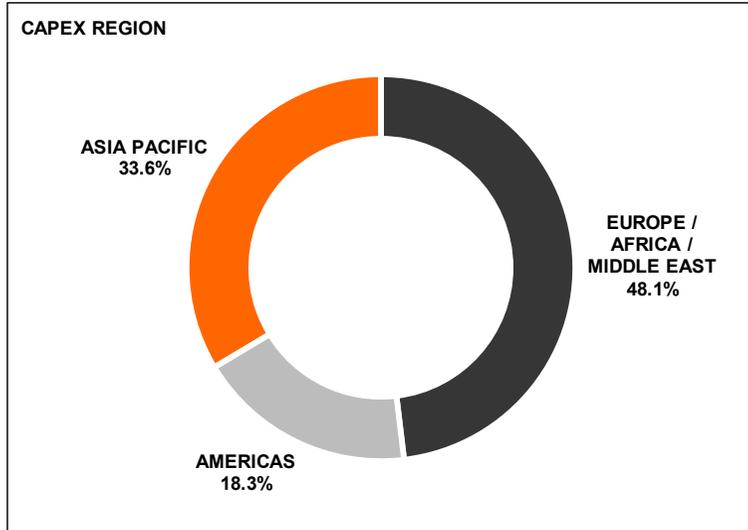
# CASH FLOW

CHF million	Dec 14	Dec 13
<b>PROFIT FOR THE PERIOD</b>	<b>666</b>	<b>638</b>
<i>Depreciation, amortisation and impairment</i>	304	298
<i>Share based payments</i>	10	5
<i>Tax</i>	234	235
<i>Other</i>	11	14
Non-cash items	559	552
(Increase)/decrease in working capital	(109)	(29)
Taxes paid	(204)	(213)
<b>OPERATING CASH FLOW</b>	<b>912</b>	<b>948</b>
Purchase of land, building, equipment and other assets	(305)	(357)
Sales of land, building, equipment and other intang. assets	13	24
Acquisition of businesses	(114)	(108)
Other from investing activities	6	16
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(400)</b>	<b>(425)</b>
Dividend paid to equity holders of SGS SA	(499)	(444)
Dividend paid to non-controlling interests	(24)	(27)
Transactions with non-controlling interests	1	-
Net cash received/(paid) on treasury shares	31	4
Interest paid	(43)	(46)
Net flows on interest rate swaps	2	2
Increase/(decrease) in borrowings	364	(5)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(168)</b>	<b>(516)</b>
Currency translations	33	(13)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>377</b>	<b>(6)</b>

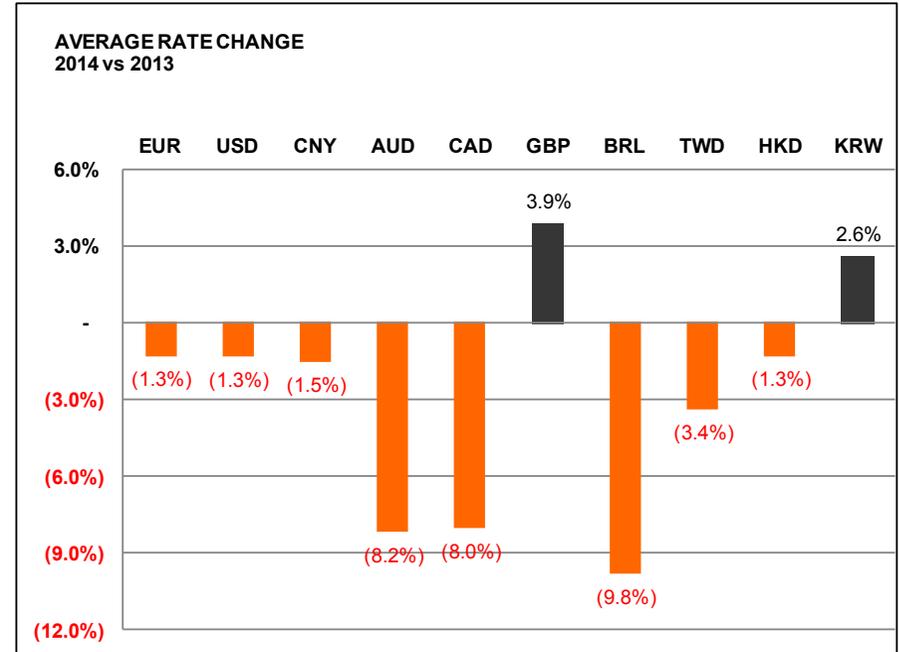
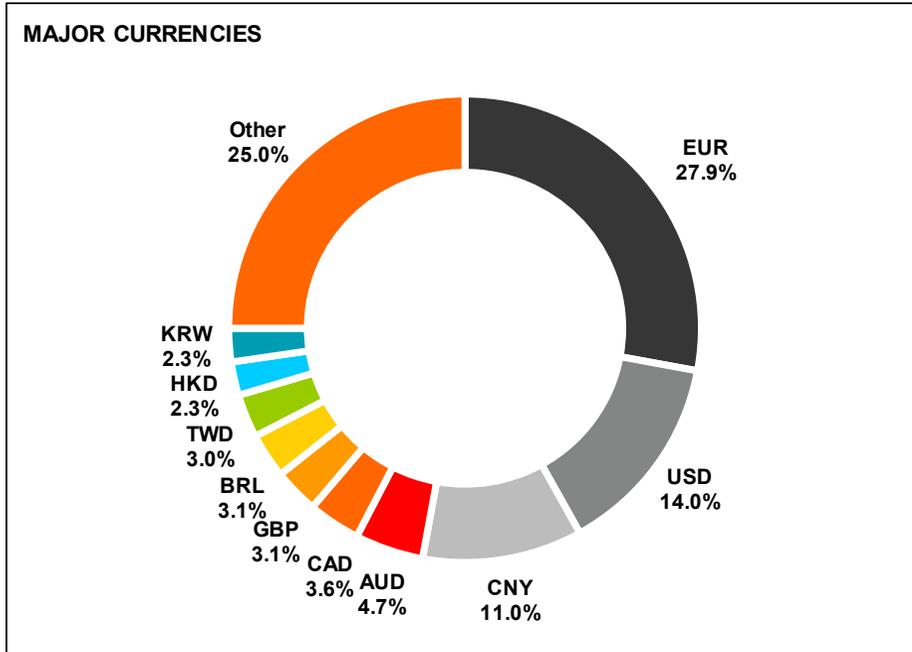
# SHAREHOLDERS RETURN



# CAPITAL EXPENDITURE



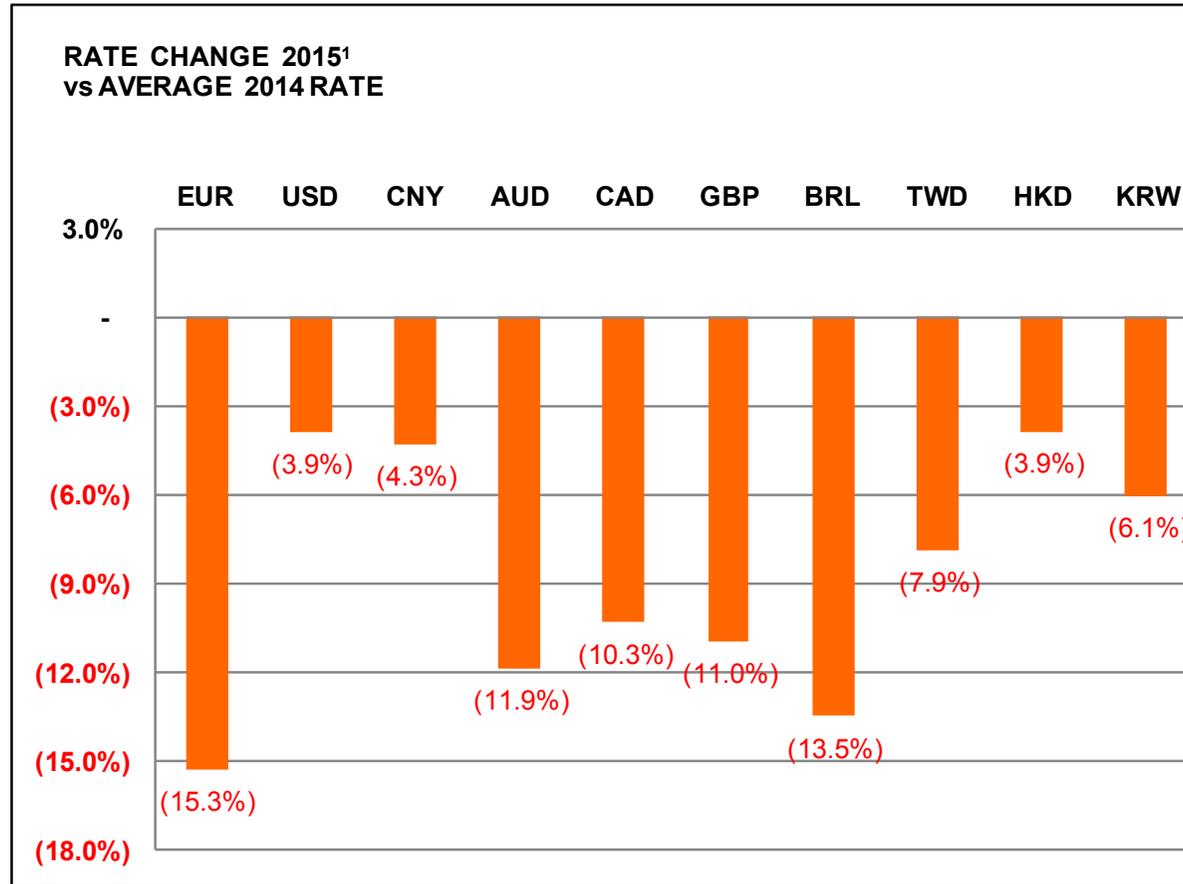
# FOREIGN CURRENCY REVENUES DECEMBER 2014



	EUR	USD	CNY	AUD	CAD	GBP	BRL	TWD	HKD	KRW
<b>2014</b>	<b>1.2147</b>	<b>0.9148</b>	<b>0.1485</b>	<b>0.8249</b>	<b>0.8286</b>	<b>1.5069</b>	<b>0.3896</b>	<b>0.0302</b>	<b>0.1180</b>	<b>0.0009</b>
<b>2013</b>	<b>1.2309</b>	<b>0.9272</b>	<b>0.1508</b>	<b>0.8985</b>	<b>0.9009</b>	<b>1.4501</b>	<b>0.4320</b>	<b>0.0312</b>	<b>0.1195</b>	<b>0.0008</b>
<b>Change</b>	<b>(1.3)%</b>	<b>(1.3)%</b>	<b>(1.5)%</b>	<b>(8.2)%</b>	<b>(8.0)%</b>	<b>3.9 %</b>	<b>(9.8)%</b>	<b>(3.4)%</b>	<b>(1.3)%</b>	<b>2.6 %</b>

# FOREIGN CURRENCY MOVEMENT

## 15 JANUARY 2015 VERSUS AVERAGE 2014 RATE



	EUR	USD	CNY	AUD	CAD	GBP	BRL	TWD	HKD	KRW
2015 <sup>1</sup>	1.0289	0.8791	0.1421	0.7270	0.7429	1.3416	0.3370	0.0278	0.1134	0.0008
2014	1.2147	0.9148	0.1485	0.8249	0.8286	1.5069	0.3896	0.0302	0.1180	0.0009
Change	(15.3)%	(3.9)%	(4.3)%	(11.9)%	(10.3)%	(11.0)%	(13.5)%	(7.9)%	(3.9)%	(6.1)%

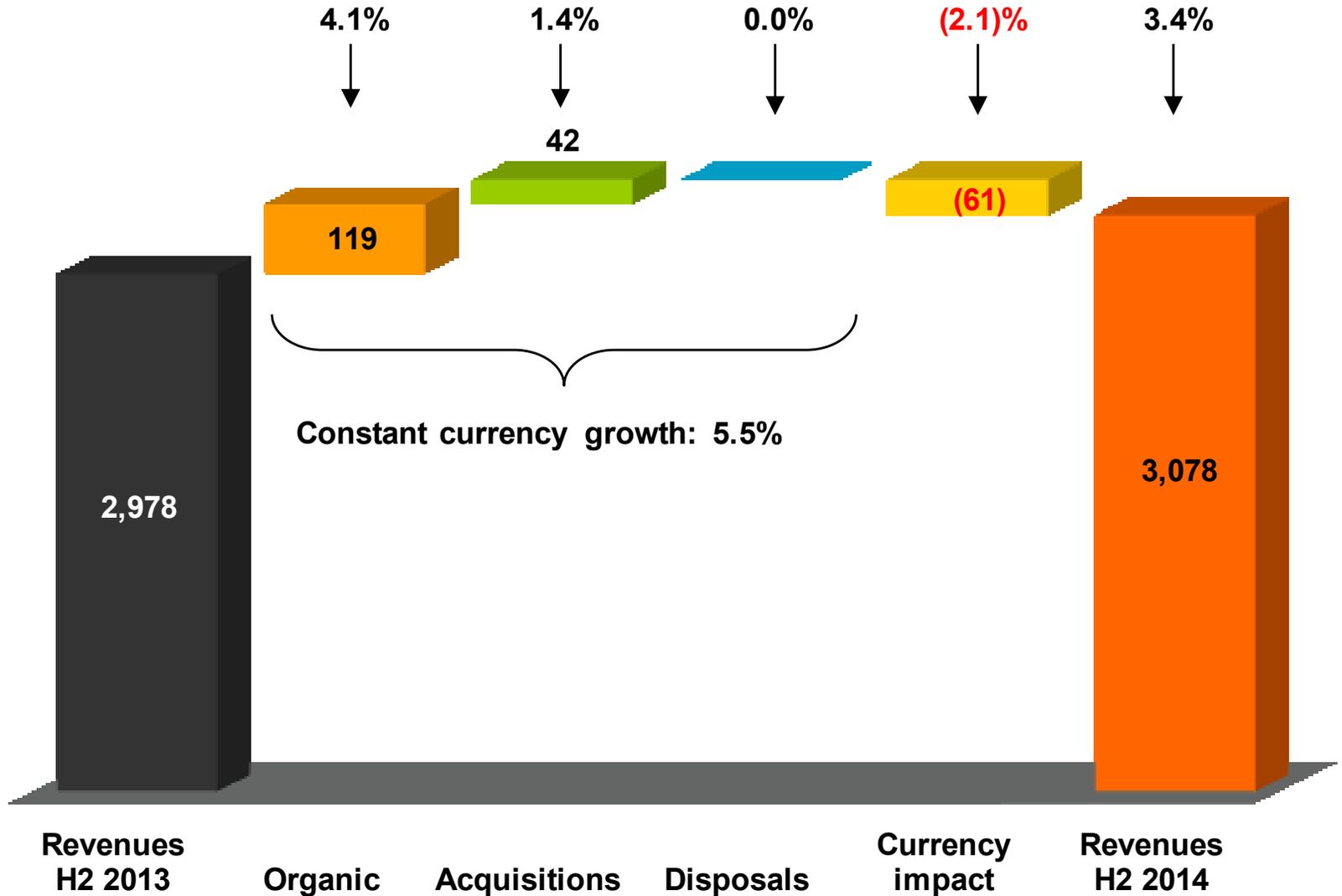
**SECOND HALF 2014**

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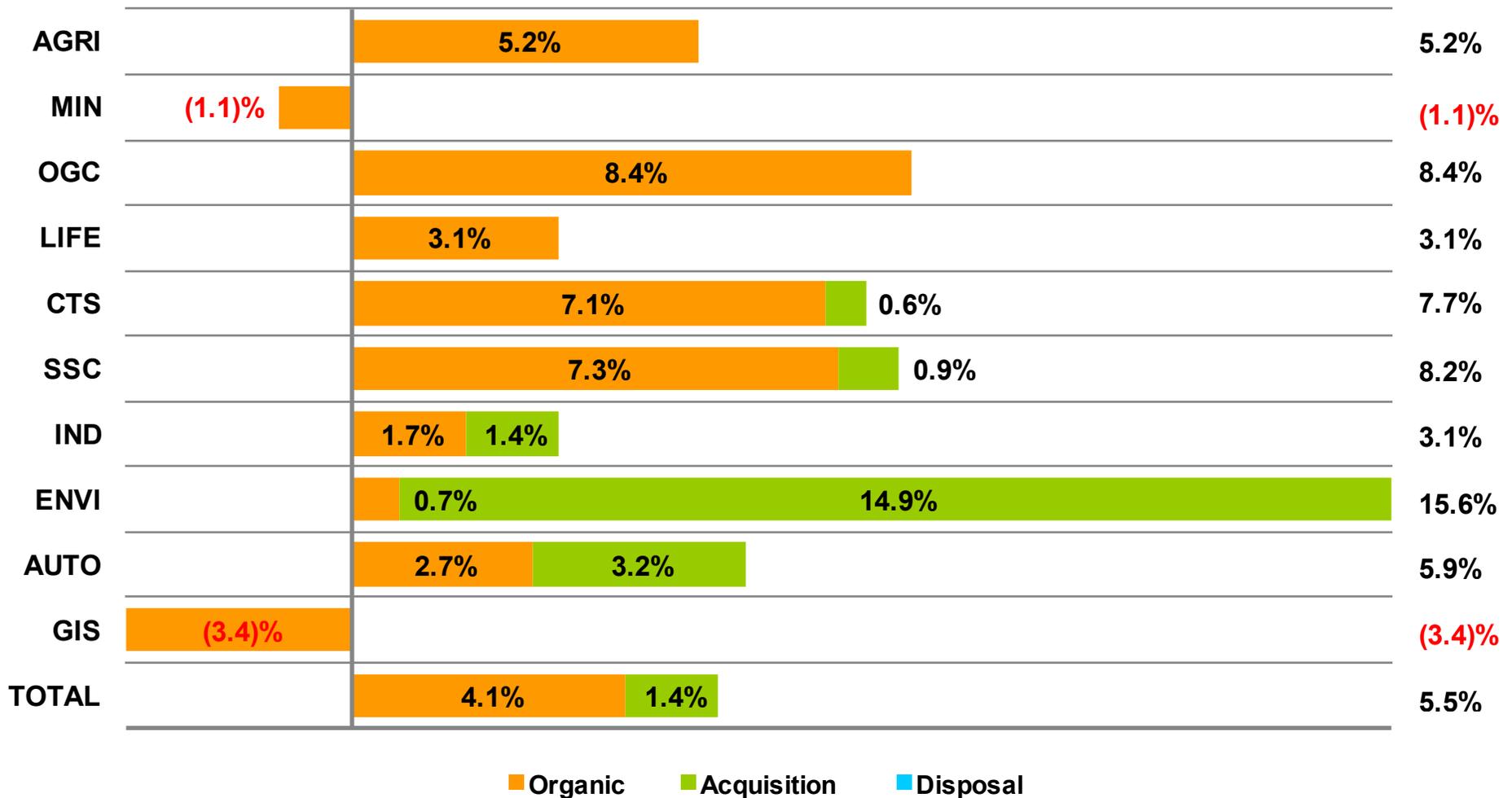


CHF million	2014 H2	2013 H2 Pro-forma <sup>(2)</sup>	2013 H2
<b>Revenue</b>	<b>3,078</b>	2,917	2,978
<i>Change in %</i>		5.5 %	3.4 %
<b>Adjusted Operating Income<sup>(1)</sup></b>	<b>527</b>	523	539
<i>Change in %</i>		0.8 %	(2.2)%
<b>Adjusted Operating Income Margin<sup>(1)</sup></b>	<b>17.1 %</b>	17.9 %	18.1 %
<b>Operating Income (EBIT)</b>	<b>544</b>	486	501
<i>Change in %</i>		11.9 %	8.6 %
<b>Adjusted Net Income<sup>(1)</sup></b>	<b>359</b>	355	365
<i>Change in %</i>		1.1 %	(1.6)%
<b>Net income</b>	<b>374</b>	326	335
<i>Change in %</i>		14.7 %	11.6 %

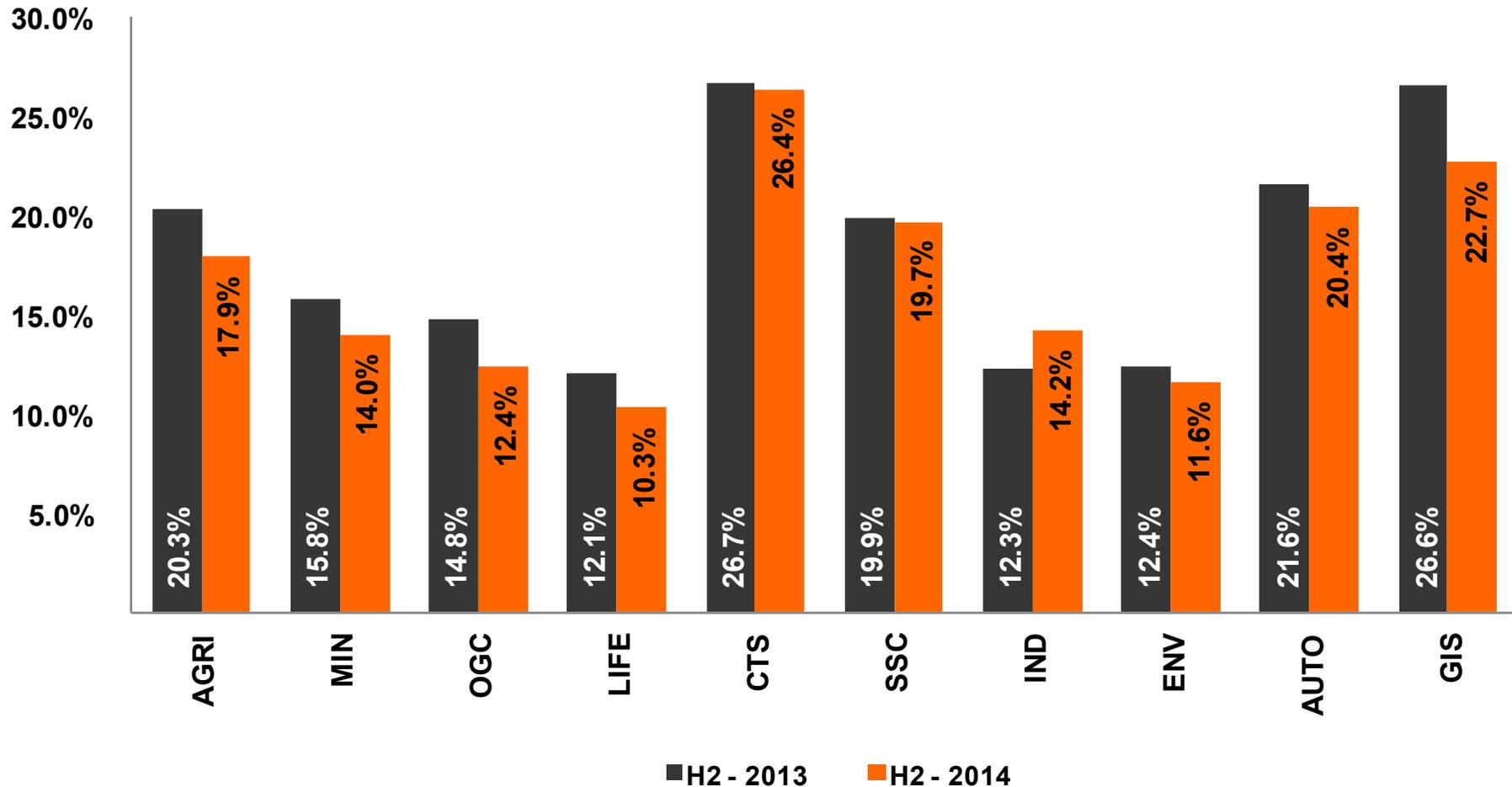
# REVENUE GROWTH COMPOSITION



# LOCAL CURRENCY GROWTH BY BUSINESS (H2)



# ADJUSTED OPERATING MARGIN<sup>(1)</sup> BY BUSINESS (H2)



# OUTLOOK



- Continue strategy of profitable growth
- Excluding the potential negative impact of continuing low pricing levels for oil and of reduced fisheries activities in Latin America, the Group intends to grow its top line between 4% to 6% on a constant currency basis. Margins are expected to hold at 2014 levels.

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# BUSINESS OVERVIEW

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CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>387.1</b>	363.3	381.3
Change in %		6.6	1.5
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>63.8</b>	61.8	65.3
Change in %		3.2	(2.3)
<b>Margin %<sup>1</sup></b>	<b>16.5</b>	17.0	17.1

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



## Overview 2014

- Organic growth of 6.6% supported by increased trade volumes
- Achieved double-digit growth in Europe mainly due to further expansion of our Seed & Crop activities
- Good momentum in Fumigation and Laboratory activities due to increased volume and lab capacities
- Temporary fishing ban in Peru negatively impacted results in H2
- Temporary suspension of several collateral management activities following a portfolio review

## Outlook

- Seasonal market forecasts show a slight decline in global grain exports
- Wheat export restriction in Russia for H1
- Fishing ban in Peru remains in place through Q1/15
- Expansion of our Seed & Crop Services
- Continued expansion of agricultural supply chain and farm-related audits
- Investments in new services, i.e. drone services, to gain further traction in 2015

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>702.7</b>	728.5	791.9
Change in %		(3.5)	(11.3)
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>98.8</b>	112.3	123.4
Change in %		(12.0)	(19.9)
<b>Margin %<sup>1</sup></b>	<b>14.1</b>	15.4	15.6

### Overview 2014

- H2 continued to be challenging as clients curtailed upstream spending and operational capex
- Revenue and Adjusted Operating income down 3.5% and 12.0% respectively versus prior year
- Continued growth in Outsourced laboratories 5% and Trade inspections 2% versus prior year
- Performance in Eastern Europe and Asia was strong based on their trade and onsite portfolio

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



### Outlook

- Market expected to remain difficult until commodity prices stabilise
- Continued pricing pressure for core testing services
- 3 new onsite laboratories expected in 2015
- Focus on productivity, efficiency and cost control
- Continued focus on in-plant contracts

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>1'201.0</b>	1'105.6	1'139.9
Change in %		8.6	5.4
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>144.5</b>	146.8	154.0
Change in %		(1.6)	(6.2)
<b>Margin %<sup>1</sup></b>	<b>12.0</b>	13.3	13.5

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



## Overview 2014

- Laboratory Outsourcing outstanding growth with projects in Spain, UK, India and USA
- Strong growth in Plant and Terminal Operations, specifically driven by new contracts in 'crude-by-rail' segment in NAM, and Oil Condition Monitoring driven by geographical footprint expansion
- Upstream Services delivered good growth in H1, but slowed down in H2 impacted by oil price uncertainty driving project delays and cost reductions
- Trade Related remained with modest growth, impacted by poor European refining, and lack of volatility in trading markets

## Outlook

- Trade Related segment may show better activity levels and volume due to the higher price volatility
- Upstream Services to focus more on Production segment as Exploration and Drilling segments may experience significant slow down due to low oil price
- Plant and Terminal Operations, Laboratory Outsourcing, as well as other service segments to deliver moderate growth as these segments are in indirect relationship with oil price

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>212.7</b>	201.7	205.0
Change in %		5.5	3.8
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>19.9</b>	26.4	27.1
Change in %		(24.6)	(26.6)
<b>Margin %<sup>1</sup></b>	<b>9.4</b>	13.1	13.2

### Overview 2014

- Good performance in Clinical Research despite strong competition in early phase
- Laboratory services deliver strong results in key geographies following slow start to the year
- Continued high growth in India and China
- Margins negatively impacted by general pricing pressures in Clinical Research and project delays in Biologics

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



### Outlook

- Laboratory growth and margin continue to improve due to strategic investments and global key account management activities
- Clinical Research to deliver profitable growth in a very competitive environment
- Operational excellence initiatives and quality focus to remain key priorities driving margin improvement and business growth

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>1'093.1</b>	1'016.7	1'041.9
Change in %		7.5	4.9
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>269.7</b>	251.8	258.3
Change in %		7.1	4.4
<b>Margin %<sup>1</sup></b>	<b>24.7</b>	24.8	24.8

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



## Overview 2014

- Solid overall growth
- High double digit growth in E&E activities mainly wireless / telecom and in automotive parts testing
- Relatively soft growth in the retail sector as customers experienced unsettled markets
- Toys testing volumes marginally contracted as a result of a flat toys market
- Food testing activity continued to perform strongly driven by Asian and European domestic market
- Completed three acquisitions to expand our E&E global footprint and new CPCH business segment

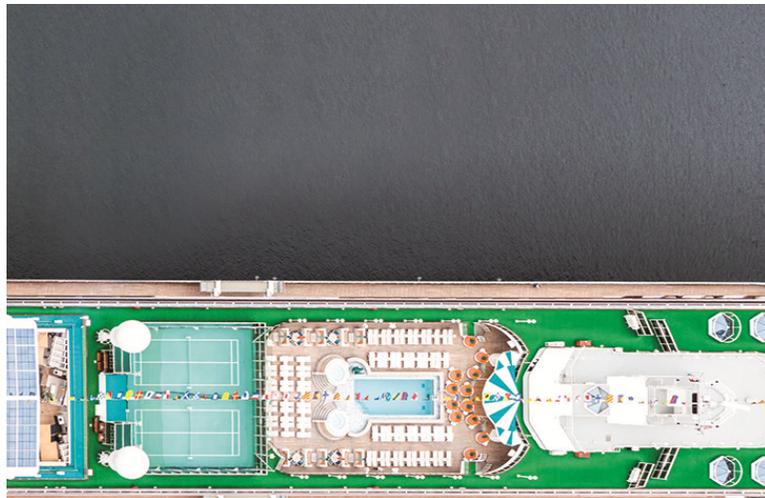
## Outlook

- Continued growth in E&E and Auto related activities expected
- Targeting new geographical growth in Softlines with new customer groups
- Continue to invest in new services such as footwear and CPCH testing activity across Asia
- Organic growth and expansion of business in South East Asia as we align with supply chain demand and sourcing patterns

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>414.6</b>	387.3	401.6
Change in %		7.0	3.2
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>73.9</b>	70.2	73.3
Change in %		5.3	0.8
<b>Margin %<sup>1</sup></b>	<b>17.8</b>	18.1	18.3

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



## Overview 2014

- Overall performance negatively impacted by Europe where business conditions remain difficult but compensated by strong double digit growth in Eastern Europe, Middle East, Africa and Asia Pacific regions
- Performance Assessment and training both showing double digit growth
- Successful roll out of Oracle based Learning management System
- The first phase of centralisation of back-office in Europe has been implemented successfully

## Outlook

- Market conditions expected to remain unchanged.
- Transition year with introduction of new ISO 9000: 2015 standard
- Growth in food is further strengthened thanks to introduction of new added value services in areas such as allergens and food security
- Large contracts gained during 2014. The Automotive and Hospitality industries will bring additional growth

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>977.0</b>	925.6	960.3
Change in %		5.6	1.7
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>122.6</b>	102.7	107.3
Change in %		19.4	14.3
<b>Margin %<sup>1</sup></b>	<b>12.5</b>	11.1	11.2

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



## Overview 2014

- Organic revenue growth of 2.4% impacted by continued soft market conditions in Europe and revenue streams terminated as part of the 2013 restructuring
- Double-digit organic growth achieved outside Europe, especially in South America and Asia
- Good growth in the USA partly offset by delays and cancellations of projects in Mexico and Canada
- Margin improvement as a result of geography and portfolio evolution and restructuring
- Acquisitions concluded in 2013 all performed in line with expectations and now fully integrated

## Outlook

- Continuous review of the geography and portfolio mix to optimize margin
- Situation in Europe expected to remain difficult with moderate growth potentials in a few countries
- Current volatility of the Oil & Gas sector might impact growth especially in the Upstream segment

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>342.4</b>	313.6	328.0
Change in %		9.2	4.4
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>34.3</b>	31.3	33.8
Change in %		9.6	1.5
<b>Margin %<sup>1</sup></b>	<b>10.0</b>	10.0	10.3

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



### Overview 2014

- Overall Europe witnessed strong growth and margin improvement due to favourable market conditions and successful integration of recent acquisitions
- Acceleration of market leadership in South America and fast development of our Ultratrace testing and Industrial Hygiene activities in the US
- In Australia, Canada and most of Africa, environmental compliance services required by the mining sector have decreased
- Decision to withdraw from the CDM carbon market, directly impacting results in India and China

### Outlook

- Europe expected to continue delivering high growth and performance, due to a widely diversified portfolio of services and a mixed customer base
- USA and South America expected to deliver double digit growth with focus on field and testing services
- Best-in-class position in Health & Safety services will drive further global contracts in 2015
- Expected market consolidation and restructuring benefits in Asia-Pacific to regain momentum

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>302.8</b>	286.8	305.1
Change in %		5.6	(0.8)
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>62.0</b>	62.4	65.8
Change in %		(0.6)	(5.8)
<b>Margin %<sup>1</sup></b>	<b>20.5</b>	21.8	21.6

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



### Overview 2014

- Statutory inspection services provided solid results in Europe, Africa, North and South America
- New York statutory program ended in December 2013 impacting organic growth and margin
- In Ecuador (Guayaquil), statutory vehicle inspection operations started on time. Mauritius postponed into 2015
- Commercial inspection volumes remaining stable
- Expanded our vehicle testing capabilities through the acquisition of ATE and CAS in the USA and GMR in Spain

### Outlook

- Overall statutory inspection activities will continue to provide solid results
- Statutory vehicle inspections margin expected to be impacted by the liberalisation in Canary Islands
- Santiago de Chile concession ended December 2014
- Acquisition strategy will focus on enhancing capabilities & footprint for engine & vehicle testing

CHF million	December 2014	December 2013 Pro-forma <sup>2</sup>	December 2013
<b>Revenue</b>	<b>249.5</b>	250.4	274.7
Change in %		(0.4)	(9.2)
<b>Adj. Operating Inc.<sup>(1)</sup></b>	<b>57.9</b>	57.7	68.2
Change in %		0.3	(15.1)
<b>Margin %<sup>1</sup></b>	<b>23.2</b>	23.0	24.8

<sup>(1)</sup> Before amortisation of acquisition intangibles, restructuring, transaction, integration-related costs and other non-recurring items

<sup>(2)</sup> Constant currency basis



## Overview 2014

- Strong performance of TradeNet delivered by our well established operations in Africa
- Solid growth of existing PCA programs despite security concerns in the Kurdistan region. New contracts signed in five African countries
- Successful expansion of TransitNet in Eastern Europe
- Significant contribution of new services such as SGS Layer4 (Telecom) and SGS Omnis (Tracking)
- Discontinued PSI contract (Mauritania, Burundi) in Q1 2014 replaced by PCA (Burundi)
- Forestry: DRC contract ended in Q3 2014

## Outlook

- PCA remains key driver of top line growth with expected new mandates to be signed in 2015
- Valuation services: new contract signed in Benin
- Omnis -Tracking services: further expansion in B2B
- Strong pipeline of new mandates for Scanning services and Layer4 (Telecom monitoring services)
- Identified opportunities for new services such as SGS Renovo (ewaste), Health and Egov

## Awards and Recognitions

- SXI Switzerland Sustainability 25 Index®
- SPI Select Dividend 20 Index

*SMI Indices®*



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**DAYS** 29-30 OCTOBER 2015  
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WHEN YOU NEED TO BE SURE

