

DIRECTION

Frankie Ng, CEO
Carla De Geyseler, CFO

Investor Days
26-27 October 2017



WHEN YOU NEED TO BE SURE

SGS

SGS Business Principles



SGS Market Opportunities and Challenges



SGS Strategic Focus



SGS Performance



SGS Strategic Direction



**SGS
Business
Principles**



**SGS
Market
Opportunities
and
Challenges**



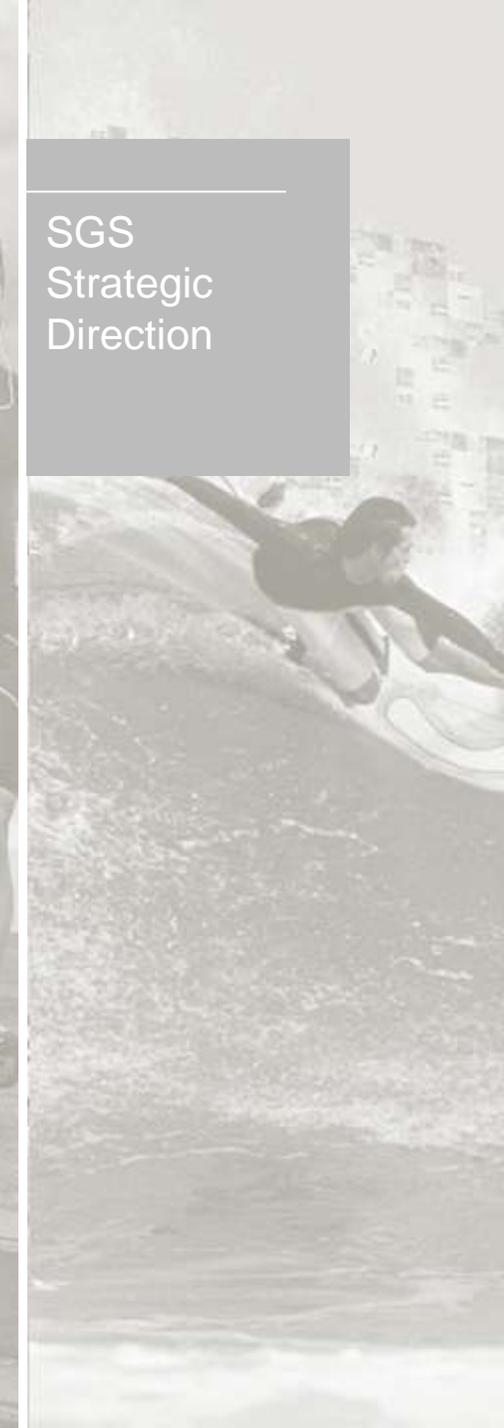
**SGS
Strategic
Focus**



**SGS
Performance**



**SGS
Strategic
Direction**



SGS BUSINESS PRINCIPLES SUCCESS IS...



INTEGRITY

MAKING SURE WE BUILD TRUST



HEALTH AND SAFETY

MAKING SURE WE ESTABLISH
SAFE AND HEALTHY WORKPLACES



QUALITY AND PROFESSIONALISM

MAKING SURE WE ACT AND
COMMUNICATE RESPONSIBLY



RESPECT

MAKING SURE WE TREAT
ALL PEOPLE FAIRLY



SUSTAINABILITY

MAKING SURE WE ADD
LONG-TERM VALUE TO SOCIETY



LEADERSHIP

MAKING SURE WE WORK
TOGETHER AND THINK AHEAD

SGS BUSINESS PRINCIPLES



Sustainability Ambitions

WHEN YOU NEED TO BE SURE



Industry leader in 2014, 2015, 2016, 2017

Dow Jones Sustainability Indexes



Industry member in 2017

FTSE4GOOD Index



Industry leader in 2013, 2014, 2015, 2016

Carbon Disclosure Project



Highest level of sustainability reporting

GRI – G4 Comprehensive



80% of engagement among employees

Sustainability Engagement Index



Leader in other customer/investor ratings





PEOPLE

	2014	2015	2016	2020 TARGET
Maintain a NTO* rate of no more than 10%	12.8%	11.9%	▲ 12.1%	<10%
30% of leadership positions will be held by women	-	25.6%	▲ 26.3%	>30%
Reduce our TRIR by 50%**	1.11	0.65	▼ 0.53	<0.55
Reduce our LTIR by 50%**	0.60	0.38	▼ 0.27	<0.30



ENVIRONMENT

	2014	2015	2016	2020 TARGET
Reduce our annual CO2 emissions (per revenue) by 20%**	39.20	36.02	▼ 31.22	31.36
Reduce our annual CO2 emissions (by FTE) by 20%**	2.57	2.36	▼ 2.08	2.05

* As of 2016, NTO is calculated based on permanent (fix-term and open-ended) contracts

** Against 2014 baseline



COMMUNITY

	2014	2015	2016	2020 TARGET
Increase our investment in communities by 30%* [kCHF]	753	1037	▲ 1177	979



PROFESSIONAL EXCELLENCE

	2014	2015	2016	2020 TARGET
Link Management incentive plan to sustainability			As of 2017	
Deliver measurable sustainable value to society			As of 2017	

* Against 2014 baseline

SGS BUSINESS PRINCIPLES



Management

WHEN YOU NEED TO BE SURE





BUSINESS LINES		FUNCTIONS		REGIONS	
OLIVIER COPPEY Agriculture, Food and Life	FRANCOIS MARTI Industrial	CARLA DE GEYSELER Finance	PAULINE EARL Western Europe	KIMMO FULLER North America	
JEFFREY MCDONALD Certification and Business Enhancement	DERICK GOVENDER Minerals	FRANKIE NG Corporate Development, Communications and Investor Relations (a.i.)	DIRK HELLEMANS North and Central Europe	ALEJANDRO GOMEZ DE LA TORRE South and Central America	
RICHARD SHENTU Consumer and Retail	ALIM SAIDOV Oil, Gas and Chemicals	OLIVIER MERKT Legal & Compliance	TEYMUR ABASOV Eastern Europe and Middle East	HELMUT CHIK North East Asia	
PETER POSSEMIERS Environment, Health and Safety	THOMAS KLUKAS Transportation	FRED HERREN Digital and Innovation	FABRICE EGLOFF Africa	MALCOLM REID South East Asia Pacific	
ROGER KAMGAING Governments and Institutions		JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO Human Resources			



Operations Council changes

- Fabrice Egloff, COO Africa
- Fred Herren, SVP Digital & Innovation
- Jose Maria Hernandez, SVP Human Resources

2 members of the Operations Council left the Group

East Asia merger with China Hong Kong region became North East Asia

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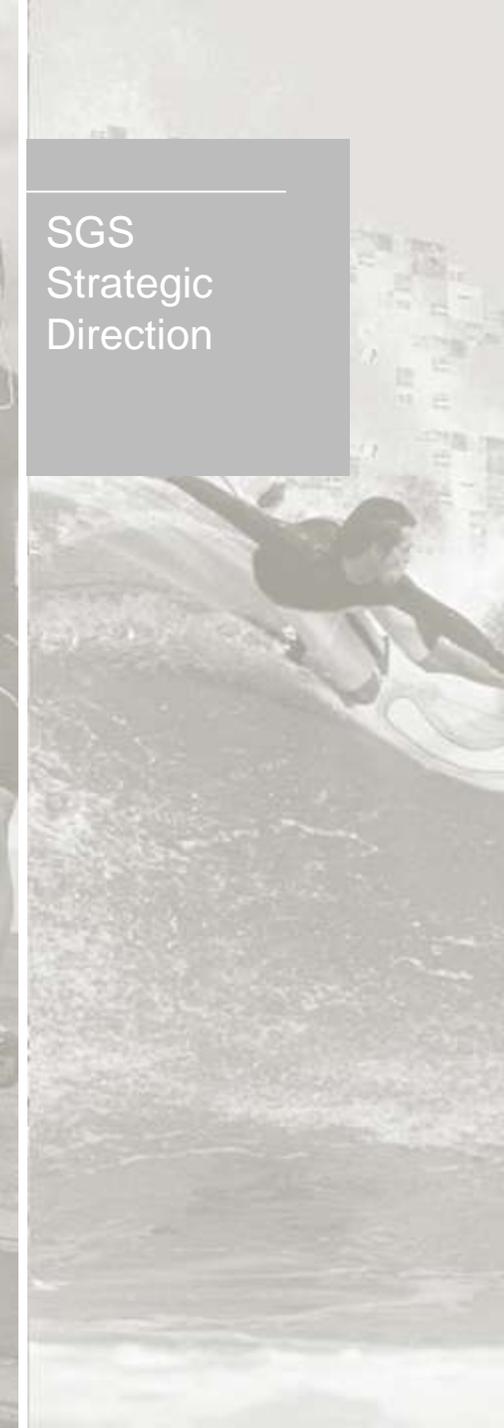
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Positive prospects in the TIC industry



Solid market drivers

- Expanding regulations and stronger enforcement
- Opening of the China domestic market
- Additional connectivity standards
- New food safety standards
- Acceleration of e-Commerce
- Evolving client requirements
- Positive trend in Minerals
- Stabilising Oil, Gas & Chemicals and industrial sectors



Digital evolution creating opportunities, challenges and possible disruption



1

Regulation of digital products & services

New demand is arising as the use and regulation of technology such as robotics, drones, autonomous vehicles and 3D printing increases.



2

Digital value chain of services

Business analytics, automation and online customer interfaces can deliver significant productivity improvements.



3

Customer expectations

Customers are implementing digital strategies and expect the same from their suppliers. Digital tools have the capacity to transform customer-facing journeys in powerful ways.



4

Digital substitution

Technology has the potential to bypass or enhance some physical testing through the use of in-built sensors, virtual reality, artificial intelligence, hand-held devices and software-based 'virtual' testing.



5

Digital reinvents the operating model

Process automation, workflow tools and data analytics can accelerate results generation, providing labs with increased efficiency.

New digital tools and capabilities are transforming the industry and reshaping the client value proposition



New technologies

- Webcrawling
- Crowdsourcing
- Data analytics
- Artificial Intelligence
- Blockchain

Regulatory evolution

- Data privacy
- Cybersecurity
- Radio Frequencies

E-Commerce

- Online platform
- B2C

Compliance

- Connectivity & interoperability
- Certification

Productivity

- Automation
- Remote inspection
- Sensors

Limitless



Digital will disrupt
TIC business
over time, with
likely areas being

- Testing methods and/or equipment challenging the need for laboratories
- Crowd-sourcing of inspectors and auditors with agile IT systems
- New inspection tools put in the hands of the client
- New applications, software and online e-Commerce services closing the online Trust Gaps
- Shortening of the supply chain

VISION OF DIGITAL IMPACT ON TIC MARKET

Short to mid term

New opportunities

- New digital regulations
- Visibility in new sectors
- Nascent B2C attempts

Uncertain time to market

- Market education
- Technology maturity
- Regulators

Disruption of TIC model limited

Cannibalisation of revenue limited

Mid to long term

Expansion of opportunities

- Increasing regulatory requirements
- Reaching new industries & consumers
- Online Trust Gaps

Market reaching maturity

- Adoption of proven technologies

Delivery model to be adapted

- Trust and independence
- Technology to modify delivery
- Data capture to data interpretation

Revenue substitution taking place

New opportunities to outweigh challenges with TIC sector expanding. Readiness is key.

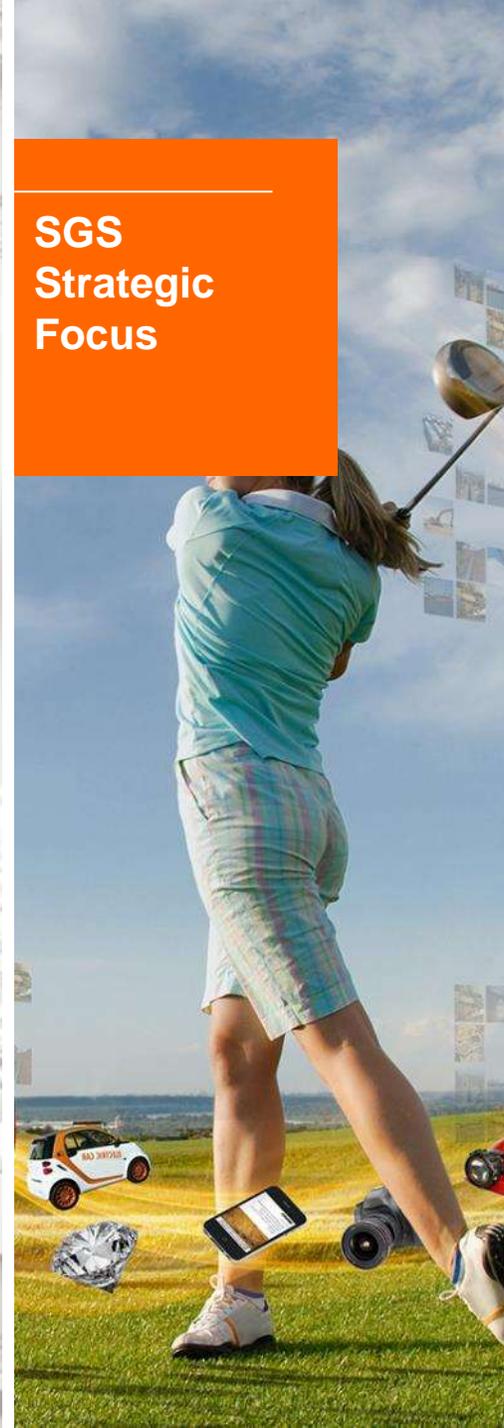
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Client satisfaction

New revenue generation

Margin improvement

- Recognised partner for 'Trust' in e-Commerce
- Adoption of digital tools to enhance client experience and satisfaction
- Enrich offering through innovation, platforms, data and technology
- Improve efficiency with new ways of organising resources and centres of excellence
- Develop solutions addressing new opportunities and challenges posed by digital expansion

SGS STRATEGIC FOCUS



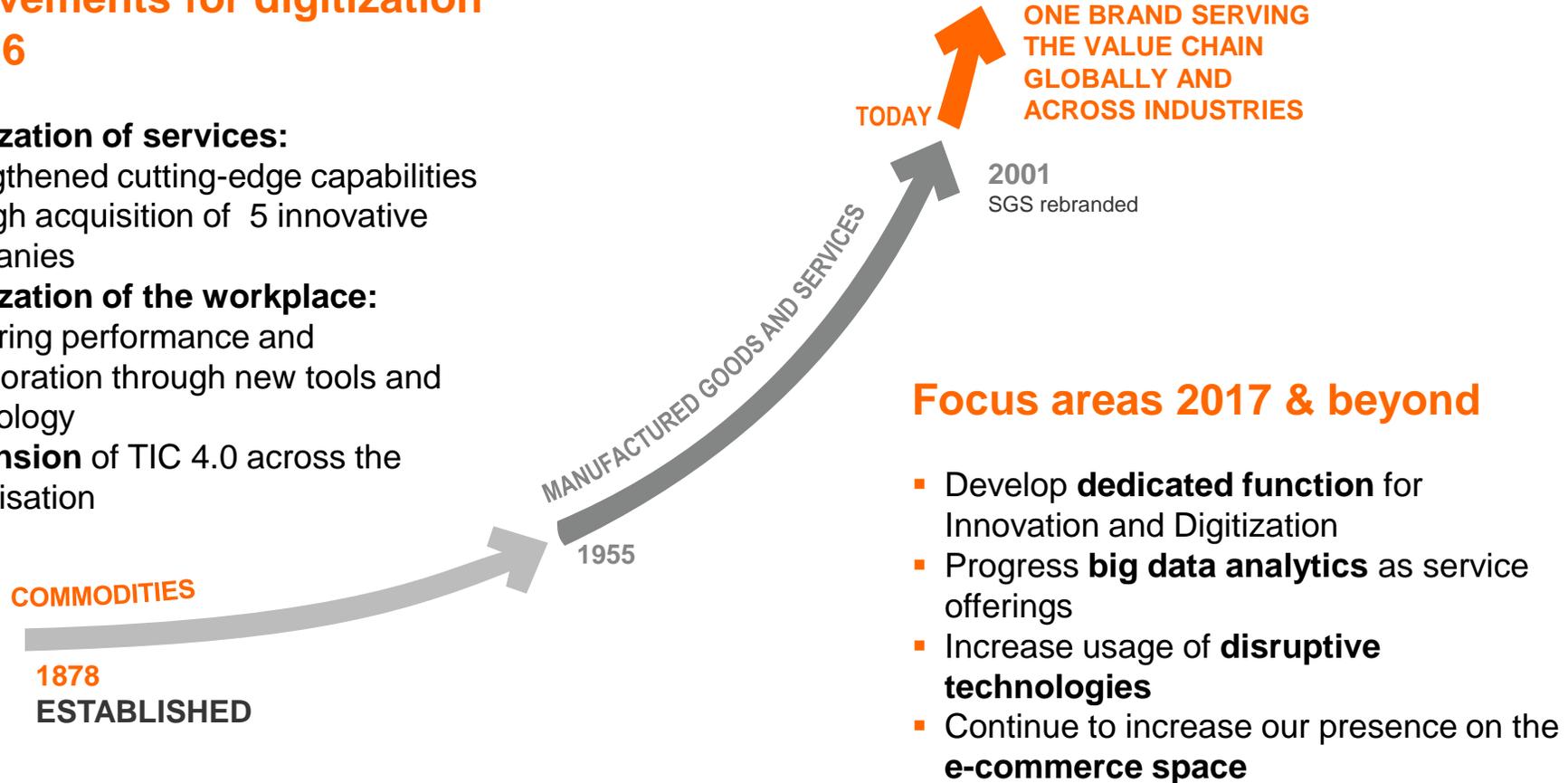
**Evolution
Physical to Digital**

WHEN YOU NEED TO BE SURE



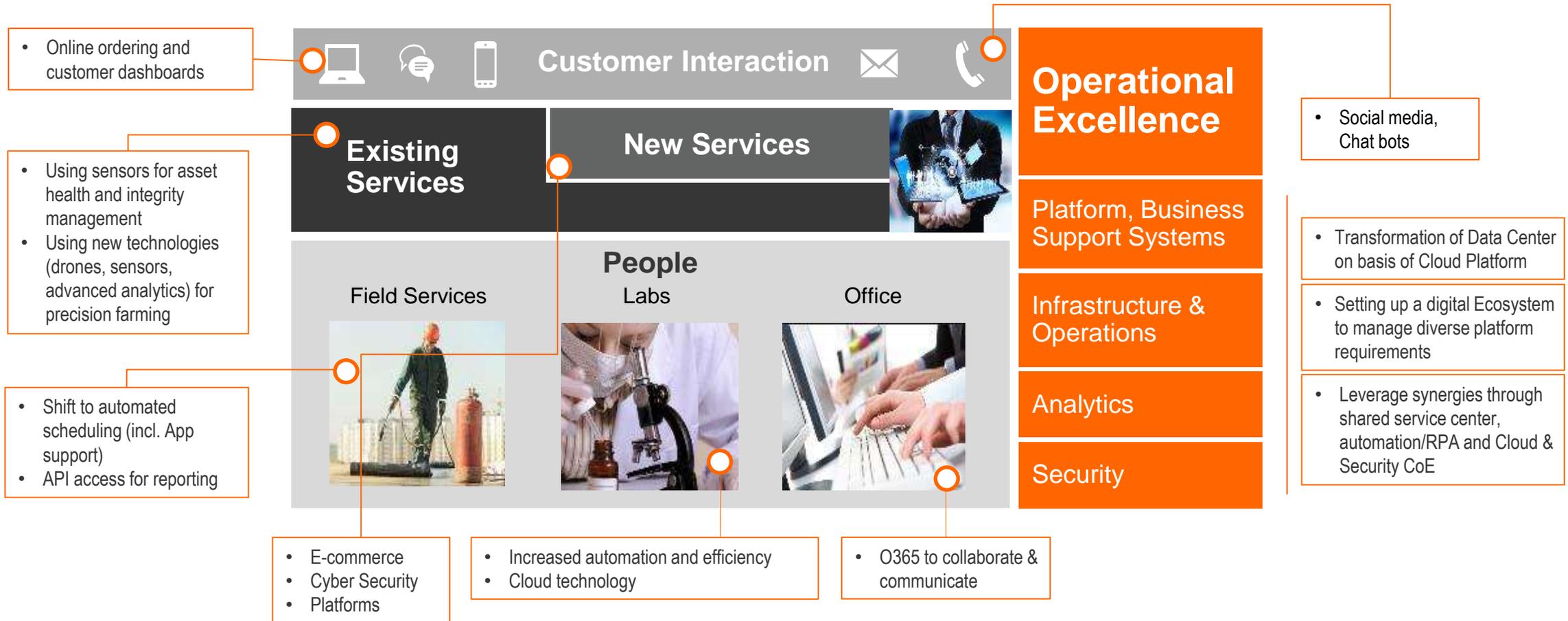
Achievements for digitization in 2016

- **Digitization of services:** strengthened cutting-edge capabilities through acquisition of 5 innovative companies
- **Digitization of the workplace:** Fostering performance and collaboration through new tools and technology
- **Expansion** of TIC 4.0 across the organisation



Focus areas 2017 & beyond

- Develop **dedicated function** for Innovation and Digitization
- Progress **big data analytics** as service offerings
- Increase usage of **disruptive technologies**
- Continue to increase our presence on the **e-commerce space**



An enhanced structure



Digital & Innovation
(D&I) team



External Digital
Advisory Board



Suppliers as
partners in
Innovation

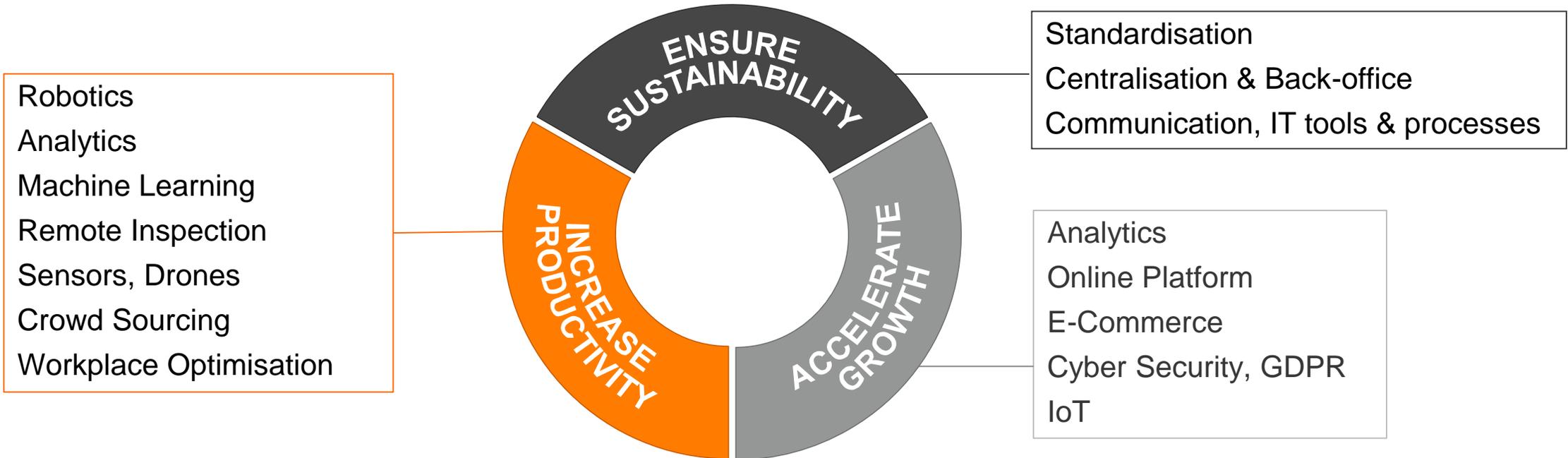


Universities and
government agencies
as partners in
Innovation



Incubation hubs
to be created in
Americas, Asia
and Europe

Aligned with our 2020 objectives, SGS leverages the digital ecosystem with **3 main objectives**:





1

Wireless testing

Connectivity drop out is a quality risk in a mobile phone but becomes a safety risk in a connected vehicle or critical IoT devices

- Regulatory
- Compliance
- Safety



2

Embedded devices

Increasing number of chips with embedded software leading to additional quality requirements

- Compliance
- Safety
- Consulting



3

Certification & Training

Internet use and big data leading to data privacy risks resulting in additional regulations

- Regulatory
- Training
- Certification



4

Compliance monitoring

Web crawling for regulatory alerts and compliance monitoring

- Regulatory
- Monitoring
- Consulting



5

Broader customer reach

All companies being impacted by new digital regulations and requirements leading to expansion of client base



6

Physical

- EU Toy Directive 88/378/EEC (1990)
- Testing standards of garment
- Pressure equipment Directive 97/23/EC (1999)



7

Chemical

- California Prop 65
- EU Azo Colorants Directive 2002/61/EC
- WEEE Directive, RoHS Regulations (2003)
- EU REACH Regulations (2006)
- US CPSIA (2008)



8

Functional

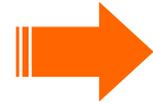
- IEC61508 Functional Safety
- EMC, Radio Frequency & Low Voltage Directives
- Energy Related Product (ErP) Directive (2009)



9

Digital

- General Data Protection Regulation
- EU cybersecurity certification framework
- ISO27001
- DoD, GSA, NASA cybersecurity requirements



Focused on traditional services

New services with online approach targeting SMEs and consumers

Visibility online with new customer groups

Addressing the online transaction and information Trust Gap

E-Commerce portals and online shops of traditional retailers

- GDPR
- E-Calibration
- Health kits

- New industries
- SMEs
- Consumers



Pollution sampler kit

- B2C - Urban housing
- Formaldehyde

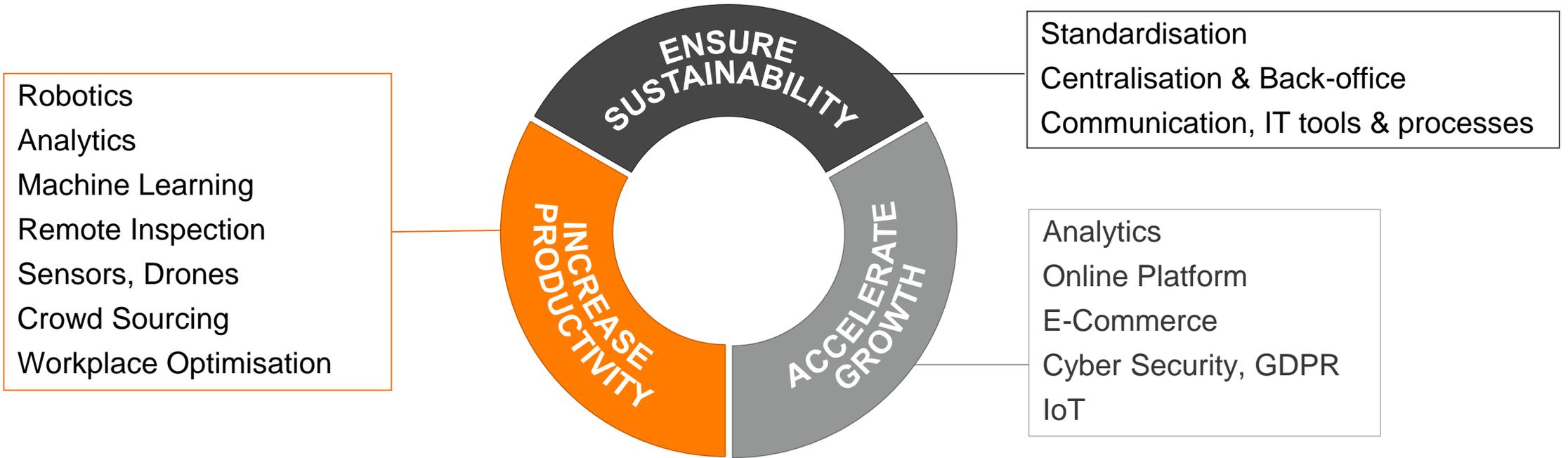
Product sold directly to the end consumers on e-Commerce portals

Samples sent back to SGS by consumers for testing in our laboratories

Applicable in large variety of areas

Within our core TIC expertise

Aligned with our 2020 objectives, SGS leverages the digital ecosystem with **3 main objectives**:



GROWTH

Increase revenue by CHF 300 million at +25% margin by 2020



New technologies

- Operational efficiency
- Increase productivity
- Reduce manpower intensity
- In line with Dashboard review



Process and laboratory automation

- Robotic automation in laboratories
- Administrative and back-office operations process automation (use of RPA)

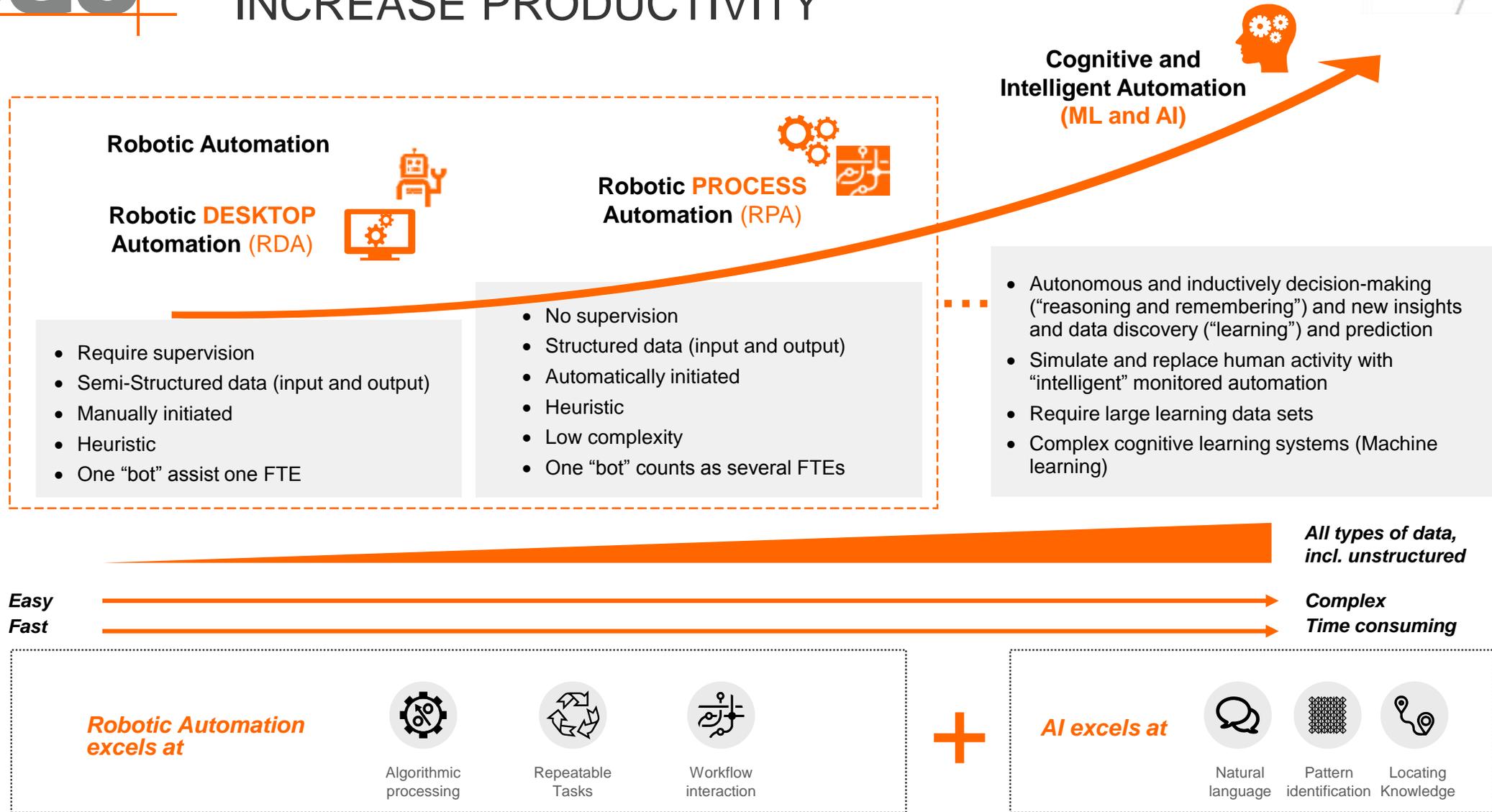


Enhance inspection efficiency

- Remote inspections
- Crowdsourcing
- Customer self service
- Drones
- Sensors



Chemical testing laboratory in Guangzhou, China.





Chemical Laboratory Automation

- Optimise throughput of laboratory network
- Focus technical resources in higher added value activities



Robotic Process Automation

- Implementation in Shared Service Centres
- Optimise workflow across different operating systems



E&E Safety Testing Automation

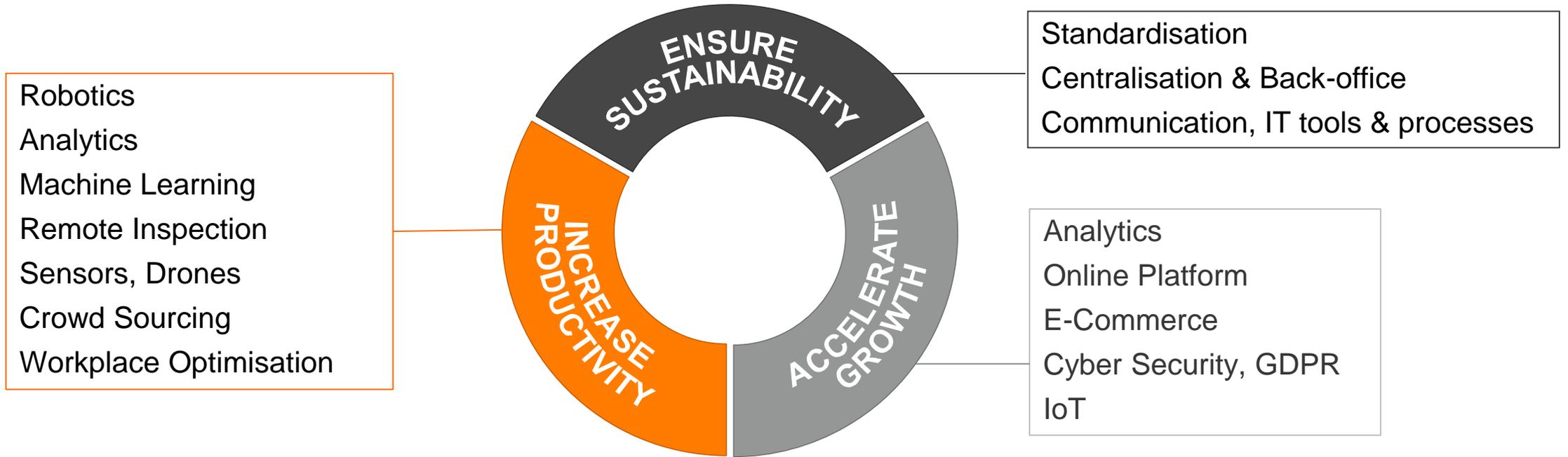
- Expand engineering capacities as a result of reducing testing setup time



LIM Systems

- Modern tool to enhance productivity
- Database structure offering new opportunities
- Implementation started in 2017

Aligned with our 2020 objectives, SGS leverages the digital ecosystem with **3 main objectives**:



PRODUCTIVITY

Improve Group margin by 0.40% by 2020

GROWTH

Increase revenue by CHF 300 million at +25% margin by 2020

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WHAT HAS SGS **ACHIEVED** IN 2017 ?



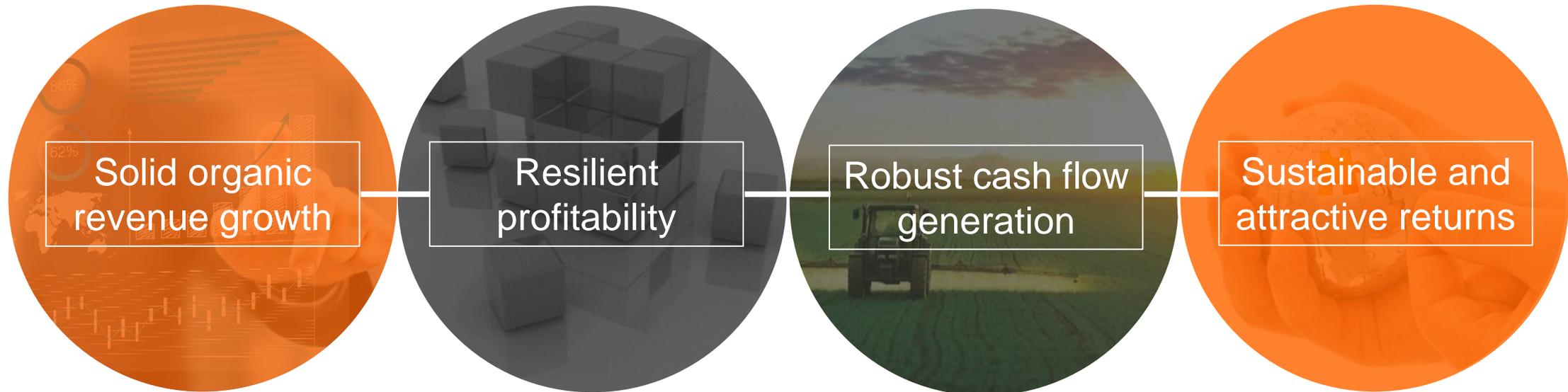
- Solid organic growth in the majority of our businesses including Minerals and Oil, Gas and Chemicals
- Solid inorganic growth through completion of 10 transactions
- Carried out a full Dashboard review for a second year in a row
- Continued to transform the finance function and business back-office in line with the plan
- Realised procurement savings in line with the plan
- Implemented successfully the 2016 restructuring plan amounting to CHF 48 million
- Generated robust cash flow
- Considered by the market as the NWC leader in the TIC industry
- Issued a CHF 375 million bond at historical low interest rate
- Named as Industry Leader in DJSI World for the fourth consecutive year and entered into the FTSE4Good index

FINANCIAL FRAMEWORK

Monitor group performance
and align interests with
shareholders

WHEN YOU NEED TO BE SURE



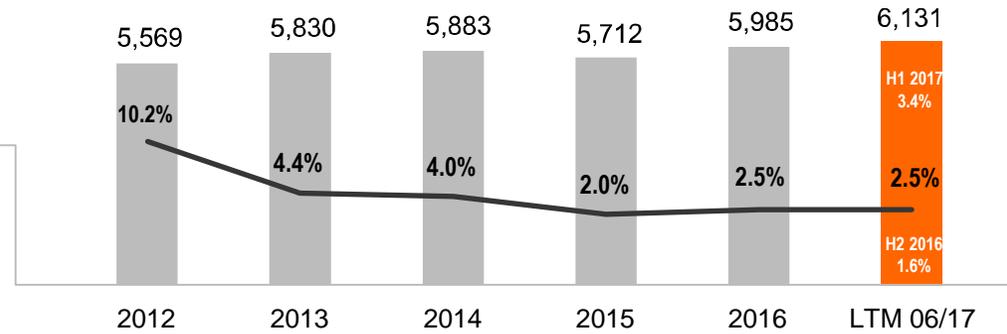


FINANCIAL FRAMEWORK

REVENUE AND ADJUSTED OPERATING INCOME

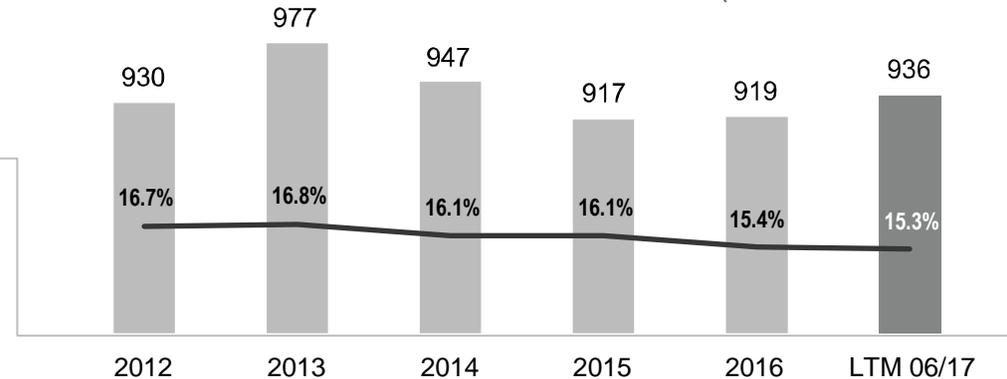
Solid organic revenue growth

REVENUE (CHF MIO; % ORGANIC GROWTH)

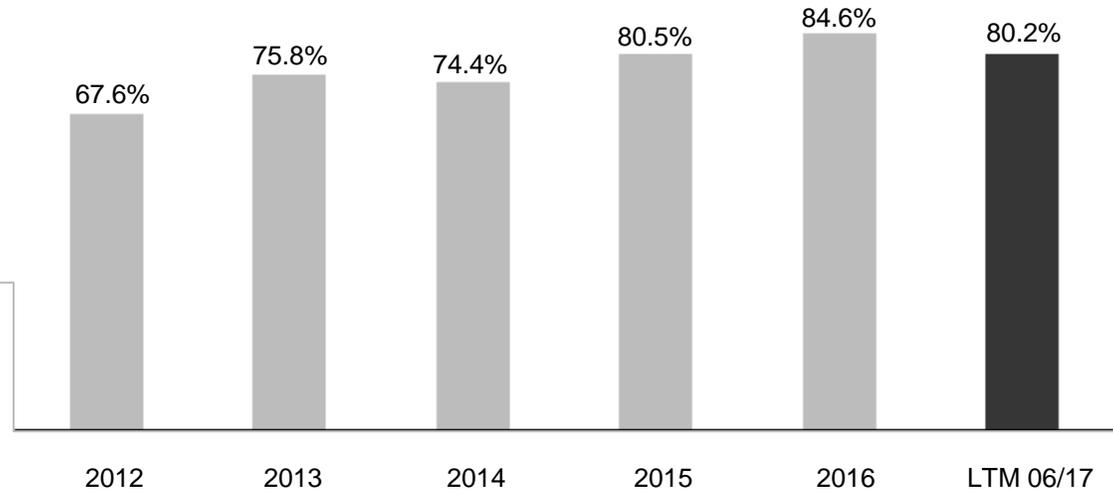


Resilient profitability

ADJUSTED OPERATING INCOME (CHF MIO; % MARGIN)

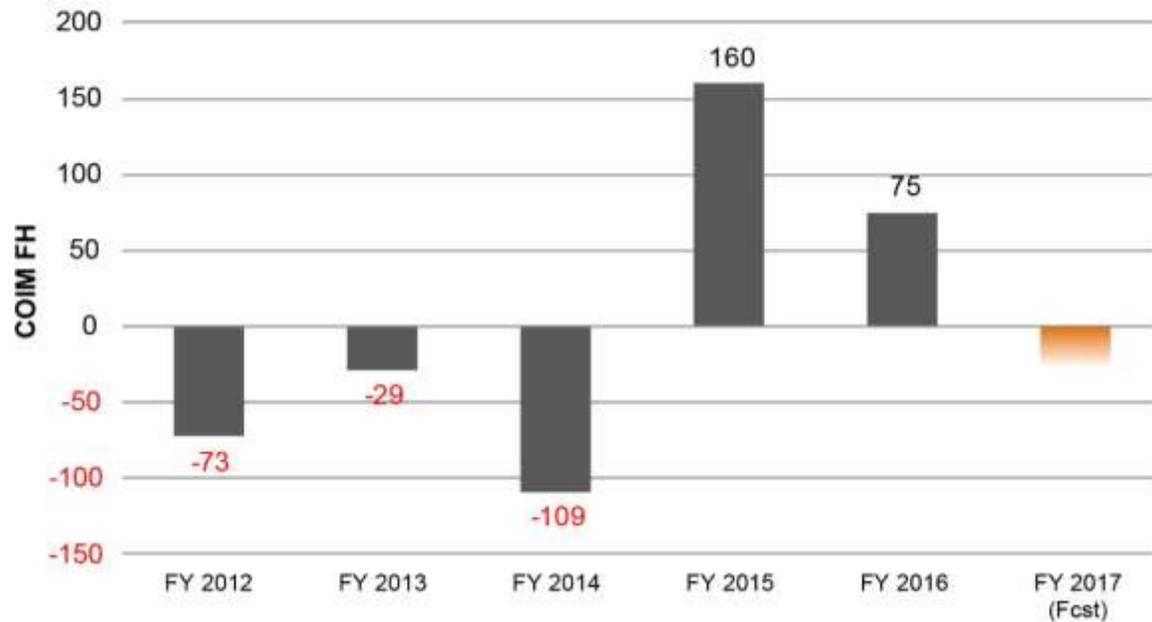


ADJUSTED CASH CONVERSION RATIO (%)

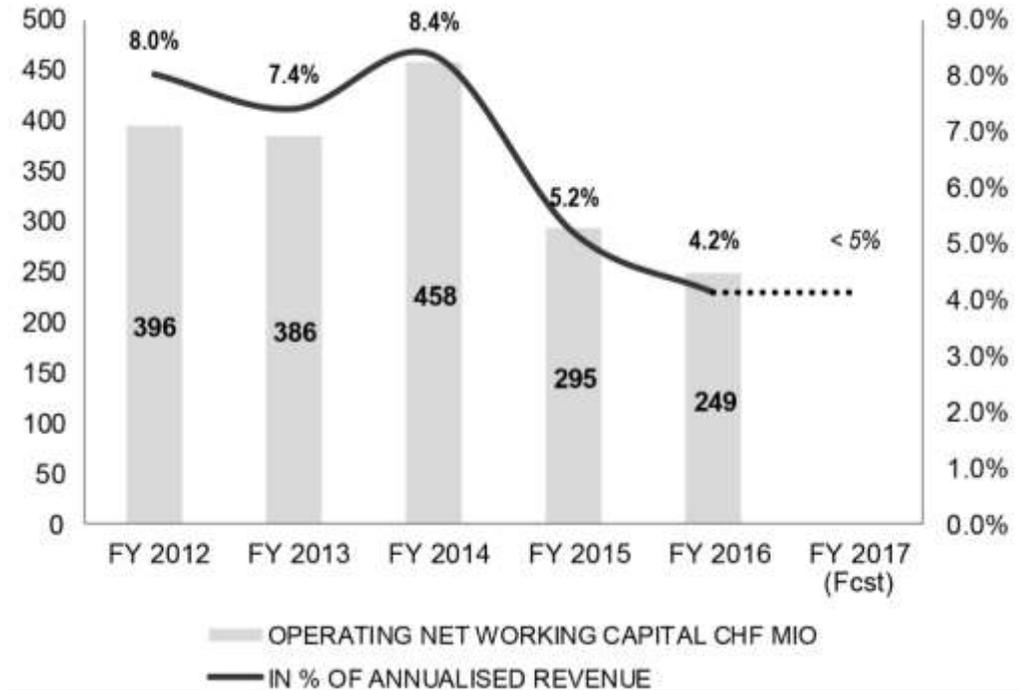


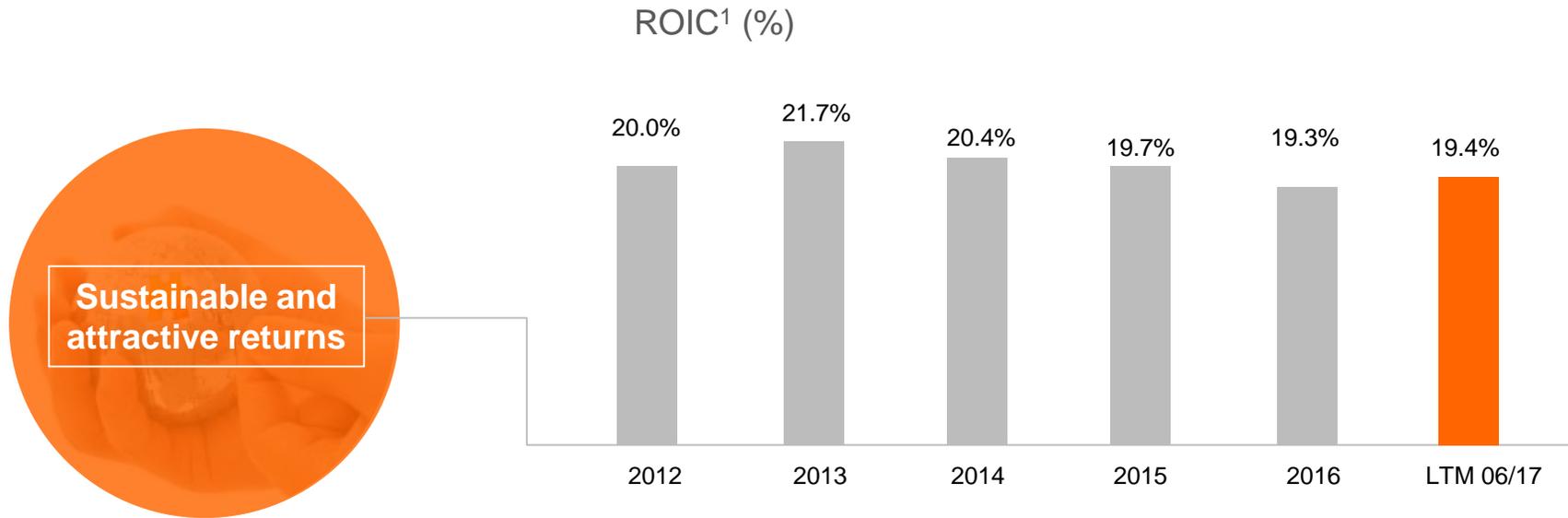
NETWORKING CAPITAL REMAINS A KEY DRIVER OF CORE OPERATING CASH FLOW

(INCREASE) / DECREASE IN NETWORKING CAPITAL



NET WORKING CAPITAL % REVENUE





1. Net Profit After Tax / (Non-current assets + Net working capital)

PROCUREMENT

Margin improvement through
significant procurement savings

WHEN YOU NEED TO BE SURE



ENHANCING VALUE THROUGH PROCUREMENT WORKSTREAMS



1
**Optimise
strategic sourcing**



2
**Improve transactional
efficiency**



3
**Enhance supply
chain management**



4
**Achieve savings
on real estate**



5
**Strengthen suppliers'
innovation programme**



1

Optimise strategic sourcing

OBJECTIVE

Leveraging negotiation power with suppliers and increasing compliance

UPDATE

Savings in line with 2017 target as result of increased compliance on global contracts & strong contribution of CAPEX



2

Improve transactional efficiency

OBJECTIVE

Improving P2P process including promoting self-invoicing for AP

UPDATE

On track with the development of Supplier Portal targeting an automation of 400k annual electronic invoices by 2020



3

Enhance supply chain management

OBJECTIVE

Optimising inventories, cutting logistics costs and focusing on standardised SKUs to ease demand planning

UPDATE

New Transportation Management Tool currently being rolled out in pilot countries enabling increased process efficiency and cost reduction



4

Achieve savings on real estate

OBJECTIVE

Optimising the property portfolio, driving down the facility costs, systematically reviewing lease vs. buy model in order to optimise financial strategy for the portfolio

UPDATE

Focus on reducing lease costs and space use, through a number of initiatives such as 'Space Management', 'Lease audit' and 'Consolidation of facilities'



5

Strengthen suppliers' innovation programme

OBJECTIVE

Focusing on Strategic Partners in order to support top line growth

UPDATE

On track to deliver additional revenue early 2018



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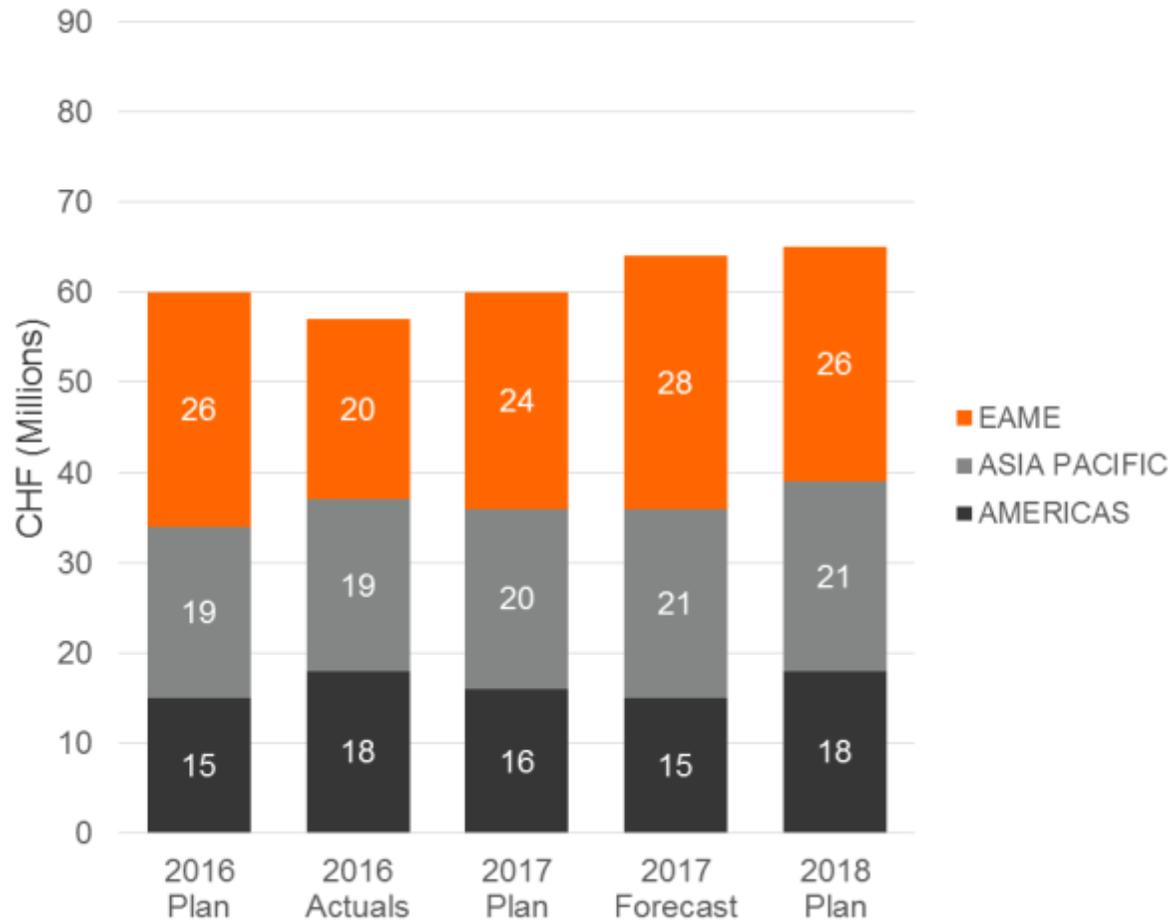
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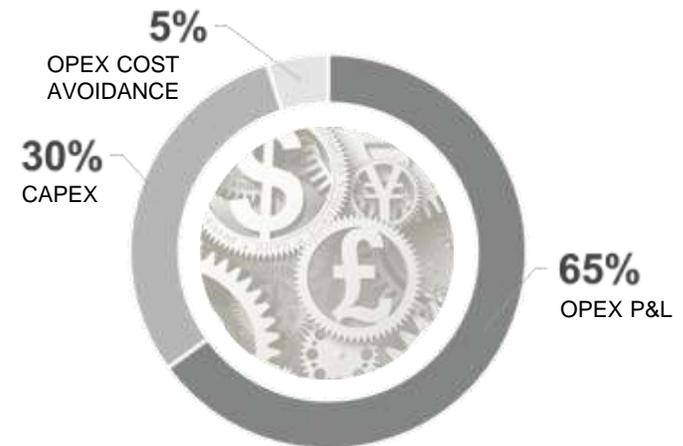
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On track to deliver additional revenue early 2018

PROCUREMENT SAVINGS BY REGION



PROCUREMENT SAVINGS BY NATURE





Channeling spend through preferred suppliers has delivered additional incremental savings

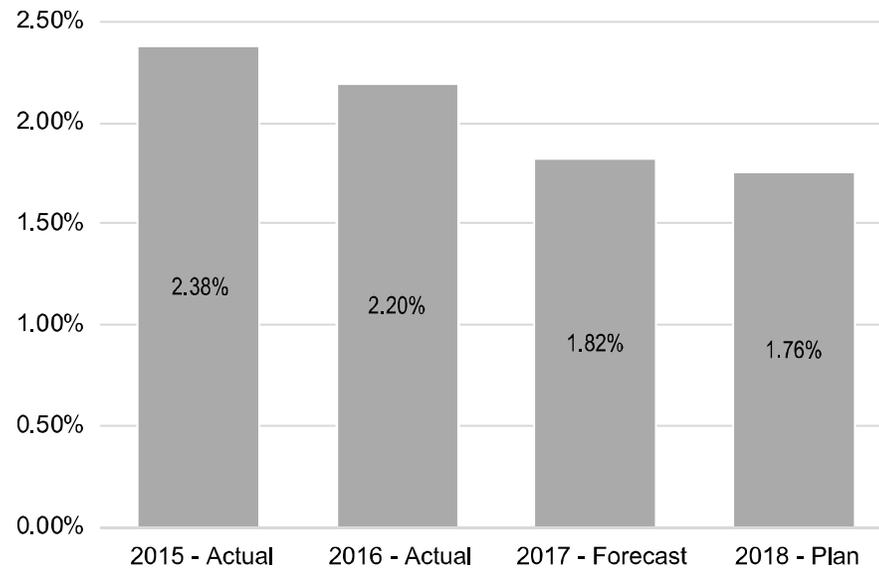
SRM¹ programme provides increased customer value through efficiency gains and innovation

SGS online equipment redeployment programme shows uptake. Increased number of CAPEX items redeployed resulting in cost avoidance

Redeployment programme and supplier innovation have contributed to our commitment to sustainability

OPTIMISE SGS REAL ESTATE COST PER REVENUE FOR INDUSTRY LEADERSHIP IN 2018/19

LEASE COST AS % OF REVENUE

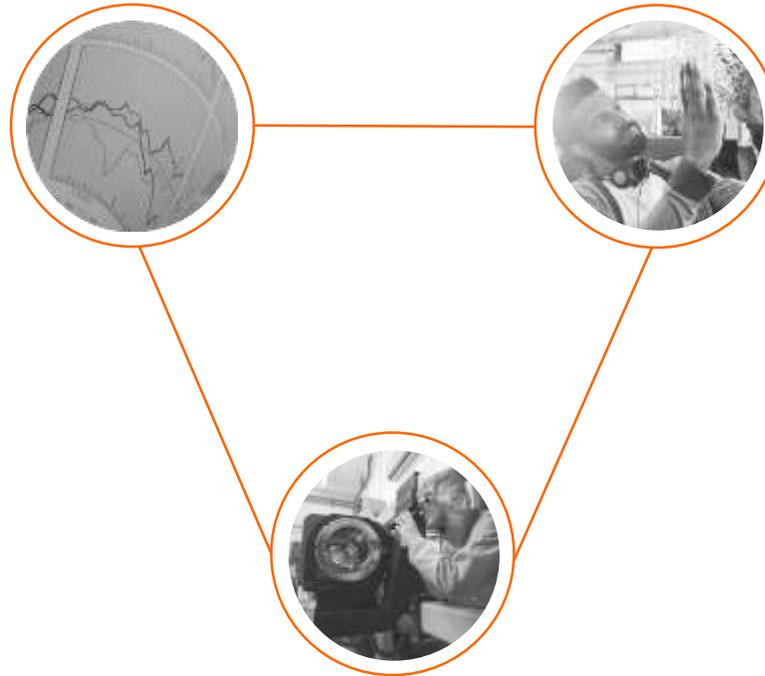


Leases represent **78%** of SGS portfolio

EFFICIENCY

Become the lowest cost per revenue in the Industry

- Lease expiry & break-up opportunities
- Space Management optimisation
- Lease Audit Administration
- “Sequentra” data analysis tool to enhance Portfolio management



VALUE CREATION

Unlock Real Estate value for a better use of Shareholders capital

- Buy vs. Lease policy & criteria
- Valuation of SGS-owned portfolio
- Divestment of non-strategic assets

WORK SATISFACTION

Deliver place & space for employees to work in the most **productive** way

- Real Estate underlying principle to enhance productivity, satisfaction and retain talent
- Joint project with HR to evolve from traditional space metrics to how employees use workspace

GLOBAL BUSINESS SERVICES

Margin improvement through
transformation of the support and
back-office functions

WHEN YOU NEED TO BE SURE

SGS

SIMPLIFY, STREAMLINE AND OPTIMISE **SUPPORT FUNCTIONS**



1

EFFICIENCY



2

**OPERATING
MODELS**



3

ANALYTICS



4

TALENT



5

TECHNOLOGY

SIMPLIFY, STREAMLINE AND OPTIMISE **SUPPORT FUNCTIONS**



EFFICIENCY

Back-office efficiency through shared services, regional hubs and outsourcing



OPERATING MODELS

Focus on agile, sustainable operating models to efficiently support a growing global organisation with multiple business lines and multiple segments



ANALYTICS

Enhanced analytics and reporting to track financial and operational performance



TALENT

Grow talent within the Support Functions in order to serve as business partners



TECHNOLOGY

Leverage technology to improve transactional productivity and increase efficient access to information

SIMPLIFY, STREAMLINE AND OPTIMISE **SUPPORT FUNCTIONS**



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5

TECHNOLOGY

Leverage technology to improve transactional productivity and increase efficient access to information



3

Macro-regional shared service centres in Europe, Asia and Americas

EUROPE AND ASIA

- Implementations ongoing in Katowice and Manila
- Driving efficiency by process improvement and digitization

AMERICAS

- Set up of GBS center in Americas
- First migration wave in 2018

1

Local shared service centre in China

CHINA

- Location: Changzhou
- Set-up done in H2 2017



KEY HIGHLIGHTS

- City of 4.5 million inhabitants in close vicinity of Shanghai
- Labour cost arbitrage vs. Shanghai amounts to 40%
- Vocational university with approximately 100K students
 - Start courses designed for TIC industry in general
 - 3-year diploma degree education with last year practice in SGS lab
- Existing SGS operations in China: able to leverage new GBS operations
- **SGS Workforce**
 - 75+ GBS, 200+ non-GBS FTE by December 2017
 - 200+ GBS, 450+ non-GBS FTE by December 2018
 - 300+ GBS , 600+ non-GBS FTE by December 2020

CONFIRMING 2020 **SAVINGS** AND FIRMLY ESTABLISHED PLATFORM FOR GROWTH



Operating model designed to be agile in a globally changing environment

Globally harmonised processes and operational standards implemented

Enhanced customer excellence

1,500+ employees in four Shared Service Centres

UPGRADED GUIDANCE IN ANNUAL SAVINGS OF

CHF 20 MIO – 25 MIO

CAPITAL ALLOCATION PRIORITIES

Maintain a balanced
cash equation

WHEN YOU NEED TO BE SURE

SGS

CAPITAL ALLOCATION PRIORITIES CONFIRMED



Invest in organic growth projects and Technology-driven partnerships



Maintain a solid investment grade credit rating



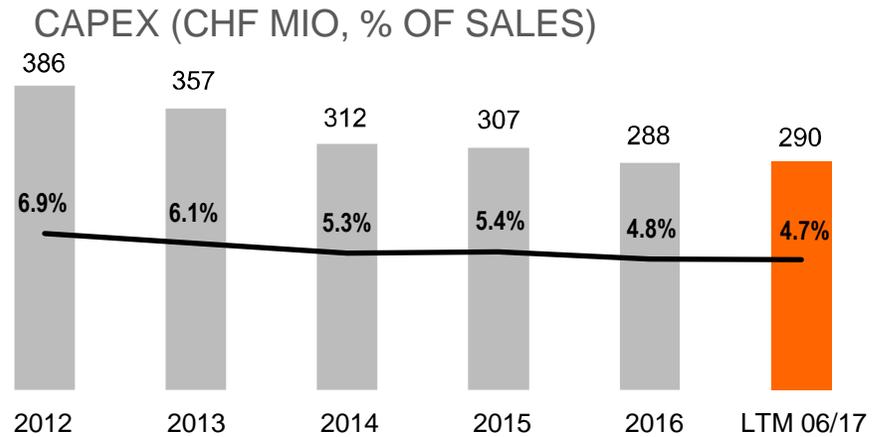
Deliver bolt-on acquisitions with attractive business synergies



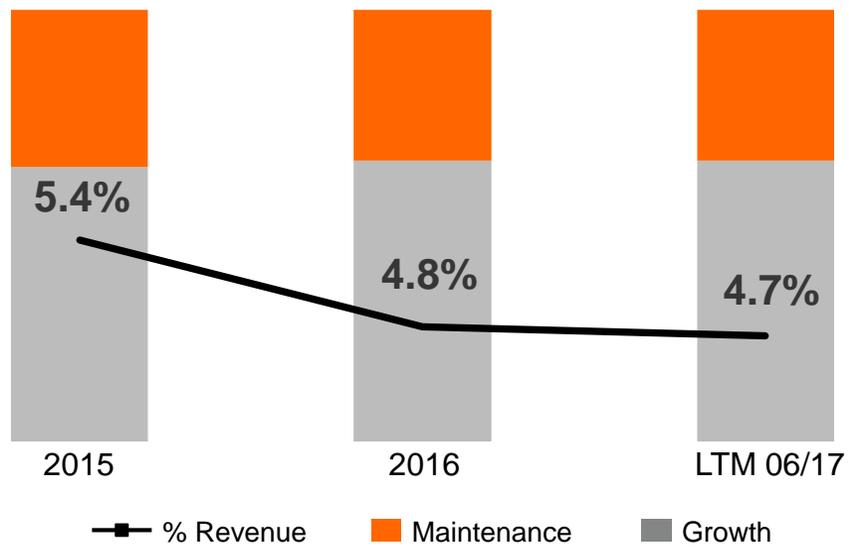
Maintain an attractive shareholder return policy



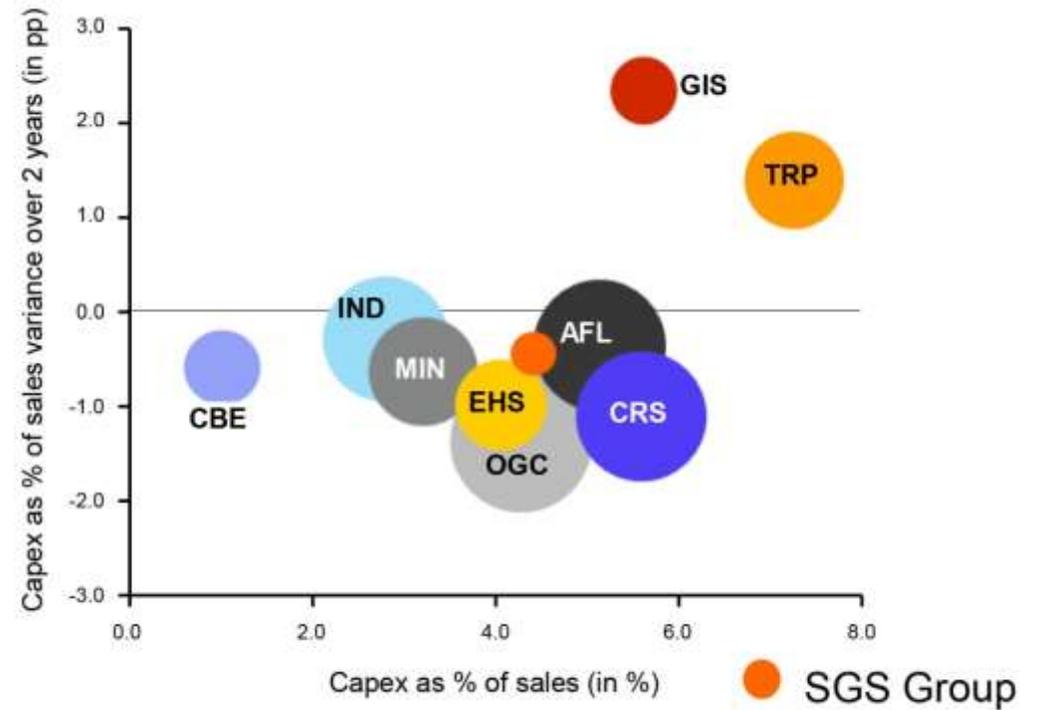
Invest in organic growth projects and technology-driven partnerships



GROWTH CAPEX FOCUS



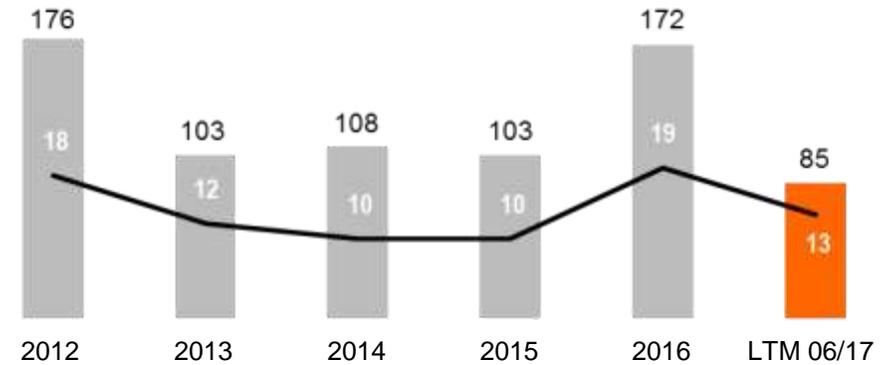
CAPITAL INTENSITY



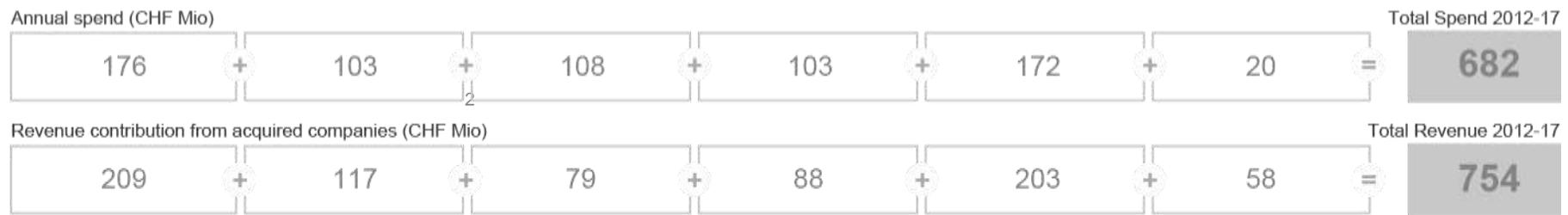


Deliver bolt-on acquisitions with attractive business synergies

ACQUISITION CASH CONSIDERATION
(CHF MIO; # OF TRANSACTIONS)



ACQUISITIONS 2012-2017¹



Total Spending / Revenue **~0.90x**

1. Up to August 31, 2017
 2. First 12 months revenue from acquisition date

KEY ACQUISITION CRITERIA



1

BUYING CAPABILITIES

- Expertise
- Reputation
- Equipment
- Accreditations
- Innovation



2

FILLING GEOGRAPHIC GAPS

- New attractive markets



3

BUILDING SCALE

- Establish candidate market leadership
- Realise synergy potential
- Expand customer base



4

ENHANCING FINANCIAL METRICS

- Implied EV/EBITA
- Run rate synergies
- Integration costs

MAINTAINING STRATEGIC SIGNIFICANCE

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MAINTAINING STRATEGIC SIGNIFICANCE

ON TRACK TO REACH OUR TARGET: CHF 1 BILLION IN ACQUIRED REVENUE 2016-2020



**CHF 1 BN IN
ACQUIRED
REVENUE
2016-2020**

33 transactions with EV between CHF **0.4** million and CHF **62** million made between 2015 and 2017

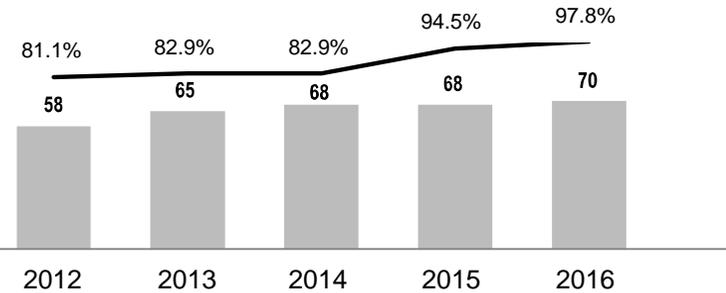
87% of total EV invested in Transportation, Environmental Health & Safety, Agriculture Food & Life and Industrial

SGS invested at a weighted average **EBITDA multiple of 8.4** pre-synergies and a weighted average **EBIT multiple of 12.8**



Maintain a solid investment grade credit rating

DIVIDEND PER SHARE¹ (CHF) AND PAYOUT RATIO² (%)

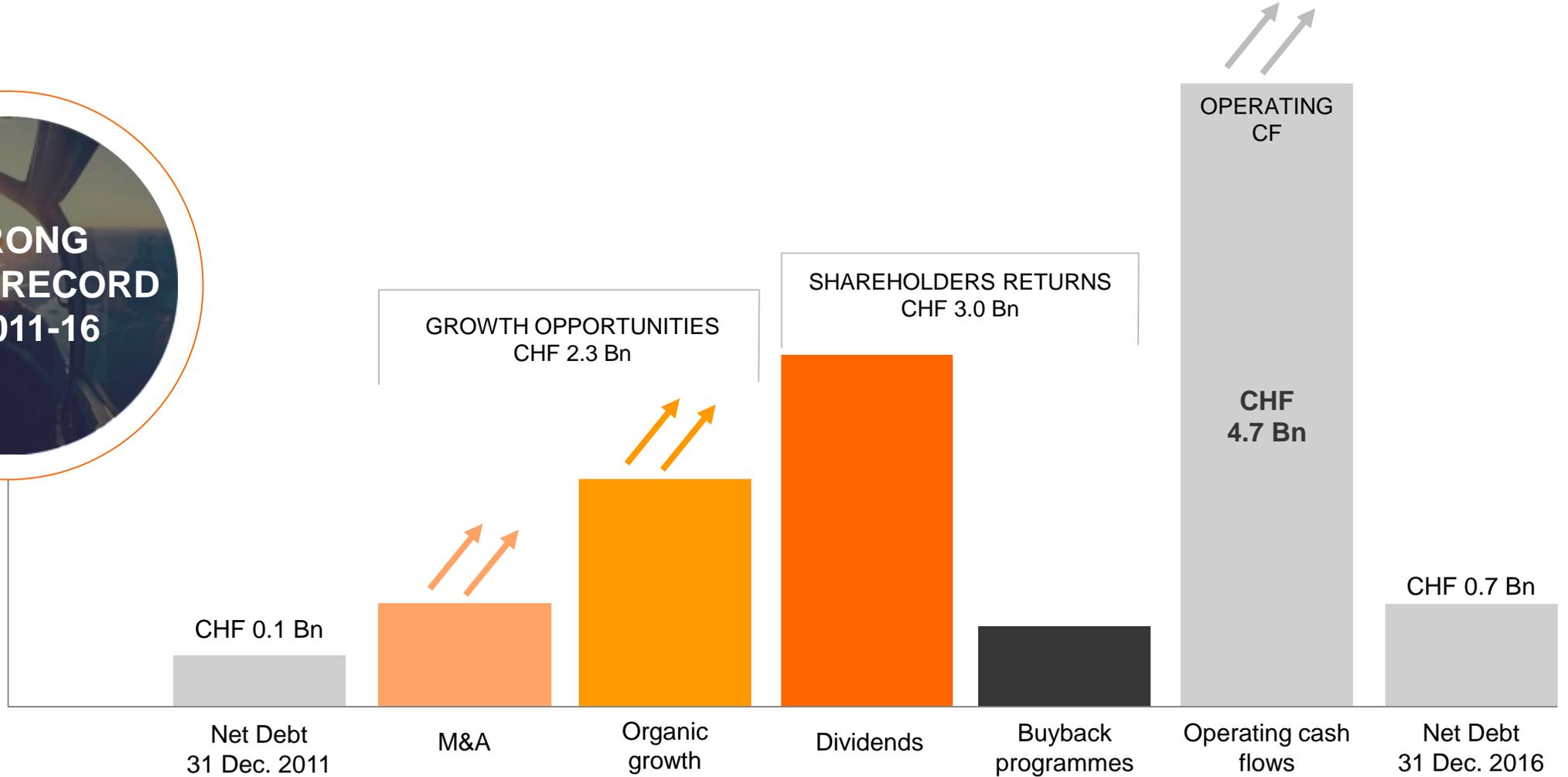


Maintain an attractive shareholder return policy



1. Dividend per share including ordinary and special dividends
2. Payout ratio: Dividend per share / Basic earnings per share

STRONG TRACK RECORD IN 2011-16



ADJUSTED OPERATING INCOME

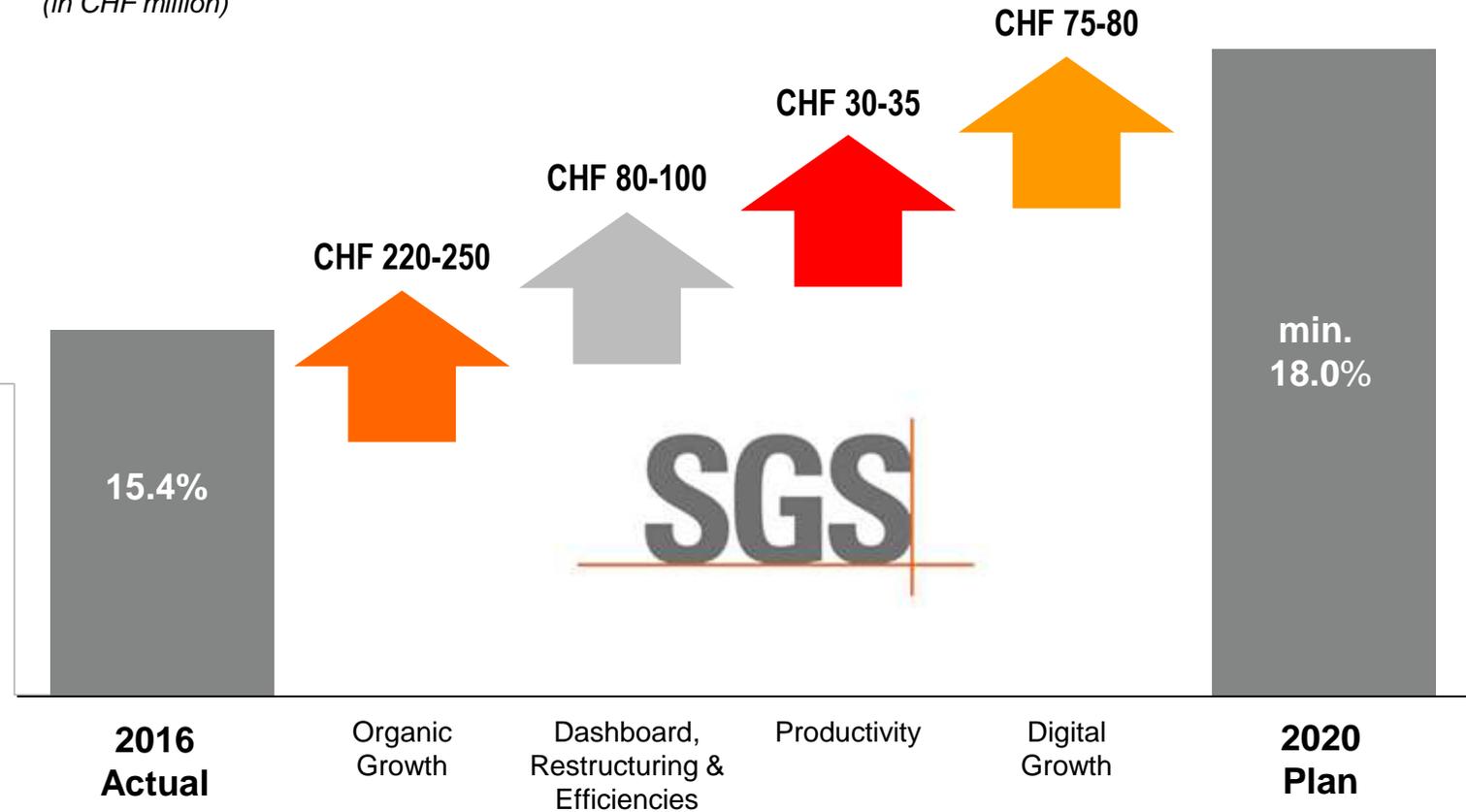
2020 Projected AOI Growth

WHEN YOU NEED TO BE SURE



(in CHF million)

Targeting CHF 405 Mio to CHF 465 Mio of increased profitability over 4 years





Organic Growth

- Strong focus on Agriculture, Food and Life, Transportation, Certification and Business Enhancement and Consumer Retail Services
- Investments with strong focus on USA and China
- Procurement Savings



Dashboard, Restructuring and Efficiencies

- Closure of non-profitable countries, sites or activities
- Operational consolidation and optimisation of business Back-office
- Finance and Back-office transformation including migration to Shared Service Centres
- Optimise pricing strategy



Productivity

- New technologies
- Process and laboratory automation
- Enhance inspector efficiency



Digital Growth

- E-commerce
- Online platform
- Cyber security
- Data Privacy

**SGS
Business
Principles**



**SGS
Market
Opportunities
and
Challenges**



**SGS
Strategic
Focus**



**SGS
Performance**



**SGS
Strategic
Direction**





Deliver solid
organic growth



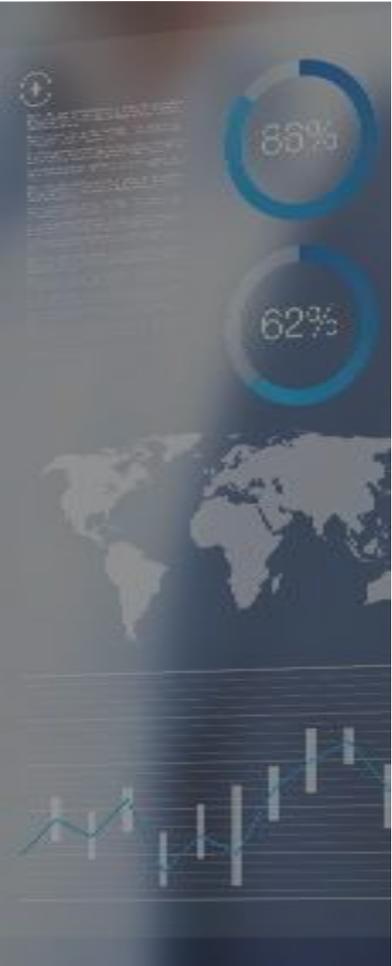
Higher adjusted
operating income on a
constant currency



Robust cash flow
generation

OUTLOOK 2016 - 2020

- **Mid-single-digit organic growth** on average with improvement over the period supported by the new focused structure and new strategic initiatives
- **Accelerating M&A activities** with acquired revenue over the period in the range of **CHF 1 billion**
- **Adjusted Operating Income Margin of at least 18%** by end of the period supported by the new focused structure, new strategic and efficiency improvement initiatives
- **Strong cash conversion**
- **Solid returns on invested capital**



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SGS