



## **Annual General Meeting Geneva – 24 March, 2009**

### **Speech by Mr. Chris Kirk, Chief Executive Officer**

Thank you, Mr Chairman and thank you and the Board for your continued trust and support.

Ladies and Gentlemen, Dear Shareholders, good afternoon.

I am very pleased to report another record year for SGS. A record which would not have been possible without the dedication of the Operations Council and the dynamism of our 57'000 employees around the world. I would like to thank them all for their hard work, drive and enthusiasm to make this happen.

#### **Financial Highlights**

Your Group reported record organic growth of 15% in constant currencies. With acquisitions, we achieved 17.7% growth, while at historical rates growth reached 10.2% to 4.8 billion.

Our operating income, before exceptionals, improved by 13.9% to a new record operating margin of 16.8%.

After exceptionals, net profit attributable to you, dear shareholders improved by 38.4%, to CHF 692 million.

#### **Revenue Growth & Headcount change by Region**

As you can see from this slide, we had a 9.1% headcount increase compared with a 17.7% revenue growth. Roughly, we added 4'000 new colleagues through organic growth and a thousand through acquisition. On the revenue side, I am pleased to report well balanced organic as well as acquisitive growth across the globe.

#### **Local currency growth by business**

As was the case last year, seven of our ten businesses grew in excess of 10% in local currency. Minerals and Auto both grew in excess of 20%.

Agri showed solid growth and continued its transition inland from the ports. Soil and seed services were added to assist farmers with precision farming which aims to significantly improve the quality and the quantity of farm output whilst minimizing the cost of inputs.

Minerals had a record organic growth of 27.6% as a result of the Group's expanded service offering in non-trade related services to meet our clients' needs along the entire Mineral supply chain.

Oil, Gas & Chemicals Services grew at the same level as the previous year despite the extremely volatile oil price. Our strategy to move upstream continued to sustain our growth and will make this business the first in our portfolio to reach one billion in revenues.

Life Science Services was able to triple its organic growth and is now well positioned to capture new revenues both in Clinical Research and in QA/QC.

Consumer Testing Services grew strongly in all business units and we achieved a special boost to our Food business following several product recalls on food safety grounds.

Systems & Services Certification showed a good performance especially in the food, finance, pharmaceutical and energy sectors.

Industrial Services recorded a very solid performance driven by services to energy and infrastructure and the opening of the German market. Industrial also became the dominant player in Wind Energy.

Environmental Services showed good growth for the year and, more importantly, improved the quality of its revenue streams.

Auto reported a record growth of more than 25%, driven by good volume in all existing statutory operations and new contracts in the US. There was also a one-time gain in driver license testing in Ireland.

Last but not least, Governments & Institutions Services had a very good year and is now the clear leader in the freight container scanning business.

### **Development of reported revenue and net income**

As always, it is a pleasure to show you this slide which really doesn't require any further comment

### **Acquisitions**

We completed a record 14 acquisitions during the year.

In Agricultural Services, we bought Alvey in the US and Central Analytical Laboratories in South Africa.

We strengthened and diversified our Minerals offerings with the acquisition of CEMI and Geostat in Canada, Holman-Wilfley Associates in the UK and Wamtech in Australia.

Through the acquisition of Horizon Energy Partners in the Netherlands, OGC entered the upstream business. OGC also acquired the assets of Akzo Nobel in the Netherlands.

Industrial Services closed three transactions, one in Brazil, PiD, and two in Australia, TACS and Western Geotechnics.

Nokia Siemens Networks transferred assets and personnel to our Consumer Testing Services in Germany and Finland. In addition we bought Tesco in South Korea and we acquired 50% of Bluesign Technologies Group in Switzerland.

As I said 14 transactions, a total purchase price of CHF 196 million, adding around 1'000 new colleagues in 11 countries. This year we have already acquired UPM to strengthen our leadership in the Czech oil business.

A lot of activity throughout the year which I fully expect to continue.

Dear Shareholders, the world is changing rapidly. I'd like to briefly describe some of the actions we have taken and will continue to take to adapt your company to this fast moving environment.

During 2008 we conducted risk assessments in all our business lines to identify areas of weakness and opportunity. A similar analysis was done at the operations level.

We analysed the quality and creditworthiness of all our major clients across our 10 business lines and in each country where we operate. I am happy to tell you that we do not have a dominant exposure to any single client. To give you an idea, our top 100 clients account for 15% of our revenues.

On the balance sheet side, we recognized the risk of a credit crunch and transformed credit lines prepared for an un-executed acquisition into committed lines of up to CHF 800 million.

Today, we monitor the situation on a daily basis.

At Group level, we have a red flag warning system. Every member of the Operations Council has the duty to report any special situation, market development or client issue immediately to ensure we don't have any unwanted surprises.

We have further tightened our Capital Expenditure and apply the same discipline to our Net Working Capital and the payment methods of our clients.

In our laboratories and back-offices we continue to deploy our Continuous Improvement Initiative and Lean methodology to increase our efficiency and accelerate the speed of delivery of our services.

We have introduced centralized purchase management to enhance purchasing at reduced cost and we have replaced regional and global meetings with Webinars to ensure we minimize our travel cost.

At the same time, this dynamic environment creates many business opportunities for SGS.

We are aggressively promoting our outsourcing solutions. They help our clients to focus on their core business while reducing their overall cost.

We are actively seeking acquisition opportunities in all of our business lines. As always we will remain prudent buyers but already we are seeing seller's expectations becoming more realistic.

Our sales teams around the world are rigorously following leads and opportunities as they arise.

All this to protect the profitability of our business, to improve our margin, our operational efficiency and obviously to sustain our growth. This is the reason you invested in SGS!

So where are we today?

The first two months show our growth in the upper end of our guidance which is single digit organic growth at constant currency rates.

As I mentioned before our Automotive Business had a fantastic year in part due to a one time demand for the provision of driver testing in Ireland. This volume will not recur this year and to date we have not been able to compensate for this with new contract wins.

Our Minerals Business is seeing reduced activity in the steel sector; lower exploration spending by the junior mining companies as they try to preserve cash and very slow business in the Oil Sands region in Canada partly as a result of the oil price. There will be a positive impact on metals demand in the Minerals business arising from the public sector infrastructure stimulus packages and we closely monitor developments.

Our other businesses are all growing over 2008 and collectively the growth is in the upper end of our guidance.

As has been outlined in the 2008 performance, the relative strength of the CHF vis a vis the currencies that the Group transacts its business has had a translation effect on the Group's consolidated accounts. In today's volatile foreign exchange environment the 2009 impact of this translation issue is difficult to determine, but should not have an effect on the long term valuation of an international firm such as SGS

During this first quarter, I have spent a lot of time meeting with our leaders all around the world. Frankly, in the SGS world it is much less depressed than what you read in your daily newspaper. Our teams continue to win large contracts; they continue to diversify our portfolio and push for improved profits and deliver our services efficiently around the globe, every day.

Yes there are some headwinds and I have mentioned a couple but there remain countless opportunities for SGS services, their growth and diversification around the world and we have the people to do it.

Ladies and Gentlemen, Thank you for your attention.

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