

# SGS is the world leader in inspection, verification, testing and certification

## Profile

**SGS provides tailored inspection, verification, testing and certification solutions to its customers to make their commercial activities faster, simpler and more efficient. Its worldwide network consists of more than 95,000 employees at more than 2,400 offices and laboratories.**

#1

worldwide leader

150

countries where  
SGS is active

95,000

employees

2,400

locations around the globe

## Performance in 2017

The SGS group achieved solid results in 2017. Total revenue reached CHF 6.3 billion and SGS is on track to deliver the revenue growth projected in the 2020 strategic plan. The group realised revenue growth of 5.4% on a constant currency basis, of which 4.2% was organic and 1.2% was contributed by recent acquisitions. On a historical reported basis, group revenue increased by 6.1%. Significant growth was reported across the vast majority of the portfolio.

Adjusted operating income reached CHF 969 million versus CHF 919 million in prior year, an increase of 5.4% (constant currency basis). The adjusted operating income margin remained stable compared to prior year (15.3%) at constant currency, with the improved underlying performance being partially offset by strategic investments.

Profit for the period reached CHF 664 million, an increase of 13.3%, mainly driven by improved performance, fewer restructuring expenses and a one-time tax rate decrease to 22.0% (2016: 24.0%) driven by the US tax reform, despite a non-tax deductible goodwill impairment of CHF 30 million impacting Industrial services.

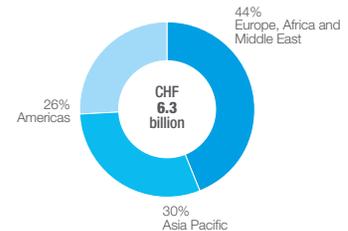
Net profit attributable to equity holders reached CHF 621 million, an increase of 14.4% compared with CHF 543 million disclosed in 2016.

The group generated solid operating cash flow at CHF 987 million supported by strong underlying business performance. Net investments in fixed assets were CHF 281 million and the group completed 12 acquisitions during the period for a total cash consideration payable of CHF 40 million. In 2017, the group paid a dividend of CHF 528 million.

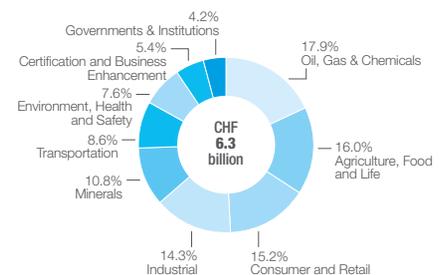
At 31 December 2017, the group's net debt position amounted to CHF 698 million compared with a net debt position of CHF 736 million at 31 December 2016.

## SGS in figures

### Geographical breakdown of 2017 revenue



### 2017 revenue by activity



## Key financial data

	2017	2016	2015
<b>Simplified income statement</b> (in CHF million)			
Revenue	6,349	5,985	5,712
Adjusted EBITDA	1,247	1,198	1,191
Adjusted operating income	969	919	917
Operating income (EBIT)	894	816	822
Net profit (group's share)	621	543	549
<b>Simplified balance sheet</b> (in CHF million)			
Shareholders' equity (group's share)	1,919	1,773	1,906
Non-controlling interests	86	80	75
Net debt	698	736	482
Debt-equity ratio (%)	35	40	24
Net debt/EBITDA (x)	0.6	0.6	0.4

## Investment case

The industry is characterised by high barriers to entry and attractive fundamentals:

- Expansion and ageing of infrastructure
- Externalisation of activities
- Development of regulations
- Growing complexity of products
- Consolidation

In this sector, SGS offers a particularly attractive profile:

- World leader
- Diversified portfolio
- Ideally positioned to take advantage of growth opportunities
- Resilient across economic cycles



## Market data and information on GBL's investment

Stock market data	2017	2016	2015
Number of shares issued (in thousands)	7,634	7,822	7,822
Market capitalisation (in CHF million)	19,397	16,208	14,949
Closing share price (in CHF/share)	2,541	2,072	1,911
Basic adjusted earnings per share (in CHF/share)	91.74	83.00	81.95
Diluted earnings per share (in CHF/share)	82.27	71.47	71.95
Dividend (in CHF/share)	75 <sup>(1)</sup>	70	68

GBL's investment	2017	2016	2015
Percentage of share capital (in %)	16.6	16.2	15.0
Percentage of voting rights (in %)	16.6	16.2	15.0
Market value of the investment (in EUR million)	2,751	2,445	2,067
Dividends collected by GBL (in EUR million)	83	73	67

Representatives in statutory bodies	3	3	3
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(1) Subject to the approval of the General Shareholders' Meeting

## TSR annualised (%)

	1 year	3 years	5 years
SGS	16.2	12.2	8.6
STOXX Europe 600 Industrial Goods & Services	17.3	12.5	12.4

Capital held by GBL



Representatives in statutory bodies



3 out of 10

SGS' contribution to the net dividends collected on GBL's investments



SGS' contribution to GBL's portfolio

