ANNUAL REPORT


SGS

SGS is the world's leading inspection, verification, testing and certification company. SGS is recognised as the global benchmark for quality and integrity. With more than 75 000 employees, SGS operates a network of over 1 500 offices and laboratories around the world.

We provide competitive advantage, drive sustainability and deliver trust. At SGS, we are continually pushing ourselves to deliver innovative services and solutions that help our customers move their businesses forward.

SGS LUDWIG GROUP

IN OUR BUSINESS, INTEGRITY IS EVERYTHING

FRANK M LANGENECKER
General Manager,
SGS Ludwig Group

People trust in our ability to keep things together. At SGS Ludwig Group, our business is solving materials fracture and welding challenges in one of the harshest environments on earth. We offer services to the Alberta oil and gas sector where physical integrity is everything for our customers' operations. We are a leader in specialised welding engineering, the understanding of failure mechanisms, government regulations, and the codes and standards required to allow our customers to successfully complete their projects. We help our customers – from government regulators to sophisticated technologists and non-technical decision makers – to design, manufacture, evaluate, and maintain their infrastructure correctly in order to reduce risk. For every customer, we communicate solutions that they can grasp easily. Our experts do this by translating the most up-to-date technological innovations into a simple message: 'It won't break.' Our integrity rests on this promise every day.

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10.2
organic revenue growth in % [1]

5.6
total revenue in CHF billion

16.3
total revenue up in %

16.9
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556
net profit for the year in CHF million

18
acquisitions

72.97
basic earnings per share in CHF

176
total cash consideration in CHF million for the acquisitions

800
cash flow from operating activities in CHF million

30
proposed ordinary dividend in CHF

28
proposed additional dividend per share in CHF

1. Constant currency basis.

DEAR SHAREHOLDERS,

The SGS Group results for 2012 show a year of solid achievement. Our revenue of CHF 5.6 billion (constant currency basis) was up 14.5% over 2011. On a reported basis, revenue for the year increased 16.3% compared with the 2011 published figures, benefiting from a favourable foreign exchange translation effect of 1.8%. This increase to the Group's 2012 revenues includes 4.3% from recently acquired companies as well as a strong organic revenue growth of 10.2%.

Our 2012 acquisitions growth benefited most of our regions and business lines, with South America gaining 36.2% acquisitions revenue growth and North America 5.3%. At the same time the SGS Group achieved double-digit organic revenue growth across five business lines and in all geographies other than Europe. Minerals Services maintained a healthy full-year organic growth rate of 13.8%, while Agricultural, Oil, Gas & Chemicals and Consumer Testing Services exhibited double-digit growth rates and positive momentum throughout the year.

Our adjusted operating income for 2012 increased 12.9% over 2011 on a constant current basis, reaching CHF 941 million and resulting in a margin of 16.9%. Operating cash flows remained strong at CHF 800 million, an increase of 15.9% over the prior year. With this the Board of Directors proposed a dividend of CHF 58 per share, CHF 30 representing an ordinary distribution of 41% of net profit and an additional CHF 28 reflecting the healthy cash generation capabilities of the Group.

We had a successful 2012, despite it being another tough year for the global economy. Market conditions continued to be challenging and showed no sign of widespread global economic recovery. The early months of 2012 set a slow global economic pace due to the ongoing sovereign debt crisis in Europe and reduced activities in this region, the general high public debt in advanced economies, continued unrest in the Middle East, and food price increases in maize, wheat and soybeans caused by a dry summer in the US, Ukraine and Kazakhstan. The debt problems in the Eurozone and weak growth across advanced economies had a negative effect on developing economies too, and world trade and industrial production slowed as a result. Subsequently, in advanced and emerging markets commodity prices were lowered over the course of 2012.

In these difficult economic conditions the sustained solid revenue growth achieved by the SGS Group is testament to our focused approach on product, market and service development and the value of our consistent ability to listen to our customers and deliver solutions. Our approach to innovation, investment and employee development has placed us ahead of market trends and enabled us to continue to surpass our previous results.

INNOVATION AND INVESTMENT ARE FUNDAMENTAL DRIVERS OF OUR GROWTH

2012 was an important year in terms of our 2014 objectives. It marked the midpoint towards achieving the goals laid out in the Plan and has set the pace for the years to come. Across the SGS Group we facilitated innovation, continued with our strategic investment and internally enhanced our programmes to support our people and cement our operational integrity.

We now have strong teams and processes in place identifying customers' needs and innovatively finding and delivering solutions that go beyond expectations. This has allowed us to create new technologies, improve on existing technologies already in the marketplace to make them more efficient and profitable, and to establish more effective processes. We are continually looking for new opportunities to bring our services together in ways that add value to our customers' businesses.

Throughout 2012 we sustained our strategic investment programme, developing initiatives to improve our processes and productivity, as well as to generate savings across the SGS Group. Some examples of process optimisation investments are the Laboratory Excellence Programme, our Sales Management Programme and Sales Pipeline, and our Standardised Inspections Reporting tool.

Procurement has been working on developing company-wide processes to ensure that we have the right resources in the right places, when we need them. This intelligent resource management is key if we are to continuously improve our ability to achieve more with less, as championed by our Sustainability team. We have implemented a system that increases the visibility of outsourcing expenditure across the SGS Group, which has allowed us to integrate purchasing and generate savings by increasing the volume of inhouse tasks we handle.

During 2012, we have further enhanced the foundations of the SGS business – our people. The key to continuing the global success of SGS is to support our employees and provide them with the best platform for their success. Our headcount has been steadily growing, which can be attributed to both the amalgamation of acquisitions and our Group's strong organic growth supported by focused recruitment and onboarding initiatives.

THE SGS GROUP SAW GLOBAL ACQUISITION GROWTH ACROSS SEVEN BUSINESS LINES

During 2012 we acquired a further 18 businesses across 11 countries as part of our ongoing strategic growth plan, including Herguth Laboratories and E&S Engineering Solutions, closed on December 31, 2012. The four acquired companies in South America have significantly strengthened our market presence in this region, while across all our acquisitions we grew SGS in Australia, the USA and Canada, South Africa and Europe and developed our services across seven of our business lines.

CIMM T&S was our first acquisition of the year, in January 2012. It provides outsourced analytical and technical services to the South American minerals industry. Through the integration of this business into the SGS Group we are now in a position to service major players operating in this field. The acquisition allows us to draw on expertise gained in geometallurgical services, hydrometallurgical services, mineralogy, plant operation and control services, production quality control, and environmental monitoring and consulting.

During the year we also expanded our ability to serve the energy, infrastructure, construction and public services sectors across Columbia, Peru and Panama with the acquisition of Columbian industrial services provider Estudios Técnicos SA, (ETSA) in March 2012. ETSA is now opening up significant business opportunities for SGS in the region, supported by the 500 highly skilled ETSA employees that joined the SGS Group.

We have continued to integrate each new acquisition into the SGS Group and utilise our integration plan to leverage the best synergistic opportunities within our planned timeframes. This process will continue throughout 2013 ensuring our customers benefit from the additional resources and expertise each acquisition brings.

THE YEAR AHEAD

As we enter the third year of the 2014 Plan, we are increasingly focused on the absolute achievement of its goals. The SGS Group has been taking decisive steps towards these targets and we aim to continue to grow the business both organically and through acquisitions. Strategically, we will target business areas and geographical locations that will further strengthen our services, while continuing to make investments into internal projects to support the achievement of The Plan's objectives. Innovations, streamlining processes and systems, and the development of our employees will all remain central.

Thank you to every SGS employee who helped to grow the business in 2012. Our continued success depends on your dedication. Together, our commitment ensures SGS continues to be the leading testing, inspection, certification and verification company. It is through our desire to innovate and build customer value that we are creating a path to success in 2014 and beyond.

Sergio Marchionne
Chairman of the Board

Christopher Kirk
Chief Executive Officer

SGS CIMM T&S

WE'VE ALWAYS BEEN LOOKING FOR THE PERFECT PARTNER

ROBERTO CASTILLO
Managing Director, SGS Chile

Which is why we knew SGS and CIMM Tecnologías y Servicios S.A would be a great partnership. At SGS CIMM T&S, we have over 15 years of experience delivering leading technologies and consultation for mining, metallurgy and environmental management in Chile. We offer an unrivalled network delivering state-of-the-art analytical technologies and specialised outsourcing to the major players within the South American mining industry. Our team provides unique capabilities in a comprehensive range of services including resource and geometallurgical services, analytical services, design and commissioning of geochemical and metallurgical facilities, metallurgical testing at the bench and pilot scale, hydrometallurgical services, mineralogy, plant operation and control services, outsourcing, production quality control, environmental monitoring and consulting. SGS CIMM T&S combines global expertise and intimate knowledge of the local market to create the perfect partnership for innovation and new business opportunities for our customers in South America.

SGS has an unrivalled reputation as the industry leader in finding innovative solutions to the complex challenges faced everyday by organisations. Our consultancy, outsourcing and training services complement our core inspection, verification, testing and certification services in delivering these solutions across all industries.

Through our unique global network we deliver independent results tailored to the precise needs of the industry or sector. Our customers trust in our expertise, experience and resources to support them in achieving outstanding performance in everything they do.

Our focus is on innovative ways to deliver business benefits. This enables us to help our customers improve quality, safety, efficiency, productivity and speed to market, while reducing risk and building trust in sustainable operations.

OUR VISION

We aim to be the most competitive and the most productive service organisation in the world. Our core competencies in inspection, verification, testing and certification are being continuously improved to be best-in-class. They are at the heart of what we are. Our chosen markets will be solely determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers all over the world.

OUR VALUES

We seek to be epitomised by our passion, integrity, entrepreneurship and our innovative spirit, as we continually strive to fulfil our vision. These values guide us in all that we do and are the bedrock upon which our organisation is built.

OUR MANAGEMENT

SGS is led by a dynamic group of individuals with many years of experience in their respective fields, and who are committed to our success as a company and to the success of our customers.

We are organised into ten lines of business and operate across ten geographic regions. Each business is led by an Executive Vice President (EVP), and each region is led by a Chief Operating Officer (COO). The EVPs and the COOs, in conjunction with the functional Senior Vice Presidents (SVPs) and the Group's Chief Executive Officer, Chief Financial Officer and General Counsel, make up the Operations Council, which meets regularly throughout the year to determine Group-wide strategies and priorities and review performance.

SENIOR MANAGEMENT*

Christopher Kirk
Chief Executive Officer & IT

Geraldine Matchett
Chief Financial Officer

Olivier Merkt
General Counsel &
Chief Compliance Officer

CHIEF OPERATING OFFICERS

Teymur Abasov
Eastern Europe & Middle East

Helmut Chik
China & Hong Kong

Pauline Earl
Western Europe

Alejandro Gomez de la Torre
South America

Anthony Hall
South Eastern Asia & Pacific

Dirk Hellemans
Central & North West Europe

Frédéric Herren
Africa

Jeffrey McDonald
North America

Ladislav Papik
South East Europe

Dennis Yang
Eastern Asia

EXECUTIVE VICE PRESIDENTS

Michael Belton
Minerals Services

Olivier Coppey
Agricultural Services

Anne Hays
Life Science Services

Frédéric Herren
Governments & Institutions Services

Thomas Klukas
Automotive Services

François Marti
Systems & Services Certification

Frankie Ng
Industrial Services

Peter Possemiers
Environmental Services

Malcolm Reid
Consumer Testing Services

Alim Saidov
Oil, Gas & Chemicals Services

SENIOR VICE PRESIDENTS

Dominique Ben Dhaou
Human Resources

Jean-Luc de Buman
Corporate Development,
Corporate Communications
& Investor Relations

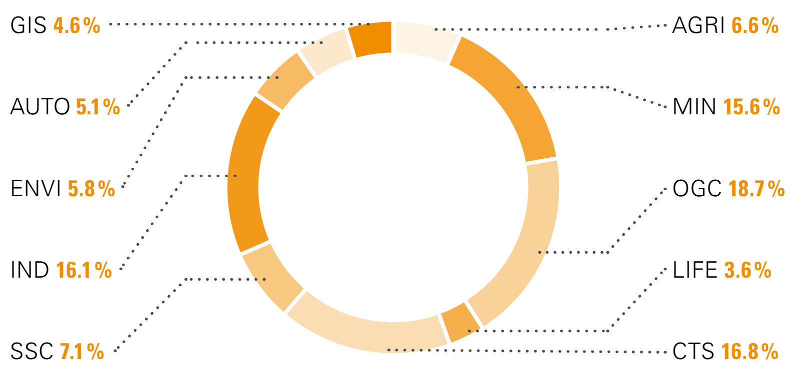
François Marti
Strategic Transformation

** Denotes members of the Operations Council directly supervised by the Board of Directors (Senior Management).*

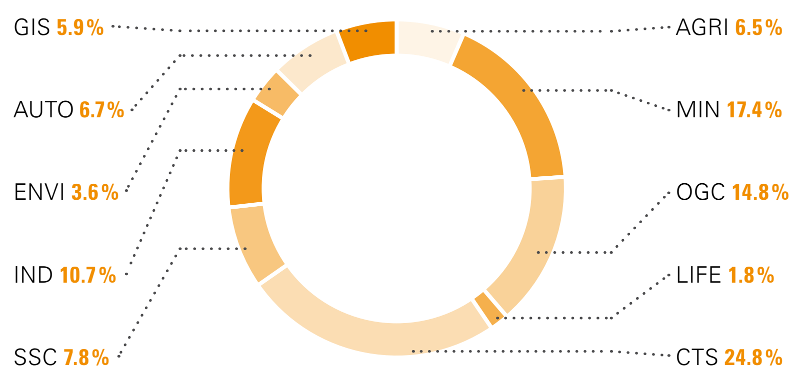
Organisation as at 1 February 2013.

REVENUE AND ADJUSTED OPERATING INCOME BY BUSINESS

REVENUE

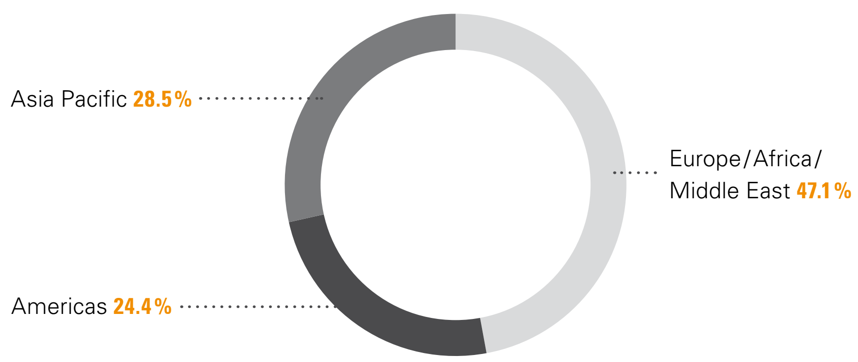


ADJUSTED OPERATING INCOME [1]



1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.

REVENUE BY REGION



AGRICULTURAL SERVICES

Agricultural Services delivered strong double-digit comparable revenue growth of 12.3% (of which 11.0% organic) to CHF 369 million for the year, with the positive momentum experienced in the first half carrying through into the second semester in most regions.

Revenues from trade-related services remained strong, sustained by high export volumes in the Black Sea, as well as favourable market conditions in Eastern Europe, India and Latin America for grain and in Vietnam for rice. Pest control and fumigation activities benefited from the high trade volumes in Europe and in North America. Inland activities also performed well with seed & crop services growing almost 30% for the year. These activities, which were introduced via acquisitions in North America, have now been successfully replicated in several locations in Europe and South America, while in Africa soil and leaf testing volumes also increased in the second semester.

The adjusted operating income margin for the year increased to 16.6% from 15.7% in prior year (constant currency basis) supported by the high volumes and favourable geographical patterns in trade services as well as a stronger peak season for field trials. Restructuring plans executed early in the year also supported the overall margin by addressing underperformance issues in legacy operations.

During the year, the Group acquired Gravena, an established contract research provider in Brazil with over 120 specialists in field trials, to strengthen and accelerate the growth of seed & crop services in South America. In addition, the Group acquired Ware Care, a pest management company based in the Netherlands. Investments in growth initiatives to sustain organic revenue growth also continued and the Group successfully commissioned a flagship Food Safety and Cold Chain facility in India, for which client up-take and market feedback is very positive.

(CHF million)	2012 RESULTS	2011 PRO-FORMA [2]	2011 PUBLISHED
REVENUE	**369.5**	**329.0**	**327.1**
Change in %		*12.3*	*13.0*
ADJUSTED OPERATING INCOME [1]	**61.3**	**51.8**	**51.2**
Change in %		*18.3*	*19.7*
MARGIN % [1]	**16.6**	**15.7**	**15.7**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.

2. Constant currency basis.

MINERALS SERVICES

Minerals Services delivered excellent comparable revenue growth of 24.2% (of which 13.8% organic) to CHF 868 millon for the year. This growth came from all activities in the service value chain and sustained growth in Africa, Asia and the Americas.

Despite high comparative figures in prior year and weaker market conditions in the second semester, the only segments that experienced a slowdown were energy minerals in Australia and North America and, to a lesser extent, the iron ore sector. Demand for geochemistry remained strong overall, driven by high sample volumes in Africa and South America, while the number of metallurgy projects also remained high with only a few postponements in Australia.

In January 2012, the Group acquired CIMM T&S, the leading provider of technical services to the mining industry in Chile, through a privatisation process. Since acquisition, the CIMM and SGS operations have been merged, combining locations, workforce and capabilities throughout the country thereby successfully extracting the anticipated synergies. Effective 31 December 2012, the Group also acquired E&S Engineering Solutions based in the USA, specialising in the development of mineral processing facilities for the mining industry throughout the world.

Adjusted operating income margin for the year decreased from 19.4% in prior year to 18.8% (constant currency basis). The CIMM acquisition, while significantly ahead of valuation assumptions, remains dilutive to the overall margin but this impact has been partly offset by strong incremental margins across the network thanks to high capacity utilisation and a favourable product mix.

During the year, the Group continued to invest in expanding network capacity, with total investments reaching CHF 90 million. These investments include nine new on-site laboratories and three commercial laboratories which will commence operations in 2013.

(CHF million)	2012 RESULTS	2011 PRO-FORMA [2]	2011 PUBLISHED
REVENUE	**868.0**	**698.7**	**677.7**
Change in %		*24.2*	*28.1*
ADJUSTED OPERATING INCOME [1]	**163.3**	**135.5**	**131.2**
Change in %		*20.5*	*24.5*
MARGIN % [1]	**18.8**	**19.4**	**19.4**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.

2. Constant currency basis.

OIL, GAS & CHEMICALS SERVICES

Oil, Gas & Chemicals Services delivered strong double-digit comparable revenue growth of 12.2% (of which 11.6% organic) to CHF 1 046 million for the year, becoming the first business to exceed one billion in annual turnover. All regions contributed to this increased top line, with North America, Africa and Australasia maintaining a consistently high growth rate throughout the year.

Trade inspection and laboratory testing services sustained solid revenue growth, with increased volumes in oil & gas trade and market share gains in North America, Asia, Eastern Europe and the Middle East, while chemical testing volumes also increased, mainly in the USA. Double-digit growth was achieved primarily in non-trade related activities. Upstream services delivered revenues up 35% over prior year, with key onshore contract wins in Australia, Papua New Guinea and the Middle East as well as increased subsurface consultancy and reserve validation work. Strong growth was also achieved in Plant & Terminal Operations and Cargo Treatment services, especially in North America, offsetting reduced volumes in Europe and the Caribbean.

The adjusted operating income margin for the year declined slightly from 13.5% in prior year (constant currency basis) to 13.3%, impacted by lower volumes in Europe following the closure of terminals and refineries as well as start-up costs related to new upstream contracts in the Middle East.

During the year, the business made capital investments amounting to CHF 76 million to support its organic growth, focusing primarily on equipment for well-side services, laboratory capacity expansions and mechanical sampling facilities. The Group also acquired three companies: Roplex, a company specialised in support and testing of vapour recovery systems, and EMICS, a leading independent UKAS (United Kingdom Accreditation Service) calibration laboratory, both in the UK; and on 31 December, the Group closed the acquisition of Herguth, a state-of-the-art petroleum and lubricant testing laboratory in California, USA.

(CHF million)	2012 RESULTS	2011 PRO-FORMA [2]	2011 PUBLISHED
REVENUE	**1 046.0**	**932.0**	**911.7**
Change in %		*12.2*	*14.7*
ADJUSTED OPERATING INCOME [1]	**139.2**	**126.0**	**123.3**
Change in %		*10.5*	*12.9*
MARGIN % [1]	**13.3**	**13.5**	**13.5**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.

2. Constant currency basis.

LIFE SCIENCE SERVICES

Life Science Services experienced a difficult year, reporting revenues of CHF 199 million, 3.7% above prior year on a constant currency basis (of which 0.9% organic) as the decline in clinical research volumes largely offset the double-digit growth delivered by laboratory services.

Laboratory operations delivered strong organic revenue growth of 15.5% and now account for over half of the revenues and profits of the division. This growth was driven by biologics-related activities in Europe, including the M-Scan operations acquired in 2010, the upgrade of all three North American quality control laboratories and the opening of a new state-of-the-art facility in Mumbai. These developments offset a slower than expected recovery in bioanalysis and mass spectrometry services in France.

Revenues from clinical research activities declined further in comparison with 2011, itself a very weak year, hampered by the small number of molecules reaching early phase trial stage and clear over-capacity amongst Clinical Research Organisations. This decline in activity levels particularly impacted the Paris clinic due to its fixed cost base and independent infrastructure. As the early phase clinical trial market conditions are expected to remain weak, an initial consultation phase in view of closing the Paris clinic has been launched and as a result, restructuring costs of CHF 21 million (net of tax) were provisioned in 2012.

Overall, the adjusted operating income margin declined from 10.8% in prior year to 8.7% (constant currency basis), impacted by the deteriorating margins in clinical research.

During the year, the Group acquired Vitrology, a biopharmaceutical contract testing organisation, very active in biosafety testing, based in Glasgow, UK. This acquisition completes the biologics service offering, adding biosafety and synergies with M-Scan. In addition, the Group acquired Exprimo, a life science consultancy company based in Belgium.

(CHF million)	2012 RESULTS	2011 PRO-FORMA [2]	2011 PUBLISHED
REVENUE	**199.3**	**192.1**	**192.0**
Change in %		*3.7*	*3.8*
ADJUSTED OPERATING INCOME [1]	**17.3**	**20.8**	**20.7**
Change in %		*(16.8)*	*(16.4)*
MARGIN % [1]	**8.7**	**10.8**	**10.8**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.

2. Constant currency basis.

CONSUMER TESTING SERVICES

Consumer Testing Services delivered strong double-digit comparable revenue growth of 12.9% (of which 10.8% organic) to CHF 936 million for the year, with all regions contributing to the top line increase.

Organic revenue growth was sustained by all activities. Traditional segments such as food testing continued their positive momentum delivering double-digit growth with particularly strong market share in South America and Asia and benefiting from an extensive geographical footprint following investments made by the Group in the laboratory network. Softline testing also remained solid, with new laboratory capacity now in operation, supported by focused global key account management. Newer segments, such as automotive parts testing, delivered revenues significantly ahead of prior year with the new laboratory in Tianjin, China, further reinforcing our position as the market leader.

The adjusted operating income margin for the year decreased slightly from 25.7% in prior year (constant currency basis) to 24.9%, reflecting some increases in operating costs in China. These costs were only partially offset by operational efficiency gains and investments in new facilities in the network yet to reach full capacity. In addition, some of the recent acquisitions, while adding valuable new activities to the national service portfolios, currently remain dilutive to the overall margins.

During the year, the Group acquired the Sercovam Group headquartered in Cestas, France. Sercovam is a leading laboratory testing group with state of the art facilities in Etupes and Cestas in France and sales offices in Spain and Italy. It serves the automotive, aeronautic and rail industry as well as the packaging industry in France, Germany, Spain and Italy. Founded in 1987, Sercovam employs 85 highly qualified experts.

(CHF million)	2012 RESULTS	2011 PRO-FORMA [2]	2011 PUBLISHED
REVENUE	**936.2**	**829.1**	**802.0**
Change in %		*12.9*	*16.7*
ADJUSTED OPERATING INCOME [1]	**233.0**	**213.3**	**202.7**
Change in %		*9.2*	*14.9*
MARGIN % [1]	**24.9**	**25.7**	**25.3**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.

2. Constant currency basis.

SYSTEMS & SERVICES CERTIFICATION

Systems & Services Certification delivered organic revenue growth of 6.2% over prior year to CHF 395 million, with strong profitable growth in most regions being partly offset by difficult market conditions in Spain and Italy.

Despite the uncertain economic environment, statutory certification delivered solid organic revenue growth overall. All regions contributed to this increased top line, with double-digit growth in China, South America, Eastern Europe and Africa compensating for a weaker performance in Southern Europe and North America. Other activities also performed well, in particular second-party audit programmes which gained momentum in the second semester, supported by investments made in previous years to both enhance the Group's international sales and key account management structure and introduce new programmes such as sustainability-related supplier audits. Training activities, while achieving double-digit growth in Asia and North America, did not progress as intended, hampered by a weak performance in Australia following the loss of an important contract with the mining industry.

The adjusted operating income margin for the year declined slightly from 18.9% in prior year (constant currency basis) to 18.7%, reflecting the impact of difficult market conditions in Southern Europe. Restructuring activities have been undertaken throughout the year to align the organisation to these changing markets.

Also reflected in the margin are investments made in line with the growth strategy to develop new industry bespoke services as well as expand the food safety certification and training activities into several key countries across Asia and South America.

During the year, new service development programmes were initiated, focusing on specific needs of the healthcare and automotive sectors as well as supply chain activities around environment, health and safety.

(CHF million)	2012 RESULTS	2011 PRO-FORMA [2]	2011 PUBLISHED
REVENUE	**394.9**	**372.0**	**364.0**
Change in %		*6.2*	*8.5*
ADJUSTED OPERATING INCOME [1]	**73.7**	**70.3**	**68.2**
Change in %		*4.8*	*8.1*
MARGIN % [1]	**18.7**	**18.9**	**18.7**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.

2. Constant currency basis.

INDUSTRIAL SERVICES

Industrial Services delivered solid comparable revenue growth of 20.2% (of which 9.5% organic) to CHF 899 million, supported by five acquisitions in the year.

Market conditions in Europe remain very challenging with projects being delayed and austerity measures impacting public spending. Despite this, strong organic revenue growth was achieved thanks primarily to positive momentum in Asia, Australia and Africa, as well as a recovery in the Middle East. Materials Testing, Non Destructive Testing (NDT), Project Monitoring and Supply Chain services were the main growth drivers, supported by recent acquisitions which expanded these capabilities into a much wider geography and capital investments made in the laboratory network. Statutory inspection activities also delivered growth in the year and remain an important segment despite the volume decline in Spain.

The adjusted operating income margin for the year increased to 11.2% from 10.7% in prior year (constant currency basis). Accretive margins from acquisitions and higher profitability in Asia, North America and the Middle East offset difficult market conditions in Europe, which required significant restructuring to be undertaken, particularly in Spain and Italy.

During the second semester, the business completed three additional acquisitions, enhancing its global footprint. In Canada, the Group acquired Ludwig, a leading material and metallurgical testing laboratory based in Calgary and Edmonton. In Australia, the Group acquired Gladstone, a well established construction material testing business in Queensland, focused on road construction and the commercial and residential building sectors. The Group also acquired Sentinel, a company based in Johannesburg, South Africa, providing NDT services and consulting to the power, oil, railway, mining and manufacturing industries.

(CHF million)	2012 RESULTS	2011 PRO-FORMA[2]	2011 PUBLISHED
REVENUE	**898.6**	**747.8**	**747.0**
Change in %		*20.2*	*20.3*
ADJUSTED OPERATING INCOME[1]	**100.3**	**80.1**	**80.0**
Change in %		*25.2*	*25.4*
MARGIN %[1]	**11.2**	**10.7**	**10.7**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.
2. Constant currency basis.

ENVIRONMENTAL SERVICES

Environmental Services delivered comparable revenue growth of 13.2% (of which 6.6% organic) to CHF 323 million for the year, sustained by solid growth in emerging markets and seven acquisitions over the last two years.

South America, Africa as well as China and Australasia continued to drive organic revenue growth, leveraging the Group's client base in the natural resources sector where legislation surrounding minerals and oil & gas extraction continues to tighten. This was sufficient to offset the impact of challenging market conditions in Europe and North America where restructuring plans have been initiated to move the organisation away from declining segments of the industry and address profitability issues. This applied particularly to France, Spain and Italy, while Germany, Belgium and the UK succeeded in maintaining profitable growth through the deployment of integrated services combining field, laboratory and data interpretation.

The adjusted operating income margin for the year increased to 10.6% from 9.4% in prior year (constant currency basis), driven by operational efficiency gains in Australia and North America as well as significant growth in newly established activities in South America and Africa, capitalising on investments made in manpower and laboratory infrastructure. Combined with accretive margins from acquisitions, this was sufficient to offset a weak performance in Southern Europe.

During the year the business acquired three companies. In the USA, the Group acquired Analytical Perspectives in North Carolina, specialised in ultra-trace analysis of various persistent organic pollutants. In Brazil, the Group acquired Environ, the leading occupational health and industrial hygiene laboratory in the country. In Australia, the Group acquired Australian Radiation Services (ARS) in Melbourne, an international provider of radiation calibration, monitoring, testing and consulting services.

(CHF million)	2012 RESULTS	2011 PRO-FORMA[2]	2011 PUBLISHED
REVENUE	**322.7**	**285.0**	**283.8**
Change in %		*13.2*	*13.7*
ADJUSTED OPERATING INCOME[1]	**34.3**	**26.9**	**26.8**
Change in %		*27.5*	*28.0*
MARGIN %[1]	**10.6**	**9.4**	**9.4**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.
2. Constant currency basis.

AUTOMOTIVE SERVICES

Automotive Services delivered comparable revenue growth of 6.4% (of which 4.6% organic) to CHF 287 million for the year, supported by solid statutory inspection results in all regions and the prior year acquisition of ETC, an engine and vehicle testing business in the USA, now fully integrated within the Group.

Revenues from statutory inspection activities remained solid throughout the year, with European operations in France, Spain and the UK benefiting from higher vehicle inspection volumes while in Africa, revenues in Ivory Coast increased following the opening of a new station and the network in Morocco expanded as a result of stricter enforcement and higher compliance rates. In South America, revenues from the first testing centre in Peru, which opened in 2011, increased progressively throughout the year while volumes in Chile remained stable.

The adjusted operating margin for the year increased to 22.1% from 21.7% in prior year (constant currency basis), benefiting from the strong statutory inspection results in Europe, the USA and Africa as well as inspection fee increases in Argentina and Uruguay granted by government in view of high inflation in both countries. This was sufficient to offset weaker results in North America where, as anticipated, significantly lower volumes impacted the profitability of commercial activities despite proactive restructuring measures.

During the year, the Group continued to invest in vehicle inspection centres in France, Ivory Coast and Argentina, as well as maintaining and upgrading centres in Spain which were acquired in 2010 as part of the ITV network.

(CHF million)	2012 RESULTS	2011 PRO-FORMA[2]	2011 PUBLISHED
REVENUE	**286.9**	**269.7**	**270.2**
Change in %		*6.4*	*6.2*
ADJUSTED OPERATING INCOME[1]	**63.4**	**58.5**	**59.3**
Change in %		*8.4*	*6.9*
MARGIN %[1]	**22.1**	**21.7**	**21.9**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.
2. Constant currency basis.

GOVERNMENTS & INSTITUTIONS SERVICES

Governments & Institutions Services delivered excellent organic revenue growth for the year of 17.3% to CHF 256 million, driven primarily by increasing volumes on Local Solution contracts, the introduction of new services and stable trade volumes in the Pre-Shipment Inspection (PSI) programmes.

Local Solution services, now representing 69% of total revenues for the division, delivered organic revenue growth of 24.0% over prior year. This was achieved through the continued expansion of Product Conformity Assessment (PCA) programmes with new contracts signed in Tanzania, Uganda, Kuwait and Northern Iraq as well as the renewal of the Kenya programme. TradeNet services also performed well as a result of high trade volumes in Ghana and Madagascar and the start-up of operations in Mozambique.

Revenues from Global Solution activities remained solid throughout the year, with volumes on the long-established PSI programmes in Cameroon and Haiti remaining stable.

Overall, the adjusted operating margin for the year was strong at 21.5% supported by an established network for the execution of PCA-related inspections and the growth of new services. The margin was slightly behind prior year which had benefited from higher volumes on all PSI contracts.

During the year, the Group continued to invest in the deployment of new contracts, including the completion of the TradeNet platform for Mozambique, the finalisation of the e-Government platform for the Ghana Revenue Authority and scanning equipment for Madagascar. The Group also implemented the first Forestry monitoring program involving scanners in the Democratic Republic of Congo (DRC) and has run successful telecommunications monitoring programmes in Haiti, Rwanda and Uganda.

(CHF million)	2012 RESULTS	2011 PRO-FORMA[2]	2011 PUBLISHED
REVENUE	**256.0**	**218.3**	**221.7**
Change in %		*17.3*	*15.5*
ADJUSTED OPERATING INCOME[1]	**55.1**	**50.0**	**51.8**
Change in %		*10.2*	*6.4*
MARGIN %[1]	**21.5**	**22.9**	**23.4**

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs.
2. Constant currency basis.

SGS INTECH

WE KNOW VALUE, AND CAN PROVE IT

CHAD SIMONTON
NAM OGC Upstream Technical
Services Manager, SGS InTech

Which is why SGS Innovative Technical Services (InTech) offers specialised technical consulting services to the oil and gas industry. At SGS InTech we deliver best-value services in measurement assessments, hydrocarbon allocation, project management, and process improvement within the Upstream sector. Combining our technical capabilities with SGS Upstream Analytical and Field Services allows us to tailor customer specific solutions that increase accuracy, improve reliability, and maintain continuous improvement in measurement and allocation processes. Our proven quality assurance and validation techniques, combined with our surveillance procedures, ensure reliability in results from initial measurement to product allocation. We help our customers demonstrate accurate, unbiased, and defendable allocation of produced hydrocarbons to stay in compliance with commercial and regulatory requirements. Which is why we know value, and can reliably prove it for others.

CORPORATE GOVERNANCE

This Corporate Governance Report informs shareholders, prospective investors and the public at large on SGS policies in matters of corporate governance such as the structure of the Group, shareholders' rights, roles and duties of the Board of Directors and its Committees and Management, internal controls and audits as well as directors and executive compensation. This report has been prepared in compliance with the Swiss Exchange (SIX) Directive on Information Relating to Corporate Governance of October 29, 2008 as amended and related commentary issued by SIX.

This report includes the SGS Compensation Report for 2012 (section 5), which is subject to an advisory vote at the Annual General Meeting of Shareholders, following the recommendations of the Swiss Code of Best Practice for Corporate Governance in this matter.

The SGS Corporate Governance's framework aims to achieve an efficient allocation and management of resources, clear mechanisms for setting strategies and targets in order to maximise and protect shareholder value. SGS strives to attain this goal by defining clear and efficient decision-making processes, fostering a climate of performance and accountability among managers and employees alike and aligning employees' remuneration with the long-term interests of shareholders.

1

GROUP STRUCTURE AND SHAREHOLDERS

1.1. GROUP STRUCTURE

SGS SA, registered in Geneva (CH), also referred to as the "Company", controls directly or indirectly all entities worldwide belonging to the SGS Group, which provides independent inspection, verification, testing, certification and quality assurance services.

The shares of SGS SA are listed on the SIX Swiss Exchange and are traded on SIX Europe (Swiss Security Number: 249745; ISIN: CH0002497458). On 31 December 2012, the market capitalisation of SGS SA was CHF 15 848 million.

None of the companies under the direct or indirect control of SGS SA has listed its shares or other securities on any stock exchange.

The principal legal entities consolidated within the Group are listed on pages 124 to 127 of the Annual Report, with details of the share capital, the percentage of shares controlled directly or indirectly by SGS SA and the registered office or principal place of business.

Details of material acquisitions made by the SGS Group during 2012 are provided in note 3 to consolidated financial statements included in the section SGS Group Results (pages 59 to 60) of this Annual Report.

The operations of the Group are divided into 10 regions, each led by a Chief Operating Officer who is responsible for the SGS businesses in that region and for the local implementation of Group policies and strategies.

At 31 December 2012, geographic operations were organised as follows:

Europe, Africa, Middle East

- Western Europe
- Central & North West Europe
- South East Europe
- Eastern Europe & Middle East
- Africa

Americas

- North America
- South America

Asia Pacific

- East Asia
- China & Hong Kong
- South East Asia & Pacific

The Group is also structured into 10 lines of business. Each business line is responsible for the global development of Group activities within its own sphere of specialisation and for the execution of strategies with the support of the Chief Operating Officers.

At 31 December 2012, the business lines were organised as follows:

- Agricultural
- Minerals
- Oil, Gas & Chemicals
- Life Science
- Consumer Testing
- Systems & Services Certification
- Industrial
- Environmental
- Automotive
- Governments & Institutions

Each line of business is led by an Executive Vice President.

Chief Operating Officers and Executive Vice Presidents are members of the Operations Council, the Group's most senior management body.

1.2. SIGNIFICANT SHAREHOLDERS

As at 31 December 2012, Exor held 15.00% (2011: 15.00%), Mr. August von Finck and members of his family acting in concert held 14.97% (2011: 14.97%), the Bank of New York Mellon Corporation held 3.26% (2011: 3.30%), of the share capital and voting rights of the Company.

SGS SA, together with certain of its subsidiaries, held 2.43% (2011: 3.31%) of the share capital of the company.

During 2012, the Company has published regularly on the electronic platform of the Disclosure Office of the SIX Swiss Exchange Ltd all disclosure notifications received from shareholders of transactions subject to the disclosure obligations of Article 20 SESTA. Such disclosure notifications can be accessed at http://www.six-swiss-exchange.com/shares/companies/.

1.3. CROSS-SHAREHOLDINGS

Neither SGS SA nor its direct and indirect subsidiaries has any cross-shareholding in any other entity, whether publicly traded or privately held.

2

CAPITAL STRUCTURE

2.1. ISSUED SHARE CAPITAL

The share capital of SGS SA is CHF 7 822 436 and comprises 7 822 436 fully paid-in, registered shares of a par value of CHF 1.

On 31 December 2012, SGS SA held, directly or indirectly, 190 394 treasury shares (2011: 258 576).

In 2012, 74 859 treasury shares were sold or released to cover option rights. These shares were sold at an average price of CHF 1 173. During the year, 6 677 treasury shares were purchased for an average price of CHF 1 691 in application of a CHF 250 million Share Buy-Back programme valid from 12 March 2012 to 31 December 2014.

2.2. AUTHORISED AND CONDITIONAL SHARE CAPITAL

The Board of Directors has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares with a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is authorised to issue the new shares at the market conditions prevailing at the time of issue. In the event that the new shares are issued for the purposes of an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription or to allocate such subscription rights to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 15 March 2013.

The shareholders have conditionally approved an increase of share capital by an amount of CHF 1 100 000 divided into 1 100 000 registered shares with a par value of CHF 1 each. This conditional share capital increase is intended to obtain the shares necessary to meet the Company's obligations with respect to employee share option plans and option or conversion rights of convertible bonds or similar equity-linked instruments that the Board is authorised to issue. The right to subscribe to such conditional capital is reserved to beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

2.3. CHANGES IN CAPITAL

There have been no changes to the Company's share capital in the last six years.

2.4. SHARES AND PARTICIPATION CERTIFICATES

All shares, other than treasury shares held directly or indirectly by SGS SA, have equal rights to the dividends declared by the Company and have equal voting rights.

The Company has not issued any participation certificates (bons de participation/Partizipationsscheine).

2.5. PROFIT SHARING CERTIFICATES

The Company has not issued any profit sharing certificates.

2.6. LIMITATIONS ON TRANSFERABILITY AND ADMISSIBILITY OF NOMINEE REGISTRATIONS

SGS SA does not limit the transferability of its shares. The registration of shares held by nominees is not permitted by the Company's Articles of Association, except by special resolution of the Board of Directors. By decision of the Board, made public in a note issued by SAG (then SEGA) on 4 October 2001, the Company's shares can be registered in the name of a nominee acting in a fiduciary capacity for an undisclosed principal. Such shares do not carry voting rights except with the approval of the Board of Directors. On 23 March 2005, the Board of Directors decided to approve the registration of such shares with voting rights of up to 5% of the aggregate share capital of the Company. This decision was communicated to SAG.

The Company has a single class of shares and no preferential rights, statutory or otherwise, have been granted to any shareholder.

2.7. CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds have been issued by the Company or by any entity under its direct or indirect control. Options granted to senior managers and Directors of the Group are detailed in section 5. Details of all options outstanding are provided in note 31 to the consolidated financial statements of the Group. No other options or similar instruments have been issued by the Company nor by any of the Group's subsidiaries.

3

BOARD OF DIRECTORS

The Board of Directors is the highest governing body within the Group. It is the ultimate decision-making authority except for those decisions reserved by law to the General Meeting of Shareholders.

3.1. MEMBERS OF THE BOARD OF DIRECTORS

This section presents the Members of the Board of Directors of the Company, with their functions in the Group, their professional background and all their material positions in governing and supervisory boards, management positions and consultancy functions, official tenures and political commitments, both in Switzerland and abroad, as at 31 December 2012 (an * denotes a listed company).

Olivier Merkt, General Counsel & Chief Compliance Officer of the Group, acts as the Company Secretary; he is not a Member of the Board of Directors.

SERGIO MARCHIONNE (1952)

Canadian/Italian

Function in SGS

Chairman:

- Board of Directors
- Audit Committee
- Nomination and Remuneration Committee
- Professional Conduct Committee

Initial appointment to the Board

May 2001

Professional Background

CEO:

- *Fiat S.p.A., Turin (IT), since 2004
- Chrysler Group LLC., Auburn Hill, Michigan, USA, since 2009 and Chairman since 2011

Other Activities and Functions

*Fiat S.p.A., Turin (IT), Member of the Board since 2003

*Fiat Industrial S.p.A., Turin (IT), Chairman since 2011

*CNH Global N.V., Amsterdam (NL), Member of the Board since 2004, Chairman since 2006

*Philip Morris International SA, Lausanne (CH), Member of the Board since 2008

*Exor S.p.A., Turin (IT), Member of the Board since 2010

European Automobile Manufacturers' Association (ACEA), Brussels (BE), Member of the Board since 2004

TIBERTO RUY BRANDOLINI D'ADDA (1948)

Italian

Function in SGS

Member:

- Board of Directors
- Audit Committee

Initial appointment to the Board

March 2005

Professional Background

*Sequana SA, Paris (FR), Chairman since 2005

Other Activities and Functions

Exor Investissements SA, Luxembourg (LU), Chairman of the Board since 2007

*Exor S.p.A., Turin (IT), Vice-Chairman since 2009

Giovanni Agnelli e C., Turin (IT), Member of the Board since 2004

*Fiat S.p.A., Turin (IT), Member of the Board since 2004

Yafa S.p.A., Turin (IT), Member of the Board since 2011

JOHN ELKANN (1976)

Italian

Function in SGS

Member:

- Board of Directors
- Nomination and Remuneration Committee

Initial appointment to the Board

March 2011

Professional Background

Chairman:

- *Fiat S.p.A., Turin (IT), since 2010 (member of the Board since 1997)
- *Exor S.p.A., Turin (IT), since 2009
- Giovanni Agnelli e C., Turin (IT), since 2010 (member of the Board and partner since 2004)

Other Activities and Functions

*Fiat Industrial S.p.A., Turin (IT), Member of the Board since 2010

The Economist Group, London (UK), Member of the Board since 2009

Banca Leonardo, Milan (IT), Member of the Board since 2006

Italy-China Foundation, Milan (IT), Member of the Board since 2005 (Vice Chairman from 2005 to 2010)

Italian Aspen Institute, Rome (IT), Vice-Chairman since 2004

Giovanni Agnelli Foundation, Turin (IT), Member of the Board since 2004

AUGUST VON FINCK (1930)

German

Function in SGS

Member:

- Board of Directors
- Nomination and Remuneration Committee

Initial appointment to the Board

October 1998

Professional Background

Industrialist

Other Activities and Functions

Generali Holding Vienna AG, Vienna (AT), Member of the Board since 1974

AUGUST FRANÇOIS VON FINCK (1968)

Swiss

Function in SGS

Member:

- Board of Directors
- Audit Committee

Initial appointment to the Board

May 2002

Professional Background

Industrialist

Other Activities and Functions

*Custodia Holding, Munich (DE), Member of the Board since 1999

Carlton Holding, Allschwil (CH), Member of the Board since 2001

*Staatl. Mineralbrunnen AG, Bad Brückenau (DE), Member of the Board since 2001

Bank von Roll, Zürich (CH), Vice-President of the Board since 2009

*Von Roll Holding AG, Breitenbach (CH), Member of the Board since 2010

CORNELIUS GRUPP (1947)

Austrian

Function in SGS

Member:

- Board of Directors

Initial appointment to the Board

March 2011

Professional Background

Owner/General Manager:

- Tubex Holding GmbH, Rangendingen (DE)
- CAG Holding GmbH, Marktl (AT)

Other Activities and Functions

Schoellerbank AG, Vienna (AT), Member of the Board since 1999

Stölzle Oberglas, Koeflach (AT), Member of the Board since 1989

Honorary Consul of Austria to the Land of Baden-Württemberg

PETER KALANTZIS (1945)

Swiss/Greek

Function in SGS

Member:

- Board of Directors
- Audit Committee

Initial appointment to the Board

March 2009

Professional Background

Economist, Consultant

Other Activities and Functions

Mövenpick/Holding AG, Baar (CH), Chairman of the Board since 2001

Clair AG, Cham (CH), Chairman of the Board since 2004

*CNH Global NV, Amsterdam (NL), Member of the Board since 2006

Degussa Sonne/Mond Goldhandel AG, Cham (CH), Chairman of the Board since 2012

*Lamda Development Ltd, Athens (GR), Chairman of the Board since 2010, Member since 2004

Paneuropean Oil and Industrial Holdings SA, Luxembourg (LU), Member of the Board since 2002

*Von Roll Holding AG, Breitenbach (CH), Chairman of the Board since 2010, Member of the Board since 2007

Transbalkan Pipeline BV, Amsterdam (NL), Member of the Supervisory Board since 2008

Hardstone Services SA, Geneva (CH), Member of the Board since 2009

SHELBY R. DU PASQUIER (1960)

Swiss

Function in SGS

Member:

- Board of Directors
- Professional Conduct Committee

Initial appointment to the Board

March 2006

Professional Background

Attorney at law, Partner Lenz & Staehelin law firm, Geneva

Other Activities and Functions

*Swiss National Bank, Member of the Board since 2012

Stonehage Trust Holdings (Jersey) Limited, Member of the Board since 2012

Additional biographical information on the Members of the Board of Directors may be viewed on the Group website, http://www.sgs.com/en/Our-Company/About-SGS/Board-and-Executive-Management/Board-and-Committees.aspx, which is updated regularly.

The Directors bring a wide range of experience and skills to the Board. They participate fully in decisions on key issues facing the Group. Their combined expertise in the areas of finance, commercial law, strategy, and their respective position of leadership in various industrial sectors are important contributing factors to the successful governance of an organisation of the size and complexity of SGS. The Board undertakes a periodic review of the Directors' interests in which all potential or perceived conflicts of interests and issues relevant to their independence are considered. Based on this review, the Board has concluded that all the non-executive Directors (including the Chairman) are independent from management and free of any relationship that could materially interfere with the exercise of their independent judgement. With the exception of Sergio Marchionne, who was Chief Executive Officer of the Group between February 2002 and June 2004, none of the Directors or their close relatives has or had any management responsibility within the SGS Group.

None of the Members of the Board of Directors or their close relatives has or had any material business connections with the Company or its affiliated companies. The remuneration of the Members of the Board of Directors is detailed in section 5.2.1.

The Chairman of the Board, jointly with members of the Board of Directors, reviews periodically the performance of the Board as a whole, of its Committees and of each of its individual members. On the basis of this periodic assessment, changes to the composition of the Board membership are regularly proposed to the Company's Annual General Meeting of Shareholders. This periodic performance evaluation is designed to ensure that the Board is always in a position to provide an effective oversight and leadership role to the Group.

3.2. CROSS INVOLVEMENT

No member of the Board of Directors or of the Operations Council is also a member of the executive bodies of entities or organisations with which the Group has material business or commercial relations.

3.3. ELECTIONS AND TERMS OF OFFICE

The Articles of Association of SGS SA provide that the Members of the Board of Directors are elected by the shareholders for a maximum term of four years. Each Member of the Board is individually elected at the Annual Meeting of Shareholders. There is no limit to the number of terms a Director may serve. The term of office of all the current Board Members will expire at the 2014 Annual General Meeting of Shareholders, at which time all Board positions will be subject to election by the shareholders. There is no provision for partial, rotating or staggered renewal of the Board of Directors. By-elections may be held before the end of the term of office in the event of vacancies.

The initial date of appointment of each Board Member is indicated in section 3.1.

3.4. INTERNAL ORGANISATIONAL STRUCTURE

The duties of the Board of Directors and its Committees are defined in the Company's internal regulations which are reviewed periodically. They set out all matters for which a decision by the Board of Directors is required. In addition to the decisions required by Swiss company law, the Board of Directors approves the Group's strategies and key business policies, investments, acquisitions, disposals and commitments in excess of delegated limits.

The Members of the Board of Directors are briefed in advance of Board meetings on matters to be addressed at the meeting and each Board member receives monthly reports on the Group's operational results and financial position. They are regularly updated on key aspects of the Group's business and other material issues. The Board of Directors meets with all members of the Operations Council at least twice a year. The Chief Executive Officer, Chief Financial Officer and General Counsel & Chief Compliance Officer (hereafter "Senior Management") attend all of the Board of Directors meetings, while other Operations Council members attend from time to time to discuss matters under their direct responsibility. The Board of Directors held five meetings in 2012.

3.4.1. Allocation of Board Member tasks

The Board of Directors elects its Chairman, currently Sergio Marchionne (see section 3.1.) and the members of its committees at the beginning of each term, at its first meeting after the Annual General Meeting of shareholders.

3.4.2. Committees

The Board has established the following committees:

- Nomination and Remuneration
- Audit
- Professional Conduct

Each committee acts within terms of reference established by the Board of Directors and set out in the internal regulations of the Company. The minutes of their meetings are available to all Directors. The Chairman of the Board also chairs each of the Board Committees.

Section 3.1. indicates the membership of each Board Committee.

Nomination and Remuneration Committee

Section 5.1. of this report describes the terms of reference and activities during 2012 of the Nomination and Remuneration Committee. In 2012, the Committee held one meeting and passed one resolution in writing.

Audit Committee

The Audit Committee supports the Board of Directors in discharging its duties in relation to financial reporting and control. Such duties include consideration of the appropriateness of accounting policies, the adequacy of internal controls and risk management and regulatory compliance. It is also responsible for the supervision of the internal and external auditors of the Group, each of which provides regular reports to the committee on findings arising from their work. The committee reports regularly to the Board of Directors on its findings. In 2012, the Audit Committee held three meetings.

Professional Conduct Committee

The Professional Conduct Committee assists the Board of Directors and Management in establishing policies relating to professional conduct and oversees their implementation. The Group's professional conduct policies are embodied in the Code of Integrity which sets out the principles governing business conduct, which are applied across the whole SGS Group. These principles reflect the Business Principles for Countering Bribery issued by Transparency International and Social Accountability International and incorporate the rules adopted by the International Federation of Inspection Agencies (IFIA), the professional association for the inspection industry. The Committee met twice in 2012 and passed several resolutions in writing.

In addition to the Board Members indicated in the section 3.1., the Professional Conduct Committee also comprises the Chief Executive Officer and the General Counsel & Chief Compliance Officer (General Counsel). The head of Internal Audit attends all meetings of the Professional Conduct Committee.

3.4.3. Board Meetings

The Board of Directors convenes regularly scheduled meetings with additional meetings held as and when required, in person or by phone conference. It may pass resolutions by written consent.

The Chairman plans and defines the agenda of the meetings of the Board and its Committees. Each Board Member has the right to request that a meeting be held or that an item for discussion and decision be included in the agenda of a meeting. Board and Committee members receive supporting documentation in advance of the meetings and are entitled to request further information from the Management in order to assist them to prepare for the meetings.

To be adopted, resolutions need a majority vote of the members of the Board or Committee, with the Chairman having a casting vote.

3.5. DEFINITION OF AREAS OF RESPONSIBILITY

The Board of Directors is responsible for the ultimate direction of the Group. The Board discharges all duties and responsibilities which are attributed to it by law. In particular, the Board:

- Leads and oversees the conduct, management and supervision of the Group
- Determines the organisation of the Group
- Assesses risks facing the business and reviews risk management and mitigation policies
- Appoints and removes the Group's Chief Executive Officer and other members of Management
- Defines the Group's accounting and control principles
- Decides on major acquisitions, investments and disposals
- Discusses and approves the Group's strategy, financial statements and annual budgets
- Prepares the General Meetings of Shareholders and implements the shareholders' resolutions
- Notifies the judicial authorities in the event of insolvency of the Company, as required by Swiss law

In accordance with the Company's internal regulations, operational management of the Group, a function which the Board of Directors has delegated, is the responsibility of the Operations Council. The Operations Council has the authority and responsibility to decide on all issues which are not attributed to the Board of Directors. In the event of uncertainty on a particular issue regarding the separation of responsibility between the Board of Directors and the Management, the final decision is taken by the Chairman of the Board.

The Chairman is regularly informed of the activities of the Operations Council by the Chief Executive Officer, Chief Financial Officer and General Counsel.

The Operations Council is chaired by the Chief Executive Officer and consists of those individuals entrusted with the operational management of the Group's activities, as follows:

- The Chief Operating Officers (COOs) are responsible for operations in the Group's 10 regions (see section 1.1.)
- The Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's 10 business lines (see section 1.1.)
- The Senior Vice Presidents (SVPs) represent the principal Group support functions (Finance, Human Resources, IT, Communications & Investor Relations, Corporate Development, Legal & Compliance and Strategic Transformation).

The composition, role and organisation of the Operations Council are detailed in section 4.

3.6. INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE MANAGEMENT

A. Responsibility of the Board

The Board of Directors has ultimate responsibility for the system of internal controls established and maintained by the Group and for periodically reviewing its effectiveness. Internal controls are intended to provide reasonable assurance against financial misstatement and/or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information and the compliance with relevant legislation, regulation and industry practice.

B. Governance framework

The Group has an established governance framework which is designed to oversee its operations and assist the Company in achieving its objectives. The main principles of this framework include the definition of the role of the Board and its Committees, an organisational structure with documented delegated authority from the Board to Management and procedures for the approval of major investments, acquisitions and other capital allocations.

As a rule, the Chief Executive Officer participates in the meetings of the Board of Directors and of the Committees; the Chief Financial Officer participates in the meetings of the Board of Directors and of the Audit Committee; the Group Controller and the Head of the Internal Audit Function participate in the meetings of the Audit Committee; the Head of Human Resources participates in the meetings of the Nomination and Remuneration Committee and the General Counsel & Chief Compliance Officer attends all meetings of the Board of Directors and its Committees. The other members of the Operations Council and other members of management only participate in the Board and Committee meetings by invitation.

C. Information to the Board

The Board of Directors receives monthly reports on the financial results and other reports on business and operations at each meeting. The Group has a dedicated Internal Audit function, reporting to the Chairman of the Board and the Audit Committee, which assesses the effectiveness and appropriateness of the Group's risk management, internal controls and governance processes as well as the reliability of internal financial and operational information and ensures that the standards and policies of the Group are respected. Internal Audit reviews and identifies areas of potential risk associated with the key business activities performed by a particular office, highlights opportunities for improvement and proposes constructive control solutions to reduce any exposures. All key observations are communicated to the Operations Council and the Chairman of the Board through formal and informal reports.

The Audit Committee is regularly informed about audits performed and important findings, as well as the progress on implementing the agreed actions by management. Formal procedures are in place for both internal and external auditors to report their findings and recommendations independently to the Board's Audit Committee.

D. General Counsel & Chief Compliance Officer

Furthermore, the Group has a compliance function, headed by the General Counsel & Chief Compliance Officer, who is a member of the Professional Conduct Committee and has direct access to the Chairman of the Board. The compliance function supports the implementation of a compliance programme based on the SGS Code of Integrity, available in 30 languages. The goal of the programme is to ensure that the highest standards of integrity are applied to all of the Group's activities worldwide in accordance with international best practices.

E. Other

In addition, the main business lines have specialised technical governance units, which ensure compliance with internally set quality standards and industry best practices.

F. Risk Assessment

The Board conducts on a yearly basis an assessment of the risks facing the Group. This process is conducted with the active participation and input by the Management. Once identified, risks are assessed according to their likelihood, severity and mitigation.

The Board deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers for implementation of such measures.

4 OPERATIONS COUNCIL

The Operations Council (as defined in section 3.5.) meets on a regular basis, in principle at least six times a year. Between meetings, it holds regular phone conferences and may make decisions on such calls or by electronic voting.

4.1. MEMBERS OF THE OPERATIONS COUNCIL

The members of the Operations Council at 31 December 2012 were as follows:

CHRISTOPHER KIRK (1956)

British

Chief Executive Officer & IT, COO South East Europe, ad interim

Bachelor of Science

Joined SGS in 1981

Previous responsibilities

2003 – 2006: EVP, Minerals and Environmental Services

2002 – 2003: COO, South East Asia & Pacific

2000 – 2002: Managing Director and Sub-regional Manager, Singapore

1998 – 1999: Managing Director, Thailand

GERALDINE MATCHETT (1972)

Swiss/British/French

Chief Financial Officer

Master in Sustainable Development

Chartered Accountant

Joined SGS in 2004

Previous responsibilities

2004 – 2010: Group Financial Controller

Other work experience

2001 – 2004: Deloitte, Geneva

1997 – 2001: KPMG, London

OLIVIER MERKT (1962)

Swiss

General Counsel & Chief Compliance Officer

Doctorate in Law, admitted to the bar in Switzerland

Joined SGS in 2001

Previous responsibilities

2006 – 2008: VP, Corporate Development

2001 – 2006: Senior Counsel

Other work experience

1993 – 2001: Senior Manager Legal, Ernst & Young, Geneva

TEYMUR ABASOV (1972)

Azeri

COO, Eastern Europe & Middle East

Degree in Electrical Engineering

Joined SGS in 1994

Previous responsibilities

2006 – 2007: Managing Director, Kazakhstan & Caspian Sub-Region

2004 – 2006: Managing Director, Azerbaijan and Georgia

2003 – 2004: Managing Director, Georgia

2001 – 2003: Operations Manager, Oil Gas & Chemicals Services, Azerbaijan

MICHAEL BELTON (1960)

British

EVP, Minerals Services

BSc Chemistry

Joined SGS in 2002

Previous responsibilities

2005 – 2007: Managing Director, Minerals Services, North America

2002 – 2005: VP, Global Non-Ferrous Minerals Services

Other work experience

1995 – 2002: EVP, Alfred H. Knight North America Ltd

DOMINIQUE BEN DHAOU (1965)

Swiss

SVP, Human Resources

Degree in Hotel Industry Management

Joined SGS in 2001

Previous responsibilities

2008 – 2010: VP, Human Resources

2003 – 2005: additional role as Africa Regional Resources Manager

2003 – 2008: Assistant Vice President Human Resources

2001 – 2003: International Compensation & Benefits and HQ HR Manager

Other work experience

International Human Resources positions:

2000 – 2001: Firmenich

1999 – 2000: Novartis Consumer Health

1991 – 1998: Levi Strauss

JEAN-LUC DE BUMAN (1953)

Swiss

SVP, Corporate Communications, Investor Relations & Corporate Development

Legal studies

Joined SGS in 1998

Other work experience

1978 – 1998: Country Head Switzerland, Sales Fixed Income, UBS

HELMUT CHIK (1966)

Chinese

COO, China & Hong Kong

Master in Business Administration

Joined SGS in 1991

Previous responsibilities

2003: Managing Director, Hong Kong

2002: Global Business Manager, Softline, Consumer Testing Services

2000 – 2001: Director Greater China, SBU Softline, Consumer Testing Services

1999: Director, Hong Kong, Consumer Testing Services

PAULINE EARL (1961)

British

COO, Western Europe

BSc in Food Science

Joined SGS in 1995

Previous responsibilities

2007 – 2010: Managing Director, United Kingdom

2004 – 2007: SSC Business Manager, United Kingdom

ALEJANDRO GOMEZ DE LA TORRE (1959)

Peruvian

COO, South America

Degree in Business Administration, Postgraduate Specialisation in International Commerce

Joined SGS in 1986

Previous responsibilities

1996 – 2001: National Chief Executive, Peru and Manager Central Sub-Region, Latin America (1998 – 2001)

ANTHONY HALL (1963)

Australian

COO, South East Asia & Pacific

Chemist, laboratory technician

Joined SGS in 2001

Previous responsibilities

2007 – 2009: Managing Director, Australia

2005 – 2006: National Business Manager Australia, OGC, Industrial and Automotive

ANNE HAYS (1959)

French

EVP, Life Science Services

PhD in Pharmacy

Joined SGS in 1984

Previous responsibilities

2008 – 2010: VP Business Development R&D QC, Life Science Services

2001 – 2007: Global Sales QC, Life Science Services

1992 – 2000: General Manager, Laboratory Simon, France

DIRK HELLEMANS (1958)

Belgian

COO, Central & North West Europe

Degree in Chemical Engineering and Master in Business Administration

Joined SGS in 1988

Previous responsibilities

2002 – 2004: COO, North West Europe

1997 – 2002: Managing Director, Belgium

FRÉDÉRIC HERREN (1955)

Swiss

EVP, Governments & Institutions Services

COO, Africa

Master in Economics

Initially joined SGS in 1986, rejoined in 1999

Previous responsibilities

2003 – 2006: EVP, Automotive Services

1999 – 2003: Head of Global Marketing, Trade Assurance Services (now Governments & Institutions Services)

Other work experience

1995 – 1998: CEO, Unilabs International

THOMAS KLUKAS (1965)

German

EVP, Automotive Services

PhD Engineering Science

Joined SGS in 2005

Previous responsibilities

2008 – 2010: VP Automotive Services

2005 – 2008: Automotive Services Regional Manager, North America

Other work experience

Manager DEKRA AG Stuttgart and Atlanta

FRANCOIS MARTI (1968)

Swiss

EVP Systems & Services Certification (since March 2012)

SVP, Strategic Transformation

Degree in International Relations

Initially joined SGS in 2003, rejoined in 2011

Previous responsibilities

2003 – 2005: VP Continuous Improvement

Other work experience

2005 – 2011: CEO Fiat Services Senior Manager PWC and IBM

JEFFREY MCDONALD (1964)

Australian

COO, North America

Postgraduate Diploma in Education

Joined SGS in 1995

Previous responsibilities

2004 – 2007: EVP, Systems & Services Certification

2003: Global Project Manager, Systems & Services Certification

1995 – 2003: Systems & Services Certification, South East Asia & Pacific, Regional Manager (Bangkok)

JEFFREY NEWELL (1950)

British

EVP, Agricultural Services

BA in Chemistry & Biology

Joined SGS in 1969

Previous responsibilities

2004 – 2007: SVP, Global Sales, Oil, Gas & Chemicals Services

1998 – 2003: Global Business Manager, Oil, Gas & Chemicals Services

FRANKIE NG (1966)

Swiss/Chinese

EVP, Industrial Services (since January 2012)

BA in Economics and Electronics Engineering

Joined SGS in 1994

Previous responsibilities

2005 - 2011 EVP Consumer Testing Services

2002 – 2004: Managing Director, US Testing

2000 – 2002: Director, Consumer Testing Services, China and Global Hardlines

1997 – 2000: Operations Manager, Consumer Testing Services, China

MALCOLM REID (1963)

British

EVP, Consumer Testing Services (since January 2012)

BSc Chemistry

Joined SGS in 1987

Previous responsibilities

2008 - 2011: EVP Systems & Services Certification

2005 – 2007: Managing Director, Australia

2000 – 2005: Managing Director, Thailand

1997 – 2000: Managing Director, Philippines

ALIM SAIDOV (1964)

Azeri

EVP, Oil, Gas & Chemicals Services and Environmental Services

PhD in Science

Joined SGS in 1993

Previous responsibilities

2005 – 2007: COO, Eastern Europe & Middle East

2004: COO, North America and Managing Director, Canada

2001 – 2004: Managing Director, Kazakhstan & Manager Caspian Region

DENNIS YANG (1949)

Taiwanese

COO, East Asia

Master in Business Administration

Joined SGS in 1975

Previous responsibilities

2000 – 2002: Managing Director, Taiwan

1992 – 2000: Assistant General Manager, Taiwan

In January 2013, the Nomination and Remuneration Committee approved the appointment of Olivier Coppey to the position of EVP Agricultural Services, to replace Jeffrey Newell who retires in 2013. Peter Possemiers is appointed to the role of EVP Environmental Services, taking over from Alim Saidov and Ladislav Papik is appointed to the role of COO South East Europe. Dirk Hellemans COO Central & North West Europe, takes the extended responsibility of Poland, Austria and Italy (previously reported under South East Europe). All above appointments take effect from 1 February 2013.

Additional information, including biographical details can be found on the Company's website: http://www.sgs.com/en/Our-Company/About-SGS/Board-and-Executive-Management/Operations-Council.aspx

4.2. OTHER ACTIVITIES AND FUNCTIONS

The following list presents all material activities in governing and supervisory boards, management positions and consultancy functions, official tenures and political positions held by each member of the Operations Council outside the Group, both in Switzerland and abroad.

CHRISTOPHER KIRK

Compass Limited, Hamilton, Bermuda, Member of the Board since 2011

Geneva Trading & Shipping Association (GTSA), Member of the Executive Board since 2006

JEAN-LUC DE BUMAN

Association pour le Développement des Compétences Bancaires, Geneva (CH), Member of the Board since 1999

Hyposwiss Private Bank Genève SA, Geneva (CH), Member of the Board since 2006

SwissHoldings, Federation of Industrial and Service Groups in Switzerland, Bern (CH), Member of the Board since 2011

Federal Accreditation Commission, Bern (CH), Member since 2012

ALEJANDRO GOMEZ DE LA TORRE

Swiss-Peruvian Chamber of Commerce, Lima (Peru), Director

THOMAS KLUKAS

CITA, International Motor Vehicle Inspection Committee, Brussels (BE), Member of the Bureau Permanent since 2011

FRANÇOIS MARTI

Member of the Board of IIOC (Independent International Organisational for Certification) since 2012

JEFFREY NEWELL

Council Member of GAFTA and Member of International Contracts Policy Committee of GAFTA since 2010

4.3. MANAGEMENT CONTRACTS

The Company is not party to any management contract delegating management tasks to companies or individuals outside the Group.

5 COMPENSATION, SHAREHOLDINGS AND LOANS

This section of the Corporate Governance Report serves as the Company's remuneration report.

In accordance with the recommendations of the Swiss Code of Best Practice for Corporate Governance in this matter, this section of the Report will be subject to a consultative vote at the next Annual General Meeting of Shareholders.

5.1. COMPANY'S REMUNERATION POLICIES

The Group's overriding compensation policies are defined by the Board of Directors. The objectives of these policies are twofold: a) to attract and retain the best talent available in the industry; and b) to motivate employees and managers to create and protect value for shareholders by generating long-term sustainable financial achievements.

The Board of Directors is responsible for determining the remuneration of the Chairman and the directors. It also decides on the remuneration and terms of employment of the Chief Executive Officer, based upon the recommendations of the Nomination and Remuneration Committee. It additionally determines the financial targets upon which the variable element of the remuneration of the Operations Council and other Group senior executives is based, and defines the conditions of all share option plans (including Long Term Incentive (LTI) plans) as well as the allocation of such options and the conditions of their granting, vesting and exercise. All general executive remuneration policies, including the criteria and weighting of financial targets relevant to the assessment of the variable element of executive remuneration, are approved by the Board of Directors.

The Board of Directors is assisted in its work by a Nomination and Remuneration Committee (the Committee), which consists of independent non-executive Directors. The Committee acts in part in an advisory capacity to the Board, and in part as a decision-making body on matters that the Board has delegated to the Committee. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council (other than the Chief Executive Officer), and decides on all matters relating to the remuneration of these executives.

Neither the Chairman of the Board nor the Chief Executive Officer is allowed to participate in discussions and decisions on their own compensation. General executive remuneration policies, including the implementation of long term incentive plans, are decided by the Board, on the recommendation of the Committee.

The following Directors served on the Nomination and Remuneration Committee in 2012:

- Sergio Marchionne (Chairman)
- August von Finck
- John Elkann

The Chief Executive Officer attends all meetings of the Committee, except when his own remuneration is being discussed.

This chart summarises the authorisation levels for the main decisions relating to compensation of Board and Operations Council Members.

SUBJECT MATTER	RECOMMENDATION	DECISION
Compensation of Board Members	Committee [1]	Board of Directors
Compensation of Chairman	Committee [1]	Board of Directors
Remuneration of CEO	Committee [1]	Board of Directors
Remuneration of other Operations Council Members	CEO	Committee [1]
Issuance of Long Term Incentive Plans	Committee [1]	Board of Directors
Setting of annual financial targets for variable remuneration of Operations Council Members	CEO	Board of Directors
Issuance of Annual Share Options Plans	CEO	Committee [1]

1. Nomination and Remuneration Committee.

When reviewing and deciding on executive remuneration policies, the Committee and the Board have access to the Group Human Resources staff and may use third party consultants specialising in compensation matters. In 2012, neither the Committee nor the Board had recourse to such external advisors. In discharging their duties in relation to compensation, they have relied on advice from the Group Human Resources department and on publicly available information on director and executive management remuneration paid by the companies against which the Group performs periodic benchmarks.

Elements of executive remuneration benchmarked include long- and short-term incentive compensation, annual base salary, benefits and allowances. Companies against which the Group performs periodic benchmarks are SMI listed companies, large companies that are internationally active including our competitors in the industries in which we operate.

In assessing the adequacy of executive remuneration for executives who are based outside Switzerland, the Group relies on relevant local market intelligence published by external benchmarking consulting firms.

Compensation Principles

a) Board of Directors

The members of the Board of Directors are entitled to a fixed annual Board Membership fee, and additional annual fees for participation in Board Committees. Board members do not receive additional compensation for attending meetings. With the exception of the Chairman, Board members do not receive any variable remuneration, options or shares.

The Chairman receives a fixed annual fee and additional fixed fees for chairing the Board Committees. He also receives share options issued by the Company under its annual and long term incentive plans. The conditions of grant, vesting and exercise of options awarded to the Chairman are the same as those applicable to the members of the Operations Council. In principle, the Chairman receives 25% of the options granted to the Chief Executive Officer. The Board has the discretion to grant more options to the Chairman to recognise personal performance. The Chairman does not receive any variable cash remuneration.

b) Operations Council

The remuneration earned by the Chief Executive Officer and by members of the Operations Council comprises: (i) a fixed base salary including benefits; (ii) an annual performance bonus, settled in part in cash and in part by way of options with deferred vesting, granted under annual share options plan; and (iii) long term incentive plan(s). The Company considers that payment of variable remuneration in the form of equity linked instruments whose vesting and exercise is deferred is a key mechanism to align management's incentives to the interests of shareholders.

Employment Contracts

Directors do not hold service contracts and are not entitled to any termination or severance payments. They do not participate in the Company's share option plans (except for the Chairman) or other benefit schemes and the Company does not make any pension contributions on their behalf.

Employment contracts of Operations Council members have no fixed term and can be terminated at any time by either party, provided a standard notice period (six months) is respected. The Chief Executive Officer's employment contract provides for a severance payment equivalent to two years total remuneration payable in the event that the employment contract is terminated or constructively terminated (including in the event of a change of control) by the Company, other than for cause. No severance payment is due if the employment relationship is terminated in any other circumstance. No other executive contract provides for any material change of control protection.

The table below summarises the various components of the compensation of Operations Council members, including the Chief Executive Officer:

COMPENSATION ELEMENT	COMPENSATION VEHICLE	DRIVERS	PERFORMANCE MEASURES	PURPOSE
Base Salary	Monthly cash salary	Position and experience, market practice	Market practice, executive benchmark of international companies in relevant markets	Attract and retain key executives
Annual Bonus	50% cash / 50% allocation of stock options, with deferred vesting and blocking periods	Achievement of annual business and financial objectives	Financial targets: (i) Group Net Profit After Tax and Adjusted Operating Income for the Group as a whole, for regional or business units; (ii) measures of Economic Value Added; and (iii) Earnings Per Share (EPS)	Pay for performance
Discretionary Bonus	Cash	Rewarding individual achievements or exceptional performance	Discretionary allocations do not exceed 10% of OC overall remuneration	Attract and retain key executives, recognise individual performance
Long Term Incentives	Stock options award, with vesting conditional upon achieving the Group objectives	Achievement of long-term strategic plans stated by the Group	Earnings per Share targets	Align executive compensation with interests of shareholders

Base salary

The base salary of the Chief Executive Officer and each Operations Council members is reviewed annually, on the basis of market data for similar positions at the companies against which the Group benchmarks itself. It takes into account the individual's performance, scope and complexity of the position. Additional employment benefits are paid depending on standard practice in the location of employment. Such employment benefits include a car allowance and, for expatriate personnel, a housing allowance and tuition fees allowance for children.

Geneva based Operations Council members participate, on the same basis as other Swiss employees of the Group, in the Company's pension schemes, being one defined benefit scheme established in accordance with the Swiss LPP regulations up to an insured amount of CHF 100 thousand and one defined contribution scheme for pensionable remuneration in excess of CHF 100 thousand up to a maximum of CHF 821 thousand per year.

Employees contribute 8% of their base salary and the Company contributes an amount equal to one and a half times the contributions paid by all employees to the scheme.

Annual bonus

In addition to the base salary, members of the Operations Council (including the Chief Executive Officer) are entitled to a performance-related annual bonus. For this purpose, the Company defines annual targets at the beginning of the year for the Chief Executive Officer and for each Operations Council member. Relevant targets for the calculation of the Annual Bonus of the CEO are based on the Group Earnings per Shares (EPS). For the heads of corporate functions (SVPs) targets are based 100% on the Group Net Profit After Tax. For EVPs, the relevant targets relate for 50% to the Adjusted Operating Income of their respective business and for 50% to the Group Net Profit After Tax. For COOs, the relevant targets are for 62.5% their respective region's Adjusted Operating Income and Economic Value Added and for 37.5% the Group Net Profit After Tax. Bonuses are assessed and awarded to the Operations Council members on the basis of the actual performance against the predefined targets.

If targets are achieved they trigger the entitlement to an annual incentive bonus. Once the amount of a bonus is determined, it is settled 50% in cash and 50% in options. The cash component of the bonus is payable immediately. The economic value of the options which is used to convert a bonus entitlement into a number of options is fixed by the Company on the basis of a calculation of the value of the options at grant, taking into account a discount for the three years blocking period during which the options cannot be traded or exercised. The share options are granted immediately, but they vest rateably in three equal instalments over a period of three years and are only exercisable in the fourth and fifth year after grant. Unvested options are subject to forfeiture if the beneficiary leaves the Group for reasons other than retirement, disability or death.

For this purpose, the Company issues Annual Share Option plans, in the form of traded warrants which are listed on the Swiss Stock Exchange. These warrants incorporate a right to buy shares in the Company at a predetermined fixed price through the grant of traded options. The strike price is determined for each plan on the basis of the average trading price of the Company's shares in the last three months prior to the year of grant.

These Annual Share Option plans serve (i) to pay part of the annual performance bonuses to Members of the Operations Council; (ii) to allocate options to the Chairman; and (iii) to be awarded as an incentive to other selected employees of the Group. All beneficiaries receive these options under the same conditions of vesting and exercise.

The table below summarises the components of the annual performance targets and how these components are weighted, depending on the function of the respective Operations Council member:

Annual bonus formula

	EARNINGS PER SHARE *(EPS)*	PERFORMANCE OF THE GROUP *(Net Profit After Tax)*	BUSINESS PERFORMANCE *(Adjusted Operating Income of the relevant business)*	REGIONAL PERFORMANCE *(Adjusted Operating Income and Economic Value Added of the relevant region)*
CEO	100%	-	-	-
SVPs (heads of corporate functions)	-	100%	-	-
EVPs	-	50%	50%	-
COOs	-	37.5%	-	62.5%

Discretionary bonus

The Board of Directors and Committee may also grant discretionary cash bonuses to individual Operations Council members to reward outstanding personal achievements. For 2012, an amount of CHF 1 245 thousand (2011: CHF 1 035 thousand) of discretionary bonuses was awarded to Operations Council members (including the Chief Executive Officer). These discretionary cash bonuses are granted at the same time as the Annual Bonus. They are given on an exceptional basis as recognition of personal achievements in the year. In proportion to the overall remuneration, these discretionary bonuses do not exceed 10% of the Operations Council's overall remuneration.

Long Term Incentive Plans

In addition to the annual bonus, the Group periodically sets Long Term Incentive (LTI) Plans. Such plans are designed to motivate the leadership team to achieve the long-term stated objectives of the Group. They consist of options granted to a selected number of senior executives of the Group, the vesting of which is conditional upon: (1) the Group achieving or exceeding stated earnings per share targets; and (2) the beneficiary being employed by the Group on the vesting date.

In 2011, the Company introduced a long term incentive plan (the 2011 LTI Plan) for which vesting is conditional upon the Group achieving or exceeding in 2014 EPS targets ranging from CHF 115 (minimum performance allowing a partial vesting of 50% of options granted under the Plan) to CHF 140 (full vesting of options granted under the Plan).

The 2011 LTI Plan involves the granting of options to acquire shares of the Company at a strike price of CHF 1 617. Such options are in the form of traded warrants, with 100 warrants required to purchase one share. The Group has set aside 9 000 000 such warrants for this incentive plan. This plan is designed to motivate the leadership team to achieve the long-term stated objective by 2014.

Full details of this long term incentive plan are provided in note 31 to the Group consolidated financial statements (pages 93 to 94 of the Annual Report). In 2012, no new Long Term Incentive Plan was introduced by the Group and no additional options were granted to members of the Operations Council in 2012 under the existing 2011 LTI Plan. 20 000 options of the long term incentive plan LTI were granted to other employees in 2012.

The following table shows the strike price, the vesting period and the exercisable period of the options[1] granted to the Chairman of the Board and to the members of the Operations Council under each plan. It includes options granted in January 2013 with respect to performance and financial results in 2012:

TYPE OF OPTIONS (Year of issue)	STRIKE PRICE (CHF)[2]	VESTING DATE 1/3 OF OPTIONS GRANTED	VESTING DATE 1/3 OF OPTIONS GRANTED	VESTING DATE 1/3 OF OPTIONS GRANTED	PERIOD OF EXERCISE
I Annual Share Option Plans					
SGSGU (2009)	1 064	01.2009	07.2010	01.2012	01.2012 - 01.2014
SGSOP (2010)	1 339	01.2010	07.2011	01.2013	01.2013 - 01.2015
SGSMF (2011)	1 617	01.2011	07.2012	01.2014	01.2014 - 01.2016
SGSKF (2012)	1 497	01.2012	07.2013	01.2015	01.2015 - 01.2017
SGSWS (2013)[3]	2 013	01.2013	07.2014	01.2016	01.2016 - 01.2018
II Long Term Incentive Plan					
SGSMF-2011 LTI (2011)				01.2015[4]	01.2015 - 01.2016

1. One hundred options give the right to acquire one share.
2. Before adjustment for capital reductions and special dividends.
3. Granted in 2013 in settlement of 2012 annual variable remuneration.
4. Vesting conditional on minimum EPS target reached in 2014.

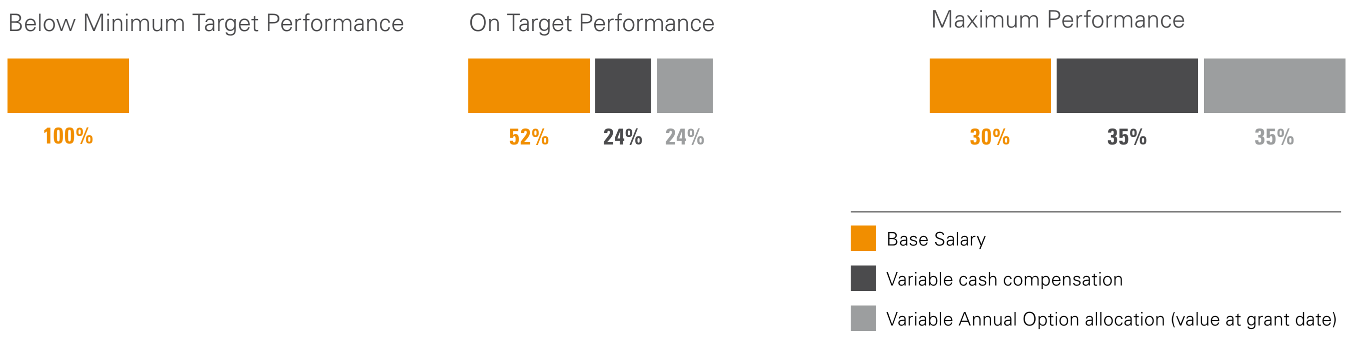
RELATIONSHIP BETWEEN ANNUAL VARIABLE COMPENSATION AND BASE SALARY

The portion of fixed and variable remuneration, as a percentage of the total remuneration in any given year, depends on the extent to which pre-defined targets and objectives have been achieved. Assuming achievement of targets, the annual variable component of the Operations Council members' remuneration (annual bonus including cash and options award), expressed as a percentage of their respective annual remuneration ranges between 32% and 48% of their total annual compensation.

If targets are exceeded, annual bonuses are increased on a multiplier basis with a maximum payout which could correspond to a range between 54% and 70% of their respective total annual compensation.

In the event of underperformance against targets, the bonus is rateably reduced on a multiplier basis, so that no bonus is paid in the event that a pre-established minimum target is not achieved.

TOTAL COMPENSATION (EXCLUDING LONG TERM INCENTIVE PLANS) FOR THE CHIEF EXECUTIVE OFFICER



In 2012, the variable cash element of the Chief Executive Officer's compensation represented 32% of the total compensation (2011: 30%) and the allocation of options represented 7% of the total compensation (2011: 24%).

For the Operations Council as a whole, the variable cash element of the compensation in 2012 amounted to 25% of the total compensation (2011: 26%) and the allocation of options represented 18% of the total compensation (2011: 20%).

Total compensation includes the guaranteed part (base salary) and the variable part of the compensation. It excludes fringe and social benefits.

5.2. COMPENSATION FOR MEMBERS OF GOVERNING BODIES

The bonus settled in options is disclosed as part of the compensation for the year to which it relates (and not for the year it was approved).

5.2.1. Board of Directors

In 2012, the annual board membership fee was CHF 150 thousand for all board members, unchanged from the prior year. Members of the Board serving on a Committee were entitled to an additional fee of CHF 30 thousand per committee, unchanged from last year.

The annual fee payable to the Chairman was CHF 300 thousand, unchanged from the prior year.

The Chairman was awarded, by decision of the Board of Directors 40 000 options under the 2013 Annual Share Options Plan in consideration of the 2012 annual performance (2011: 50 000 SGSKF options under the 2012 Annual Share Options Plan). The conditions of vesting and exercise of these options are the same as those granted to the management under these plans.

The following chart details the fees, other cash benefits and share options granted to each of the Directors for their tenure in 2012 and 2011:

(CHF thousand)	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2012	SHARE OPTIONS	TOTAL 2012 COMPENSATION (INCLUDING OPTIONS)	TOTAL 2011 COMPENSATION (INCLUDING OPTIONS)
S. Marchionne	300	90	25	415	89[1]	504	1 118[2]
T.R. Brandolini d'Adda[3]	150	30	–	180	–	180	180
J. Elkann[3]	150	30	–	180	–	180	142[4]
A. von Finck	150	30	–	180	–	180	180
A.F. von Finck	150	30	–	180	–	180	180
C. Grupp	150	-	–	150	–	150	119[4]
P. Kalantzis	150	30	–	180	–	180	180
S.R. du Pasquier	150	30	–	180	–	180	180
C. Barel di Sant'Albano[3]	-	-	–	-	–	-	38[4]
T. Limberger	-	-	–	-	–	-	31[4]
TOTAL	**1 350**	**270**	**25**	**1 645**	**89**	**1 734**	**2 348**

1. 40 000 SGSWS granted in January 2013 in relation to the 2012 financial results.
2. 50 000 SGSKF granted in January 2012 in relation to the 2011 financial results and 200 000 SGSMF options granted under the 2011 Long Term Incentive plan.
3. Board and committees fees for T.R. Brandolini d'Adda, J. Elkann and C. Barel di Sant'Albano have been paid to Exor Investissements SA, Luxembourg.
4. 2011 fees paid prorata temporis.

The following table shows the details of the options[1] granted to the Chairman of the Board under each Annual Share Option Plans and Long Term Incentive Plans:

TYPE OF OPTIONS (YEAR OF ISSUE) (CHF)	STRIKE PRICE[2] (CHF)	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (THOUSAND)	NUMBER VESTED ON DECEMBER 31, 2012
SGSMO (2008)	1 349	81 354	192	81 354
SGSGU (2009)	1 064	96 619	238	96 619
SGSOP (2010)	1 339	50 000	155	33 332
SGSMF (2011)	1 617	50 000	142	33 332
SGSKF (2012)	1 497	50 000	133	16 666
SGSWS (2013)[3]	2 013	40 000	89	-
SGSMF-2011 LTI (2011)[4]	1 617	200 000	570	-

1. One hundred options give the right to acquire one share.
2. Before adjustment for capital reductions and special dividends.
3. Granted in 2013 on the basis of 2012 financial results.
4. Vesting conditional on minimum EPS target reached in 2014.

5.2.2. Compensation to the Operations Council, Senior Management and Chief Executive Officer

This section sets out the global remuneration which was paid to the Operations Council as a whole, to the three Operations Council members who make up Senior Management and to the Chief Executive Officer during 2012. All amounts disclosed in this section include cash bonuses payable and options granted in January 2013 with respect to performance in 2012 and the related financial results.

5.2.2.1. Cash compensation

(CHF thousand)	2012	2011
To the Operations Council (including Senior Management)	CHF 12 140	CHF 12 367
To Senior Management (including Chief Executive Officer)	CHF 2 509	CHF 2 573
To the Chief Executive Officer	CHF 1 545	CHF 1 627

The total cash compensation paid to the Operations Council excludes severance payments (see section 5.2.2.5.). Post employment benefits of CHF 1 567 thousand are not included (2011: CHF 1 406 thousand).

5.2.2.2. Share options

Annual Share Options Plans

In settlement of 2012 annual bonus entitlements, a total of 1 057 102 SGSWS options (2011: 1 044 793 SGSKF options granted in January 2012) were granted to the Operations Council (including Senior Management) in January 2013 on the basis of 2012 results.

Such SGS options grant the right to acquire shares of SGS at a strike price of CHF 2 013 (100 options give the right to acquire one share). They vest in tranches of one-third in 2013, 2014 and 2016 and are subject to a blocking period ending in January 2016. All options granted to the Operations Council on the basis of the 2012 results had a fair value at grant of CHF 2 357 338 (2011: CHF 2 779 149).

The Senior Management was awarded a total of 163 223 SGSWS options granted in January 2013 (2011: 282 863 SGSKF options granted in January 2012). This number includes 48 577 SGSWS options (2011: 180 225 SGSKF options granted in January 2012) awarded to the Chief Executive Officer.

Long-Term Options Plan

Under the 2011 LTI Plan, a total of 4 910 000 SGSMF-2011 LTI options were granted to the Operations Council (including Senior Management) in 2011. The vesting of such options in January 2015 is conditional upon the Group achieving or exceeding EPS targets ranging between CHF 115 (minimum performance allowing a partial vesting under the Plan) and CHF 140 (full vesting of options granted under the Plan) in 2014. If targets defined by the plan are not reached, they will be forfeited.

The Senior Management was awarded a total of 1 120 000 SGSMF-2011 LTI options under the 2011 LTI Plan. This number includes 800 000 options awarded to the Chief Executive Officer.

The following table presents details of the share options awarded to members of the Operations Council, Senior Management and the CEO, and shows those options which have been granted, vested and/or became exercisable in 2012. It includes options granted in January 2013 with respect to performance and financial results in 2012.

In 2012, no new Long Term Incentive Plan was introduced by the Group and no additional options were granted to members of the Operations Council in 2012 under the existing 2011 LTI Plan.

This table relates to the individuals who were members of the Operations Council as at 31 December 2012:

TYPE OF OPTIONS [1] (YEAR OF ISSUE)	STRIKE PRICE (CHF) [2]	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (THOUSAND)	NUMBER VESTED ON DECEMBER 31, 2012
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)				
SGSGU (2009)	1 064	1 395 062	3 432	1 395 062
SGSOP (2010)	1 339	608 029	1 885	405 352
SGSMF (2011)	1 617	866 833	2 470	577 888
SGSKF (2012)	1 497	1 004 319	2 671	334 773
SGSWS (2013) [3]	2 013	1 026 799	2 290	-
SGSMF-2011 LTI [4]	1 617	4 430 000	12 626	-
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)				
SGSGU (2009)	1 064	442 177	1 088	442 177
SGSOP (2010)	1 339	92 803	288	61 868
SGSMF (2011)	1 617	246 769	703	164 512
SGSKF (2012)	1 497	282 863	752	94 288
SGSWS (2013) [3]	2 013	163 223	364	-
SGSMF-2011 LTI [4]	1 617	1 120 000	3 192	-
CHIEF EXECUTIVE OFFICER				
SGSGU (2009)	1 064	386 474	951	386 474
SGSOP (2010)	1 339	42 647	132	28 431
SGSMF (2011)	1 617	174 920	499	116 614
SGSKF (2012)	1 497	180 225	479	60 075
SGSWS (2013) [3]	2 013	48 577	108	-
SGSMF-2011 LTI [4]	1 617	800 000	2 280	-

1. One hundred options give the right to acquire one share.

2. Before adjustment for capital reductions and special dividends.

3. Granted in 2013 in settlement of 2012 bonus entitlements.

4. Vesting conditional on minimum EPS target reached in 2014.

5.2.2.3. Total compensation to the Operations Council, Senior Management and Chief Executive Officer

The table below presents all components of the remuneration earned in 2012 by the Operations Council, by the Senior Management and by the Chief Executive Officer. It does not take into account the potential value of options granted in 2011 under the 2011 Long Term Incentive Plan, whose vesting in 2015 is conditional upon the Group achieving minimum EPS targets in 2014.

(CHF thousand)	BASE SALARY	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF SHARE OPTIONS	DISCRETIONARY CASH BONUS	TOTAL 2012 COMPENSATION (INCLUDING OPTIONS)	TOTAL 2011 COMPENSATION (INCLUDING OPTIONS)
To the Operations Council (including Senior Management)	7 593	1 293	2 010	2 357	1 245	14 498	15 147
To Senior Management (including Chief Executive Officer)	1 610	123	305	364	470	2 872	3 325
To the Chief Executive Officer	950	103	91	108	400	1 652	2 106

5.2.2.4. Highest total compensation

In the year under review, the highest compensation paid by the Group was awarded to the CEO (see 5.2.2.3).

5.2.2.5. Severance payments

In 2012, an amount of CHF 626 thousand was recognised as severance payments to Operations Council members (2011: CHF 250 thousand).

5.2.2.6. Loans to members of governing bodies

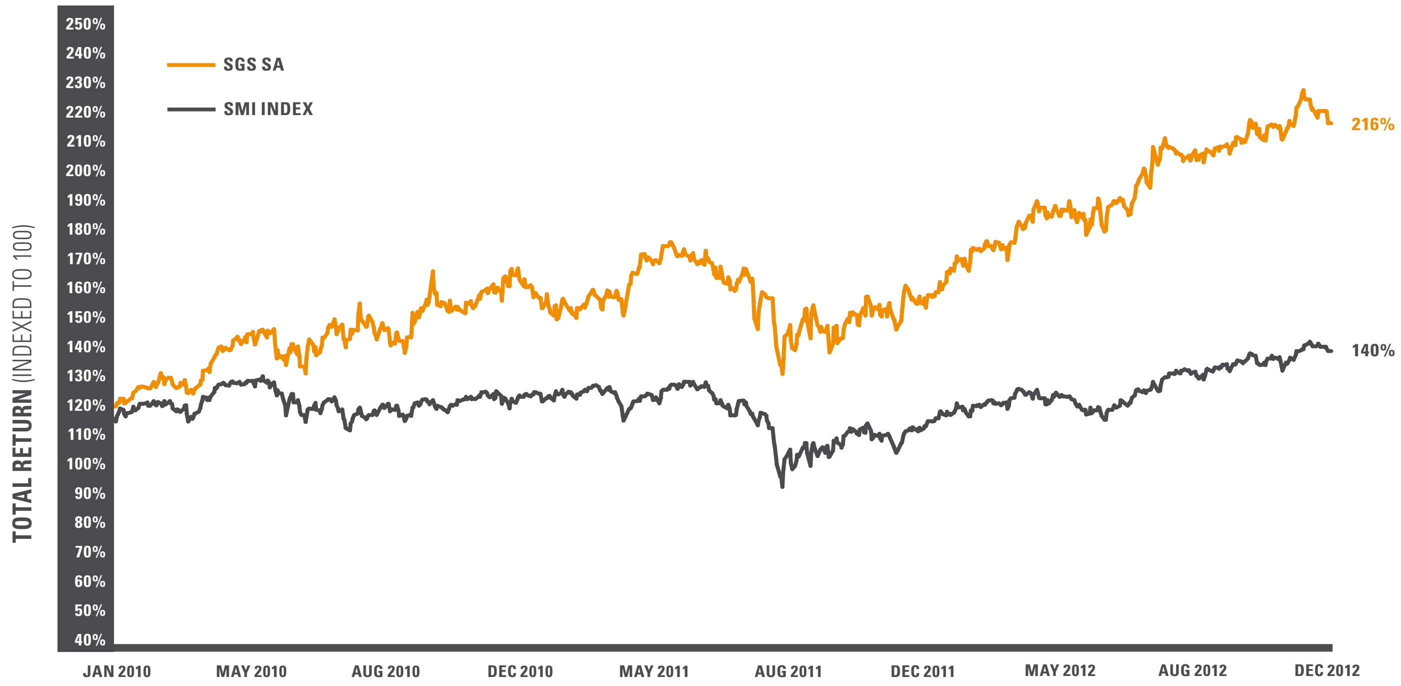
As at 31 December 2012, no loan, credit or outstanding advance was due to the Group from members of its governing bodies (unchanged from prior year).

5.2.3. Company's Performance

The following graph compares the TSR (Total Shareholder Return) of the Company with the TSR of the Swiss Market Index (SMI) for the three year period 2010 to 2012. The company measures its performance against the SMI index because this index tracks the performance of large companies based in Switzerland, which are also active internationally.

Given the lack of direct industry comparables, the SMI is viewed as being the most relevant benchmark. It is a good indication of the market performance of other comparable Swiss companies during the period.

Comparison of relative returns between SGS and the SMI index, assuming that SGS dividends are re-invested to purchase additional equity at the closing price on the date of payment of dividends for the period 1 January 2010 to 31 December 2012 is as follow:



6

SHAREHOLDERS' PARTICIPATION RIGHTS

All registered shareholders receive a copy of the half year and full year results upon the publication of such results by the Company. They can request a copy of the Company's Annual Report and are personally invited to attend the Annual General Meeting of Shareholders.

6.1. VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

All registered shareholders can attend the General Meetings of Shareholders and exercise their right to vote. The shareholder may also elect to grant power of attorney to an independent proxy appointed by the Company, to a bank or a regulated financial intermediary or to any other registered shareholder. There are no voting restrictions, subject to the exclusion of nominee shareholders representing undisclosed principals, as detailed in section 2.6.

6.2. STATUTORY QUORUMS

The General Meeting of Shareholders can validly deliberate regardless of the number of shares represented at the meeting.

Resolutions are adopted by the absolute majority of votes cast. If a second ballot is necessary, a relative majority is sufficient. In addition to the specific provisions of Swiss company law, the following resolutions require a majority of two thirds of votes cast ("Special Majority"):

- Increase in share capital
- Election and removal of a member of the Board of Directors
- Changes in the maximum number of Members of the Board of Directors
- Amendment of the requirement for a Special Majority

6.3. CONVOCATION OF GENERAL MEETINGS OF SHAREHOLDERS

The rules regarding the convocation of General Meetings of Shareholders are in accordance with Swiss company law.

6.4. AGENDA

The Agenda of the General Meeting of Shareholders is issued by the Board of Directors. Shareholders representing shares with a minimum par value of CHF 50 thousand may request the inclusion of an item on the agenda of the General Meeting, provided that such a request reaches the Company at least 40 days prior to the General Meeting.

6.5. REGISTRATION IN THE SHARE REGISTER

The Company does not impose any deadline for registering shares prior to a General Meeting. However, a technical notice of two business days is required to process the registration.

7

CHANGE OF CONTROL AND DEFENCE MEASURES

No restriction on changes in control is included in the Company's Articles of Association.

7.1. DUTY TO MAKE AN OFFER

In the absence of any specific rules in the Company's Articles of Association, any investor or group of investors acquiring more than 33.3% of the shares and voting rights of the Company has the duty to make a public offer in compliance with the applicable Swiss takeover rules.

7.2. CLAUSES ON CHANGE OF CONTROL

There are no general plans or standard agreements offering specific protection to Board Members, Senior Management or employees of the Group in the event of a change of control, subject to the standard rules regarding termination of employment.

The employment contract of the Chief Executive Officer includes specific provisions which may trigger a severance payment of two years remuneration and the immediate vesting of options granted in the event there is a change of control in the Company. No other executive contract provides for any material change of control protection.

8

AUDITORS

8.1. DURATION OF THE MANDATE AND TERM OF OFFICE

Following a competitive process in 2000, Deloitte SA was appointed auditor of the Company and of the SGS Group by the Annual General Meeting of Shareholders upon recommendation of the Board of Directors. The auditors of the Company are subject to re-election at the Annual General Meeting every year.

The current lead auditor, James Baird, has acted in this capacity since 2012. He has assumed this position after agreement by the Company's Audit Committee.

8.2. AUDITING FEES

Total audit fees paid to Deloitte for the audit of the Company and the Group financial statements in 2012 amounted to CHF 5.8 million (2011: CHF 5.5 million).

8.3. ADDITIONAL FEES

An aggregate amount of CHF 1.1 million (2011 CHF 1.6 million) was paid to Deloitte for other professional services, unrelated to the statutory audit activity. This amount includes CHF 0.6 million (2011: CHF 0.6 million) for tax compliance services and CHF 0.5 million (2011: CHF 1.0 million) for non-statutory reporting, advisory and consulting fees.

8.4. SUPERVISORY AND CONTROL INSTRUMENTS VIS-A-VIS THE AUDITORS

The Audit Committee is responsible for evaluating the external auditor on behalf of the Board of Directors, and conducts assessments of the audit services provided to the Group during its regular meetings. It meets with the auditor at least three times per year, including private sessions without the presence of management. The duties of the committee include consideration of the audit plan, regular assessment of the performance of the auditor and approval of audit fees, on the basis of the amount of work required in order to perform the audit. The auditor regularly presents his findings, both during the deliberations of the Audit Committee, and in written reports to the attention of the Board of Directors which summarise key findings.

The Group strives to safeguard and support the independence of the auditor by avoiding conflicts of interests.

In applying this policy, the attribution of other consultancy assignments is carefully reviewed to ensure that such assignments do not endanger the auditor's independence.

9

INFORMATION POLICY

The policy of the Group is to provide individual and institutional investors, directly or through financial analysts, business journalists or investment consultants (financial community) and the employees with financial and business information in a consistent, broad, timely and transparent manner. The Group website has a section fully dedicated to Investor Relations, http://www.sgs.com/en/Our-Company/Investor-Relations/At-a-Glance.aspx where all financial information and presentations are available. This includes an updated version of the Articles of Association, current information on Share Buy-Back programmes and minutes of shareholders' meetings. SGS meets regularly with institutional investors, holds results presentations, road shows, presentations at broker-sponsored country or industry conferences as well as one-on-one meetings.

The Group publishes consolidated half year unaudited and yearly audited results in print and on-line formats. These documents are sent to each registered shareholder and are available in English (binding version) and in French. The Annual Report is published in English (binding version) and in French and is available upon order or on the Internet. The current list of publication dates is available on the Internet.

The Group acknowledges the Directives on the Independence of Financial Research issued by the Swiss Bankers Association, particularly articles 26 and 29-32. In addition, the Group complies with rules regarding information and reporting of the Federal Act on Stock Exchange and Securities Trading, and the Ordinance on Stock Exchanges and Securities Trading.

SGS EXPRIMO

WE AVOID GUESSING ABOUT THE FUTURE

ERIC SNOECK, PHD

Managing Director, SGS Exprimo NV

At SGS Exprimo, we increase the speed to market and reduce the cost of drug development for our customers. We do this not through guesswork, but by accurately predicting and testing the efficacy and safety of new drugs at all stages of their development. Our customers rely on us to ensure the highest quality and safety standards for their products. We operate in Belgium, the United Kingdom, Sweden, the Netherlands, France, and Switzerland. Our use of advanced pharmacokinetic/pharmacodynamic modelling (PK/PD) and drug-disease modelling provides our customers with the right knowledge to make well-informed decisions on the development of their new drugs. We do this by applying our skills in quantitative model-based simulations to all stages of pharmaceutical development. This makes the assessment of the future efficacy and safety of a drug a lot less about guesswork and a lot more about facts.

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2012	2011
REVENUE		**5 578**	**4 797**
Salaries and wages		(2 728)	(2 304)
Subcontractors' expenses		(338)	(331)
Depreciation, amortisation and impairment	10 & 12	(281)	(225)
Other operating expenses	5	(1 388)	(1 147)
OPERATING INCOME		**843**	**790**
Analysis of operating income			
Adjusted operating income		941	815
Restructuring costs		(68)	-
Amortisation of acquisition intangibles		(18)	(16)
Transaction and integration-related costs		(12)	(9)
Operating income		**843**	**790**
Financial income	6	17	10
Financial expenses	7	(52)	(36)
PROFIT BEFORE TAXES		**808**	**764**
Taxes	8	(218)	(203)
PROFIT FOR THE YEAR		**590**	**561**
Profit attributable to:			
Equity holders of SGS SA		556	534
Non-controlling interests		34	27
BASIC EARNINGS PER SHARE (IN CHF)	9	**72.97**	**70.52**
DILUTED EARNINGS PER SHARE (IN CHF)	9	**72.51**	**70.16**
DIVIDENDS PER SHARE (IN CHF)		**58.00** [1]	**65.00**

1. As proposed by the Board of Directors.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CHF million)	2012	2011
Actuarial gains/(losses) on defined benefits plans	(53)	(46)
Income tax on actuarial gains/(losses) taken directly to equity	15	14
Exchange differences and other [1]	(48)	(44)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(86)**	**(76)**
Profit for the year	590	561
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**504**	**485**
Attributable to:		
Equity holders of SGS SA	472	458
Non-controlling interests	32	27

1. In 2012, exchange differences included net exchange losses of CHF 8 million on long-term loans treated as net investment in a foreign entity according to International Accounting Standard (IAS) 21 (2011: losses of CHF 7 million).

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER (BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

(CHF million)	NOTES	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Land, buildings and equipment	10	1 018	888
Goodwill	11	959	830
Other intangible assets	12	222	214
Investments in associated and other companies		4	1
Deferred tax assets	8	224	201
Other non-current assets	13	44	46
TOTAL NON-CURRENT ASSETS		**2 471**	**2 180**
CURRENT ASSETS			
Unbilled revenues and inventories	14	302	257
Trade accounts and notes receivable	15	977	868
Other receivables and prepayments	16	255	244
Marketable securities	17	17	9
Cash and cash equivalents	18	972	1 202
TOTAL CURRENT ASSETS		**2 523**	**2 580**
TOTAL ASSETS		**4 994**	**4 760**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	22	8	8
Reserves		2 228	2 219
Treasury shares	22	(176)	(232)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		**2 060**	**1 995**
Non-controlling interests		58	50
TOTAL EQUITY		**2 118**	**2 045**
NON-CURRENT LIABILITIES			
Loans and obligations under finance leases	23	1 306	1 299
Deferred tax liabilities	8	72	58
Retirement benefit obligations	24	176	169
Provisions	25	97	106
TOTAL NON-CURRENT LIABILITIES		**1 651**	**1 632**
CURRENT LIABILITIES			
Loans and obligations under finance leases	23	17	6
Trade and other payables	26	493	447
Provisions	25	23	20
Current tax liabilities		104	86
Other creditors and accruals	27	588	524
TOTAL CURRENT LIABILITIES		**1 225**	**1 083**
TOTAL LIABILITIES		**2 876**	**2 715**
TOTAL EQUITY AND LIABILITIES		**4 994**	**4 760**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2012	2011
Profit for the year		590	561
Non-cash items	19	493	433
(Increase) in working capital	19	(73)	(84)
Taxes paid		(210)	(220)
CASH FLOW FROM OPERATING ACTIVITIES		**800**	**690**
Purchase of land, buildings, equipment and other intangible assets	10 & 12	(387)	(345)
Acquisition of businesses	3 & 19	(182)	(112)
(Increase) in other non-current assets		-	(4)
(Increase) in marketable securities		(9)	-
Interest and dividends received		9	10
Sales of land, buildings and equipment		10	8
CASH FLOW FROM INVESTING ACTIVITIES		**(559)**	**(443)**
Dividends paid to equity holders of SGS SA		(497)	(494)
Dividends paid to non-controlling interests		(24)	(16)
Acquisition of non-controlling interests		-	(2)
Cash received on treasury shares		88	18
Cash paid on treasury shares		(12)	(68)
Proceeds of corporate bonds		-	714
Interest paid		(46)	(21)
Net flows related to interest rate swaps		37	-
(Decrease)/increase in borrowings		(12)	2
CASH FLOW FROM FINANCING ACTIVITIES		**(466)**	**133**
Effects of exchange rate changes		(5)	16
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(230)**	**396**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1 202**	**806**
(Decrease)/increase in cash and cash equivalents		(230)	396
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	**972**	**1 202**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

							ATTRIBUTABLE TO		
(CHF million)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE	CUMULATIVE TRANSLATION ADJUSTMENTS	CUMULATIVE GAINS/(LOSSES) ON DEFINED BENEFIT PLANS[1]	RETAINED EARNINGS AND GROUP RESERVES	EQUITY HOLDERS OF SGS SA	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 1 JANUARY 2011	**8**	**(178)**	**77**	**(536)**	**(211)**	**2 909**	**2 069**	**39**	**2 108**
Profit for the year	-	-	-	-	-	534	534	27	561
Other comprehensive income for the year	-	-	-	(44)	(32)	-	(76)	-	(76)
Total comprehensive income for the year	-	-	-	(44)	(32)	534	458	27	485
Dividends paid	-	-	-	-	-	(494)[2]	(494)	(16)	(510)
Share-based payments	-	-	15	-	-	-	15	-	15
Movement in non-controlling interests	-	-	-	-	-	(3)	(3)	-	(3)
Movement on treasury shares	-	(54)	-	-	-	4	(50)	-	(50)
BALANCE AT 31 DECEMBER 2011	**8**	**(232)**	**92**	**(580)**	**(243)**	**2 950**	**1 995**	**50**	**2 045**
Profit for the year	-	-	-	-	-	556	556	34	590
Other comprehensive income for the year	-	-	-	(46)	(38)	-	(84)	(2)	(86)
Total comprehensive income for the year	-	-	-	(46)	(38)	556	472	32	504
Dividends paid	-	-	-	-	-	(497)[2]	(497)	(24)	(521)
Share-based payments	-	-	14	-	-	-	14	-	14
Movement in non-controlling interests	-	-	-	-	-	-	-		-
Movement on treasury shares	-	56	-	-	-	20	76	-	76
BALANCE AT 31 DECEMBER 2012	**8**	**(176)**	**106**	**(626)**	**(281)**	**3 029**	**2 060**	**58**	**2 118**

1. Net of tax.

2. The amounts available for dividends are based on the SGS SA's statutory standalone shareholders' equity determined in accordance with the legal provisions of the Swiss Code of Obligations.

NOTES

1

ACTIVITIES OF THE GROUP

SGS SA and its subsidiaries (the "Group") operate around the world under the name SGS. The head office of the Group is located in Geneva, Switzerland.

SGS is the global leader and innovator in inspection, verification, testing and certification services supporting international trade in agriculture, minerals, petroleum and consumer products. It also provides these services to governments, international institutions and to customers engaged in the industrial, environmental and life science sectors.

2

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group are stated in millions of Swiss Francs. They are prepared from the financial statements of the individual companies within the Group with all significant companies having a year-end of 31 December 2012. The consolidated financial statements comply with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting conventions and accounting policies are the same as those applied in the 2011 consolidated financial statements, except for the Group's adoption of new IFRS effective 1 January 2012.

The financial statements are prepared on an accrual basis and under the historical cost convention, modified as required for the revaluation of certain financial instruments.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted the following Standards and Interpretations:

- IAS 12 (amendment) Income taxes – Recovery of underlying assets
- IFRS 7 (amendment) Disclosures – Transfer of financial assets
- Improvements to IFRS 2011

These standards and interpretations had no significant impact on the consolidated financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued, but not yet effective:

- IAS 1 (amendment) Presentation of financial statements – Presentation of items of other comprehensive income
- IAS 19 (amendment) Employee benefits
- IAS 27 (revised) Separate financial statements
- IAS 28 (revised) Investments in associates and joint ventures
- IAS 32 (amendment) Offsetting financial assets and financial liabilities
- IFRS 7 (amendment) Offsetting financial assets and financial liabilities
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosures of interests in other entities
- IFRS 13 Fair value measurement

The Directors anticipate that the adoption of these new standards and interpretations will have no material impact on the consolidated financial statements.

In 2011, the IASB issued amendments to IAS 19 Employee Benefits effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Had this standard and the related consequential amendments been adopted by the Group in 2012, it is estimated that operating income for the full year 2012 would have been lower by approximately CHF 15 million (2011, approximately CHF 14 million) with no material impact on the equity or the balance sheet. The Directors anticipate a similar impact for the future. In addition, IAS 19 revised will introduce certain changes in the presentation of the defined benefits costs and will include more extensive disclosures. As required by the standard, the Group will retrospectively adopt this standard from 1 January 2013.

In 2011, the IASB issued IFRS 10 Consolidated financial statement, IFRS 11 Joint arrangements and IFRS 12 Disclosures of interests on other entities and revised IAS 27 Separate financial statements and IAS 28 Investments in associates and joint ventures effective for annual periods beginning on or after 1 January 2013. The Directors anticipate that adoption of these new standards and revised standards will have no material impact on the consolidated balance sheet or on the consolidated income statement.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The equity and profit attributable to non-controlling shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively. The principal operating companies of the Group are listed on pages 124 to 127.

Associates

Associates are enterprises over which the Group has significant influence, but no control or joint control over the financial and operating policies. The consolidated financial statements include the Group's share of the earnings of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases.

Jointly controlled entities

Jointly controlled entities are enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the enterprises' assets, liabilities, revenues and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities (normally below 20% shareholding levels) are stated at cost less any provision for impairment. The fair value of these investments cannot be reliably measured. Dividends received from these investments are included in financial income.

Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognised in the income statement.

Consolidation of foreign companies

All assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the year. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment.

Average exchange rates are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

SEGMENT INFORMATION

The Group reports its operations by business segment, according to the nature of the services provided.

The Group operates in ten business segments. The Chief Operating Decision Maker evaluates segment performance and allocates resources based on several factors, of which revenue, adjusted operating income and return on capital are the main criteria.

For the Group, the Chief Operating Decision Maker is the Senior Management composed of: the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

All segment revenues reported are from external customers. Segment revenue and operating income are attributed to countries based on the location in which the services are rendered.

Segment assets comprise all assets held by the Group's operating affiliates after elimination of inter-company balances.

Segment liabilities comprise all liabilities held by the Group's operating affiliates after elimination of inter-company balances.

Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Depreciation and amortisation of segment assets include depreciation of buildings and equipment as well as other intangible assets. Impairment of segment assets includes impairment related to land, buildings and equipment, goodwill and other intangible assets when incurred.

LAND, BUILDINGS AND EQUIPMENT

Land is stated at historical cost and is not depreciated. Buildings and equipment are stated at historical cost less accumulated depreciation. Subsequent expenditures are capitalised only if they increase the future economic benefits embodied in the related item of property and equipment. All other expenditures are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings 12 – 40 years
- Machinery and equipment 3 – 10 years
- Other tangible assets 3 – 10 years

LEASES

Assets acquired under finance lease agreements, which provide the Group with substantially all the risks and rewards of ownership, are capitalised at fair value or, if lower, at amounts equivalent to the estimated present value of the underlying minimum lease payments. The corresponding liabilities are included in long- and short-term loans. These leased assets are depreciated over the lease period or their estimated useful lives, whichever is shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

GOODWILL

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value. The difference between the purchase price and the fair value is classified as goodwill and recorded in the balance sheet as an intangible asset.

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected amounts recognised at that date.

Goodwill arising on the acquisition of a foreign entity are recorded in the relevant foreign currency and are translated using the end of period exchange rate.

On disposal of part or all of a business which was previously acquired and which gave rise to the recording of acquisition goodwill, the relevant amount of residual goodwill is included in the determination of the gain or loss on disposal.

Goodwill and other intangible assets with indefinite useful lives acquired as part of business combinations are tested for possible impairment annually and whenever events or changes in circumstances indicate their value may not be fully recoverable.

For the purpose of impairment testing, the Group has adopted a uniform method for assessing goodwill and other intangibles recognised under the acquisition method of accounting. These assets are allocated to the cash generating unit (CGU) or group of CGUs that are expected to benefit from the business combination. The recoverable amount of a CGU is determined through a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices or direct costs during the period. Pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted for specific risks associated with the CGU's cash flow projections. The growth rates are based on industry growth forecasts.

Expected changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For all CGUs, a value-in-use calculation is performed using cash flow projections covering the next 10 years. The cash flows for the first five years are based upon budgets approved by management, which take account of the most recent financial results, while the subsequent five years are extrapolated based on the estimated long-term growth rate for the relevant activity.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Even if the initial accounting for an intangible asset acquired in the reporting period is only provisional, this asset is tested for impairment.

OTHER INTANGIBLE ASSETS

Intangible assets, including software, licences, trademarks and customer relationships are capitalised and amortised on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. Indefinite life intangible assets are not amortised but are subject to an annual impairment test. The following useful lives are used in the calculation of amortisation:

- Trademarks 5 – 20 years
- Customer relationships 5 – 20 years
- Computer software 1 – 4 years

Other intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if their fair value can be measured reliably. Internally generated intangible assets are recognised if the asset created can be identified, it is probable that future economic benefits will be generated from it, the related development costs can be measured reliably and sufficient financial resources are available to complete the development. These assets are amortised on a straight-line basis over their useful lives, which usually do not exceed four years. All other development costs are expensed as incurred.

IMPAIRMENT OF ASSETS EXCLUDING GOODWILL

At each balance sheet date or whenever there is an indication that an asset may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether they have suffered an impairment loss. If indications of impairment are present, the assets are tested for impairment. If impaired, the carrying value of the asset is reduced to its recoverable value. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount of an asset is the greater of the net realisable value and its value-in-use. In assessing its value-in-use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

REVERSAL OF IMPAIRMENT LOSSES

Where an impairment loss on assets other than goodwill subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognised. A reversal of an impairment loss is recognised as income immediately.

UNBILLED REVENUES AND INVENTORIES

Completed but unbilled services are recorded at net selling prices.

Work-in-progress is measured at the lower of the costs incurred in providing the service and its ultimate invoice price less costs to complete.

Inventories are recorded at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs to complete and costs to be incurred in selling and distribution.

RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

MARKETABLE SECURITIES

Marketable securities are recorded in the balance sheet at fair value. Movements in the fair value of marketable securities held for trading are reported in the income statement as financial income/expenses. For marketable securities designated as being available for sale, the movements in fair value are recorded as a component of shareholders' equity and recognised in the income statement at the time of disposal. Marketable securities designated as available for sale are those that are not classified as at fair value through profit and loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, deposits held with banks and investments in money market instruments with an original maturity of three months or less. Bank overdrafts are included within current loans.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a mark-to-market basis.

Derivative financial instruments are initially recognised at fair value and subsequently re-measured at fair value at each balance sheet date. The gains and losses resulting from the fair value re-measurement are recognised in the income statement.

The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

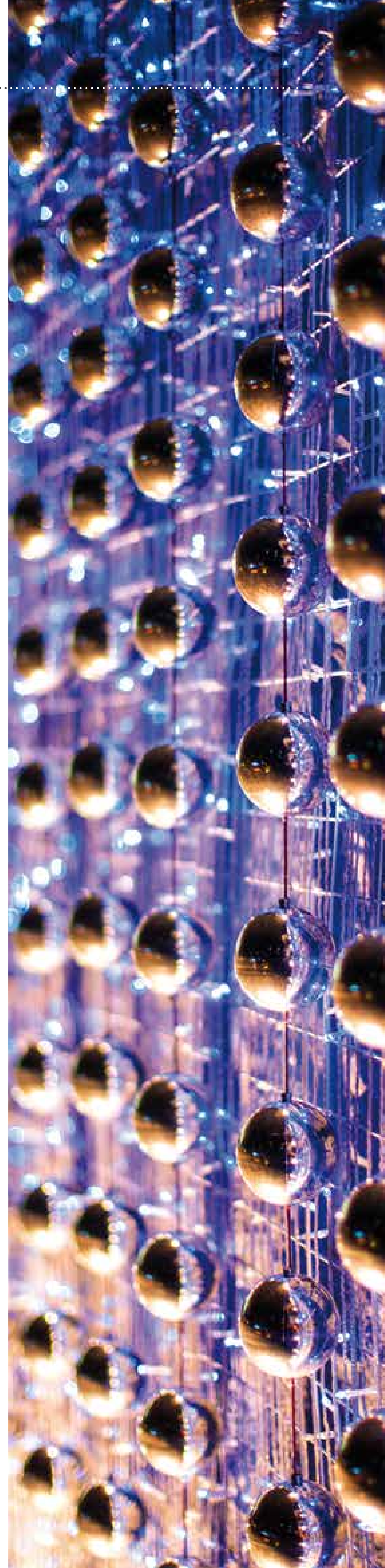
The Group designates and documents certain derivatives as hedging instruments against changes in fair value of recognised liabilities. The effectiveness of such hedges is assessed at inception and verified at regular intervals, at least each semester, using prospective and retrospective testing.

CORPORATE BONDS

The corporate bonds issued by the Group are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Group uses fair value hedges to mitigate interest rate risks relating to its corporate bonds. The changes in fair value of hedging instruments are recognised in the income statement.



EMPLOYEE BENEFITS

Pension plans

The Group maintains several defined benefit and defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. Defined benefit pension plans are based on an employee's years of service and remuneration earned during a pre-determined period. Contributions to these plans are normally paid into funds which are managed independently of the Group, except in rare cases where there is no legal obligation to fund. In such cases, the liability is recorded in the Group's consolidated balance sheet.

The Group's obligations towards defined benefit pension plans and the annual cost recognised in the income statement is determined by independent actuaries using the projected unit credit method. Actuarial gains and losses are immediately recognised in the consolidated balance sheet with the corresponding movement being recorded in the consolidated statement of comprehensive income.

Past service costs are recognised as an expense over the average period remaining until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or change to, a defined benefit plan, the expense is recognised immediately. Payments to defined contribution plans are recognised as an expense in the income statement as incurred.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Post-employment plans other than pensions

The Group operates some post-employment defined benefit schemes, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Equity compensation plans

The Group provides additional benefits to certain senior executives and employees through equity compensation plans (see note 31). An expense is recognised in the income statement for shares and options granted to senior executives and employees under these plans.

TRADE PAYABLES

Trade payables are recognised at nominal value that approximates the fair value.

PROVISIONS

The Group records provisions when: it has an obligation, legal or constructive, to satisfy a claim; it is probable that an outflow of Group resources will be required to satisfy the obligation; and a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on management's informed judgement about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments. Changes in estimates are reflected in the income statement in the period in which the change occurs.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenues represent fees for services rendered to third parties after the deduction of discounts and are recognised when the service has been completed. In certain circumstances, revenue is recognised in proportion to the stage of completion, normally determined by reference to costs incurred to date in comparison with the total estimated costs of the transaction at the balance sheet date. No margin is recognised on work-in-progress. Completed, but unbilled, services are recorded at net selling prices.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

RESTRUCTURING COSTS

The Group recognises costs of restructuring against operating income in the period in which management has committed to a formal plan, the costs of which can be reliably estimated, and has raised a valid expectation in those affected that the plan will be implemented and the related costs incurred. Where appropriate, restructuring costs include impairment charges arising from implementation of the formal plan.

CAPITAL MANAGEMENT

Capital comprises equity attributable to equity holders, loans and obligations under finance leases and cash and cash equivalents.

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board also recommends the level of dividends to be distributed to ordinary shareholders on an annual basis.

The Group maintains sufficient liquidity at the Group and subsidiary level to meet its working capital requirements, fund capital purchases and small and medium-sized acquisitions.

Cash and cash equivalents as well as loans and obligations under finance leases are disclosed in notes 18 and 23.

In 2012, the Group initiated a new Share Buy-Back programme for a total of CHF 250 million, valid from 12 March 2012 to 31 December 2014.

Treasury shares are intended primarily to be used to cover the Group's employee share option programmes and/or convertible bonds that may be issued. Decisions to buy or sell are made on an individual transaction basis by management.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

TAXES

Income taxes include all taxes based upon the taxable profits of the Group including withholding taxes payable on the transfer of income from Group companies and tax adjustments from prior years. Taxes on income are recognised in the income statement except to the extent that they relate to items directly charged or credited to equity or other comprehensive income, in which case the related income tax effect is recognised in equity or other comprehensive income. Provisions of income and withholding taxes that could arise on the remittance of subsidiary retained earnings are only made where there is a current intention to remit such earnings. Other taxes not based on income, such as property taxes and capital taxes, are included within operating expenses.

Deferred taxes are provided using the full liability method. They are calculated on all temporary differences that arise between the tax base of an asset or liability and the carrying values in the consolidated financial statements except for non tax-deductible goodwill and for those differences related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Deferred income tax assets relating to the carry-forward of unused tax losses and tax credits are recognised to the extent that it is probable that future profits be available against which they can be utilised.

Current income tax assets and liabilities are offset when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit is also adjusted to reflect the after-tax impact of conversion.

DIVIDENDS

Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

TREASURY SHARES

Treasury shares are reported as a deduction to equity. The original cost of treasury shares and the proceeds of any subsequent sale are recorded as movements in equity.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the entity's accounting policies described above, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements.

Legal and warranty claims on services rendered

The Group is subject to litigation and other claims as described in note 25.

Management bases its judgements on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by a cross-functional representation of management.

Use of estimates

The key assumptions concerning the future, and other key sources of estimation at the balance sheet date that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Recoverability of trade accounts and notes receivable

Trade accounts and notes receivable are reflected net of an estimated allowance for doubtful accounts (see note 15). These allowances for potential uncollectible amounts are estimated based primarily on the Group's ageing policy guidelines, individual client analysis and an analysis of the underlying risk profile of each major revenue stream by business and geography.

Impairment of Goodwill

The Group determines whether goodwill is impaired at minimum on an annual basis. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows.

Estimations of employee post-employment benefits obligations

The Group maintains several defined benefit pension plans in accordance with local conditions and practices in the countries in which it operates. The related obligations recognised in the balance sheet represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions. Details of the assumptions used are provided in note 24.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, including estimated interest and penalties where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

RISK ASSESSMENT

Disclosures on the Group's risk assessment process as required by Swiss law are presented in the notes to the accounts of SGS SA on page 102 of this report.

The most significant currencies for the Group were translated at the following exchange rates into Swiss Francs:

			YEAR-END RATES		ANNUAL AVERAGE RATES	
			2012	2011	2012	2011
Australia	AUD	100	94.79	95.47	97.12	91.44
Brazil	BRL	100	44.65	50.40	48.19	53.06
Canada	CAD	100	91.74	92.16	93.84	89.68
China	CNY	100	14.64	14.93	14.87	13.72
Eurozone	EUR	100	120.90	121.68	120.55	123.34
United Kingdom	GBP	100	147.10	145.14	148.63	142.10
Hong Kong	HKD	100	11.77	12.10	12.09	11.39
India	INR	100	1.67	1.76	1.76	1.91
Taiwan	TWD	100	3.14	3.11	3.17	3.02
USA	USD	100	91.24	94.03	93.80	88.68

3 BUSINESS COMBINATIONS AND OTHER SIGNIFICANT TRANSACTIONS

The following business combinations and other significant transactions occurred during 2012 and 2011:

ACQUISITIONS 2012

In 2012, the Group completed 18 acquisitions for a total purchase price of CHF 203 million (note 20).

CIMM Tecnologías y Servicios S.A. (CIMM T&S)

Effective 6 January 2012, SGS acquired, for a purchase price of CHF 37 million, 100% of CIMM Tecnologías y Servicios S.A. (CIMM T&S), a leading provider of technical services to the mining industry in Chile. The accounting for the business combination is completed and the values of the identifiable assets and liabilities reflect the final amounts. Goodwill on acquisition amounted to CHF 19 million.

Other

In 2012, other acquisitions included:

- 100% of Roplex Engineering Ltd, a UK-based company specialising in engineering support and test services for vapour recovery systems (effective 1 February 2012);
- 100% of Estudios Técnicos SA, (ETSA), a leading engineering project supervision and management company based in Bogota, Colombia (effective 15 March 2012);
- 100% of Metlab (Pty) Ltd., an independent metallurgical testing in laboratory based in Boksburg, South Africa, (effective 1 April 2012);
- 100% of Environ Cientifica Ltda, a leading Occupational Health and Industrial Hygiene (OIH) laboratory based in Sao Paulo, Brazil (effective 1 April 2012);
- 100% of Analytical Perspectives of North Carolina, LCC, a laboratory specialised in the ultra-trace analysis of various persistent organic pollutants (POPs) based in Wilmington, USA (effective 1 April 2012);
- 100% of Vitrology Limited, an organisation specialising in biosafety testing for the pharmaceutical industry, based in Glasgow, UK (effective 18 May 2012);
- 75% of Gravena Pesquisa, Conultoria e Treinamento Agricola Ltda (Gravena), a leading field trial contract research service provider in Brazil, based in Sao Paolo, Brazil (effective 1 July 2012);
- 100% of Exprimo NV, a Belgium-based life science consultancy company, based in Mechelen, Belgium (effective 1 July 2012);
- 100% of Sercovam, a test laboratories group based in Etupes and Cestas, France (effective 1 July 2012);
- 100% of Gladstone Testing Lab, a well established construction material testing business based in Gladstone (Queensland), Australia (effective 1 August 2012);
- 100% of the Ludwig Group, a material and metallurgical testing laboratory, based in Calgary and Edmonton (Alberta), Canada (effective 1 September 2012);
- 100% of Australian Radiation Services Pty. Ltd. (ARS), a provider of radiation calibration, monitoring, testing and consulting, based in Melbourne, Australia (effective 1 October 2012);
- 100% of Sentinel Services (Proprietary) Limited, a provider of Non-Destructive Testing (NDT) services and consulting, based in Johannesburg, South Africa (effective 1 October 2012);
- 100% of EMICS Ltd., an independent UKAS (United Kingdom Accreditation Service) calibration laboratory, based in Nottingham, UK (effective 1 November 2012);
- 100% of Ware Care Group, a provider of Integrated Pest Management services (IPM) and fumigation services, based in Beuningen, The Netherlands (effective 1 November 2012);
- 100% of E&S Engineering Solutions Inc. a company specialised in the development of mineral processing facilities for the mining industry based in Tucson, Arizona, USA (effective 31 December 2012);
- 100% of Herguth Laboratories, Inc. a state-of-the-art petroleum and lubricant testing laboratory in Vallejo, California, USA (effective 31 December 2012).

These companies were acquired for a purchase price of CHF 166 million and the total goodwill generated on these transactions amounted to CHF 120 million (note 20).

Total

All the above acquisitions contributed in total CHF 151 million in revenues and CHF 18 million in operating income during the year for the Group. Had all acquisitions been effective 1 January 2012, the Group revenues for the period would have been increased by CHF 61 million and the Group operating income for the period would have been increased by CHF 11 million. None of the goodwill arising on acquisitions is expected to be tax deductible.

DIVESTMENTS 2012

There were no significant disposals in 2012.

ACQUISITIONS 2011

In 2011, the Group completed twenty-two acquisitions for a total purchase price of CHF 136 million.

PfiNDE Inc.

Effective 1 December 2011, SGS acquired, for an equivalent of CHF 36 million, 100% of PfiNDE Inc., a company specialised in non-destructive examination, testing and pipeline integrity based in Connecticut, USA. This transaction has been accounted by using the acquisition method of by accounting. The values of the identifiable assets and liabilities reflect the best estimate at the end of the year and are subject to final closing adjustments which are not expected to be material. Goodwill on acquisition amounted to CHF 19 million.

Other

In 2011, other acquisitions included:

- 100% of International Electrical Certification Center, Ltd. (IECC), an independent laboratory providing third-party testing in Hong Kong, China (effective 1 January 2011);
- 100% of Tianjin Tianbao Construction Material Testing Co, Ltd. (Tianbao) based in Tianjin (China), a leading construction materials testing laboratory in the Tianjin Binhai Development Zone (effective 1 January 2011);
- A characterisation business formerly run by LGC Group based in Ellesmore Port (UK) (effective 1 January 2011);
- 80% of NviroCrop, a South African precision agriculture services company based in Potchefstroom (South Africa) (effective 1 January 2011);
- 100% of Lippens Geotechniek, a geotechnical engineering company based in Zulte, Belgium (effective 1 January 2011);
- 100% of Auto Contrôle Evaluation Service (ACE), a specialist in off-lease and non-statutory vehicle inspections based in Bonneuil-sur-Marne, close to Paris, France (effective 1 February 2011);
- 100% of Agri-Food Laboratories Inc., an independent agriculture testing laboratory based in Ontario, Canada (effective 1 March 2011);
- 100% of Sertec S.r.l., a health & safety (H&S) service provider based in Livorno, Italy (effective 1 April 2011);
- 100% of AG Research Associates LLC (ARA), a contract research organisation in Georgia, USA (effective 1 May 2011);
- 100% of Correl Rail Limited, an independent certification body based in Birmingham, United Kingdom (effective 1 July 2011);
- The laboratory arm of Simmonds & Bristow, specialised in chemistry and microbiology analyses based in Brisbane, Australia (effective 1 August 2011);
- 100% of Acumax (Proprietary) Limited, specialised in Non-Destructive Testing (NDT) based in Gauteng, South Africa (effective 1 August 2011);
- 100% of Environmental Testing Corporation (ETC) based in Aurora, USA, a complete vehicle and engine emission testing laboratory (effective 1 August 2011);
- 90% of four food laboratories, namely Özel MSM Gıda Kontrol Laboratuarı ve Danışmanlık Hizmetleri Ticaret A.Ş.ŞŞ (“MSM”), 100% of MRL Merkez Kalıntı Araştırma Laboratuarı A.Ş.Ş (“MRL”), 100% of Sanilab Gıda Kontrol Laboratuarı ve Danışmanlık Hizmetleri Tic. ve San. Ltd. Şti. (“Sanilab”) and 100% of Özel Hatay Gıda Kontrol Laboratuarı ve Danışmanlık Hizmetleri Tic. Ltd. Şti. (“Özel Hatay”), based in Mersin, Hatay and Antalya (effective 1 December 2011);
- 100% of Consolidated Laboratory (M) SDN BHD and Labservice (M) SDN BHD, collectively referred to as “Conserve”, specialised in food and environmental testing as well as in renal dialysis water testing, based in Kuala Lumpur, Malaysia (effective 1 December 2011);
- 100% of Leeder Consulting, a company specialised in environmental analytical services based in Melbourne, Australia (effective 1 December 2011);
- 100% of Baseefa Limited, a company specialised in certification of equipment used in hazardous environments based in Buxton, United Kingdom (effective 1 December 2011);
- 100% of Innovative Technical Services LLC (InTech), a company specialised in production allocation modelling to the oil and gas industries based in New Orleans and Houston (USA) (effective 1 December 2011).

These companies were acquired for an equivalent of CHF 100 million and the total goodwill generated on these transactions amounted to CHF 56 million (note 20).

Total

All the above acquisitions contributed in total CHF 30 million in revenues and CHF 5 million in operating income during the year for the Group. Had all acquisitions been effective 1 January 2011, the Group revenues for the period would have been increased by CHF 50 million and the Group operating income for the period would have been increased by CHF 11 million. None of the goodwill arising on acquisitions is expected to be tax deductible.

ACQUISITIONS OF NON-CONTROLLING INTERESTS 2011

In 2011, SGS acquired non-controlling interests of an existing subsidiary for an equivalent of CHF 2 million. The non-controlling interests’ share of goodwill is directly recognised in equity.

DIVESTMENTS 2011

There were no significant disposals in 2011.

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INFORMATION BY BUSINESS AND GEOGRAPHICAL SEGMENT

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	OPERATING INCOME BY BUSINESS
2012				
Agricultural Services	369	61	-	61
Minerals Services	868	164	(1)	163
Oil, Gas & Chemicals Services	1 046	139	(2)	137
Life Science Services	199	17	(2)	15
Consumer Testing Services	936	233	(1)	232
Systems & Services Certification	395	74	-	74
Industrial Services	899	100	(4)	96
Environmental Services	323	34	(1)	33
Automotive Services	287	64	(7)	57
Governments & Institutions Services	256	55	-	55
TOTAL	**5 578**	**941**	**(18)**	**923**

Unallocated costs	(80)
GROUP OPERATING INCOME	**843**

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	OPERATING INCOME BY BUSINESS
2011				
Agricultural Services	327	51	-	51
Minerals Services	678	131	(1)	130
Oil, Gas & Chemicals Services	912	123	(2)	121
Life Science Services	192	21	(2)	19
Consumer Testing Services	802	203	(1)	202
Systems & Services Certification	364	68	-	68
Industrial Services	747	80	(2)	78
Environmental Services	284	27	-	27
Automotive Services	270	59	(8)	51
Governments & Institutions Services	221	52	-	52
TOTAL	**4 797**	**815**	**(16)**	**799**

Unallocated costs	(9)
GROUP OPERATING INCOME	**790**

The revenues reported represent revenue generated from external customers.

Revenue in Switzerland from external customers for 2012 amounted to CHF 264 million (2011: CHF 229 million). No country represented more than 15% of revenues from external customers in 2012 or 2011.

UNALLOCATED COSTS 2012

In 2012, the Group incurred a pre-tax restructuring charge of CHF 68 million, including a provision of CHF 21 million (net of tax) in view of the intended closure of the Paris clinic. These pre-tax restructuring costs are largely a result of personnel reorganisation due to the decline in market conditions in certain businesses and geographies (CHF 43 million) as well as fixed asset impairment and other charges (CHF 25 million). At the same time, the Group incurred CHF 12 million of integration-related costs and transaction-related costs that have been expensed in accordance with IFRS 3 (revised).

UNALLOCATED COSTS 2011

In 2011, the Group incurred CHF 9 million of transaction-related costs that have been expensed in accordance with IFRS 3.

(CHF million)	2012	%	2011	%
REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	2 628	47.1	2 418	50.4
Americas	1 359	24.4	1 026	21.4
Asia Pacific	1 591	28.5	1 353	28.2
TOTAL	**5 578**	**100.0**	**4 797**	**100.0**

MAJOR CUSTOMER INFORMATION

In 2012 and in 2011, no external customer represented 10% or more of the Group’s total revenue.

(CHF million)	2012	%	2011	%
OPERATING ASSETS BY BUSINESS SEGMENT				
Agricultural Services	255	5.9	208	5.2
Minerals Services	690	15.8	543	13.6
Oil, Gas & Chemicals Services	779	17.9	709	17.8
Life Science Services	291	6.7	268	6.7
Consumer Testing Services	656	15.1	608	15.2
System & Services Certification	176	4.0	148	3.7
Industrial Services	582	13.4	611	15.3
Environmental Services	311	7.2	268	6.7
Automotive Services	386	8.9	430	10.8
Governments & Institutions Services	222	5.1	200	5.0
TOTAL	**4 348**	**100.0**	**3 993**	**100.0**

(CHF million)	2012	2011
RECONCILIATION OF OPERATING ASSETS BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Assets by business segment as above	4 348	3 993
Non-operating assets	646	767
TOTAL ASSETS PER BALANCE SHEET	**4 994**	**4 760**

Assets by business segment comprise all assets held by the Group’s operating affiliates after elimination of inter-company balances.

SPECIFIC NON-CURRENT ASSETS BY MATERIAL COUNTRIES

Specific non-current assets by material countries:

(CHF million)	2012	%	2011	%
Switzerland	95	4.2	106	5.4
Spain	317	14.1	325	16.4
Other countries	1 834	81.7	1 547	78.2
TOTAL	**2 246**	**100.0**	**1 978**	**100**

No other country represented more than 15% of the specific non-current assets in 2012 or 2011.

RECONCILIATION WITH TOTAL NON-CURRENT ASSETS

(CHF million)	2012	2011
Specific non-current assets as above	2 246	1 978
Deferred tax assets	224	201
Non-current loans to third parties	1	1
TOTAL	**2 471**	**2 180**

(CHF million)	2012	%	2011	%
OPERATING LIABILITIES BY BUSINESS SEGMENT				
Agricultural Services	127	6.6	119	6.8
Minerals Services	297	15.5	247	14.1
Oil, Gas & Chemicals Services	358	18.7	332	19.0
Life Science Services	68	3.6	70	4.0
Consumer Testing Services	321	16.9	293	16.8
System & Services Certification	135	7.1	133	7.6
Industrial Services	308	16.1	272	15.5
Environmental Services	111	5.8	104	5.9
Automotive Services	98	5.1	99	5.7
Governments & Institutions Services	88	4.6	81	4.6
TOTAL	**1 911**	**100.0**	**1 750**	**100.0**

(CHF million)	2012	2011
RECONCILIATION OF OPERATING LIABILITIES BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Liabilities by business segment as above	1 911	1 750
Non-operating liabilities	965	965
TOTAL LIABILITIES PER BALANCE SHEET	**2 876**	**2 715**

(CHF million)	2012	%	2011	%
CAPITAL ADDITIONS BY BUSINESS SEGMENT				
Agricultural Services	23	5.9	17	4.9
Minerals Services	90	23.2	61	17.7
Oil, Gas & Chemicals Services	76	19.6	63	18.3
Life Science Services	19	4.9	12	3.5
Consumer Testing Services	82	21.2	84	24.3
System & Services Certification	5	1.4	5	1.5
Industrial Services	32	8.3	35	10.1
Environmental Services	21	5.4	28	8.1
Automotive Services	10	2.6	17	4.9
Governments & Institutions Services	29	7.5	23	6.7
TOTAL	**387**	**100.0**	**345**	**100.0**

(CHF million)	2012	%	2011	%
DEPRECIATION AND AMORTISATION BY BUSINESS SEGMENT				
Agricultural Services	12	4.5	10	4.4
Minerals Services	43	15.8	33	14.7
Oil, Gas & Chemicals Services	46	17.2	40	17.8
Life Science Services	13	4.9	12	5.3
Consumer Testing Services	59	22.0	49	21.8
System & Services Certification	5	1.9	5	2.2
Industrial Services	33	12.3	27	12.0
Environmental Services	20	7.5	18	8.0
Automotive Services	24	9.0	22	9.8
Governments & Institutions Services	13	4.9	9	4.0
TOTAL	**268**	**100.0**	**225**	**100.0**

(CHF million)	2012	%	2011	%
IMPAIRMENT BY BUSINESS SEGMENT				
Minerals	(3)	23.1%	-	-
Consumer Testing Services	(1)	7.7%	-	-
Life Science Services	(8)	61.5%	-	-
System & Services Certification	(1)	7.7%	-	-
Environmental Services	-	0%	-	-
Automotive Services	-	0%	-	-
TOTAL	**(13)**	**100.0%**	-	-

	2012	2011
AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT		
Europe/Africa/Middle East	32 008	29 247
Americas	18 045	13 840
Asia Pacific	26 967	24 546
TOTAL	**77 020**	**67 633**
Number of employees at year end	79 268	71 220

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OTHER OPERATING EXPENSES

(CHF million)	2012	2011
Rental expense, insurance, utilities and sundry supplies	266	222
Consumables, repairs and maintenance	374	315
Communication costs	107	97
Travel costs	363	315
Miscellaneous operating income and expenses	278	198
TOTAL	**1 388**	**1 147**

6

FINANCIAL INCOME

(CHF million)	2012	2011
Interest income	14	6
Foreign exchange gains	3	3
Other financial income	-	1
TOTAL	**17**	**10**

7

FINANCIAL EXPENSES

(CHF million)	2012	2011
Interest expense	38	25
Loss on derivatives at fair value	10	7
(Gain)/loss arising on an Interest Rate Swap [1]	(5)	(30)
Loss/(gain) arising on adjustment for hedged item [1]	5	30
Other financial expenses	4	4
TOTAL	**52**	**36**

1. In a designated fair value hedge accounting relationship.

8

TAXES

(CHF million)	2012	2011
MAJOR COMPONENTS OF TAX EXPENSE		
Current taxes	209	206
Deferred tax expense/(credit) relating to the origination and reversal of temporary differences	9	(3)
TOTAL	**218**	**203**

The Group has operations in various countries that have differing tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

(CHF million)	2012	2011
RECONCILIATION OF TAX EXPENSE		
Profit before taxes	808	764
Tax at the domestic rates applicable to the profits earned in the country concerned	156	170
Tax effect of non-deductible or non-taxable items	11	6
Tax charge from/(usage of) unrecognised tax losses	17	(2)
Non-creditable foreign withholding taxes	30	34
Other	4	(5)
TAX CHARGE	**218**	**203**

	2012		2011	
(CHF million)	ASSETS	LIABILITIES	ASSETS	LIABILITIES
COMPONENTS OF DEFERRED INCOME TAX BALANCES				
Fixed assets	26	19	17	17
Inventories and receivables	10	17	7	10
Actuarial gains and losses on pensions	105	-	91	-
Provisions and other	49	28	42	31
Intangible assets	6	8	7	-
Tax loss carry-forwards	28	-	37	-
DEFERRED INCOME TAXES	**224**	**72**	**201**	**58**

Net change in deferred tax assets/(liabilities):

(CHF million)	FIXED ASSETS	INVENTORIES & TRADE RECEIVABLES	OPERATING PROVISIONS & OTHER	ACTUARIAL GAINS & LOSSES ON PENSIONS	INTANGIBLE ASSETS	TAX LOSSES CARRY FORWARDS	TOTAL
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY 2011	**6**	**1**	**(3)**	**81**	**8**	**37**	**130**
(Charged)/credited to the income statement	(5)	(5)	7	-	(1)	-	(4)
(Charged)/credited to the shareholders' equity	-	-	-	14	-	-	14
Exchange differences and other	(1)	1	7	(4)	-	-	3
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2011	**-**	**(3)**	**11**	**91**	**7**	**37**	**143**
(Charged)/credited to the income statement	9	(4)	8	2	(1)	(5)	9
(Charged)/credited to the shareholders' equity	-	-	-	15	-	-	15
Exchange differences and other	(2)	-	2	(3)	(8)	(4)	(15)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2012	**7**	**(7)**	**21**	**105**	**(2)**	**28**	**152**

The Group has unrecognised tax losses carried forward amounting to CHF 67 million (2011: CHF 24 million) of which CHF 5 million (2011: CHF 15 million) expire within the next five years. No tax losses carried forward expired in 2012.

(CHF million)	2012	2011
REFLECTED IN THE BALANCE SHEET AS FOLLOWS:		
Deferred tax assets	224	201
Deferred tax liabilities	(72)	(58)
TOTAL	**152**	**143**

At 31 December 2012, consolidated retained earnings include approximately CHF 3 725 million (2011: CHF 3 468 million) of undistributed earnings associated with investments in subsidiaries and foreign incorporated joint ventures that may be subject to tax if remitted to the parent company. As a Group policy, no deferred tax is recognised in respect of these amounts until the point at which the distributable earnings are determined and foreign statutory requirements, allowing the distribution, are fulfilled. Until that time, the Group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

9

EARNINGS PER SHARE

Basic earnings per share are calculated as follows:

	2012	2011
Profit attributable to equity holders of SGS SA (CHF million)	556	534
Weighted average number of shares	7 622 043	7 577 630
BASIC EARNINGS PER SHARE (CHF)	**72.97**	**70.52**

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares includes the dilutive effect of the Group's share option plans (see note 31):

	2012	2011
Profit attributable to equity holders of SGS SA (CHF million)	556	534
Diluted weighted average number of shares	7 670 714	7 616 847
DILUTED EARNINGS PER SHARE (CHF)	**72.51**	**70.16**

Adjusted earnings per share are calculated as follows:

	2012	2011
Profit attributable to equity holders of SGS SA (CHF million)	556	534
Amortisation of acquisition intangibles (CHF million)	18	16
Restructuring costs net of tax (CHF million)	47	-
Transaction and integration-related costs net of tax (CHF million)	9	7
Adjusted profit attributable to equity holders of SGS SA (CHF million)	630	557
ADJUSTED BASIC EARNINGS PER SHARE (CHF)	**82.65**	**73.53**
ADJUSTED DILUTED EARNINGS PER SHARE (CHF)	**82.12**	**73.15**

10

LAND, BUILDINGS AND EQUIPMENT

(CHF million)	LAND & BUILDINGS	MACHINERY & EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2012				
COST				
At 1 January	424	1 270	566	2 260
Additions	28	252	73	353
Acquisition of subsidiaries	11	25	16	52
Sale of subsidiaries	-	-	-	-
Disposals	(4)	(69)	(32)	(105)
Exchange differences	(3)	(17)	(13)	(33)
At 31 December	456	1 461	610	2 527
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	186	852	334	1 372
Depreciation	17	153	52	222
Impairment	3	1	-	4
Acquisition of subsidiaries	5	16	4	25
Sale of subsidiaries	-	-	-	-
Disposals	(2)	(64)	(30)	(96)
Exchange differences	(3)	(11)	(4)	(18)
At 31 December	206	947	356	1 509
NET BOOK VALUE AT 31 DECEMBER 2012	**250**	**514**	**254**	**1 018**
INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS				
Purchase cost of leased tangible assets	-	7	1	8
Accumulated depreciation	-	5	1	6
NET BOOK VALUE AT 31 DECEMBER 2012	-	**2**	-	**2**

(CHF million)	LAND & BUILDINGS	MACHINERY & EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2011				
COST				
At 1 January	417	1 108	486	2 011
Additions	18	197	107	322
Acquisition of subsidiaries	3	27	4	34
Sale of subsidiaries	-	-	-	-
Disposals	(3)	(45)	(20)	(68)
Exchange differences	(11)	(17)	(11)	(39)
At 31 December	424	1 270	566	2 260
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	178	761	316	1 255
Depreciation	15	128	42	185
Impairment	-	-	-	-
Acquisition of subsidiaries	-	15	2	17
Sale of subsidiaries	-	-	-	-
Disposals	(2)	(40)	(18)	(60)
Exchange differences	(5)	(12)	(8)	(25)
At 31 December	186	852	334	1 372
NET BOOK VALUE AT 31 DECEMBER 2011	**238**	**418**	**232**	**888**
INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS				
Purchase cost of leased tangible assets	-	4	1	5
Accumulated depreciation	-	3	-	3
NET BOOK VALUE AT 31 DECEMBER 2011	-	**1**	**1**	**2**

At 31 December 2012, the Group had commitments of CHF 12 million (2011: CHF 10 million) for the acquisition of land, buildings and equipment.

Included in the other tangible assets are construction-in-progress assets amounting to CHF 30 million (2011: CHF 45 million).

The values of buildings and equipment for fire insurance purposes are as follows:

(CHF million)	2012	2011
Buildings	523	484
Machinery, equipment and other tangible assets	1 916	1 713

11

GOODWILL

(CHF million)	2012	2011
COST		
At 1 January	830	772
Additions	139	75
Exchange differences	(10)	(17)
AT 31 DECEMBER	**959**	**830**

Goodwill impairment reviews have been conducted for goodwill balances allocated to specific cash generating units (CGU). The goodwill balances tested account for 99.1% of the total goodwill net book value reported as at 31 December 2012. No goodwill impairment exposure was identified and therefore no impairment charge was recorded (2011: nil).

Detailed results of the impairment tests are presented below for larger goodwill balances (representing 46.4% of all goodwill items tested). These tests have all been performed in accordance with the Group's accounting policy described on page 53.

GENERAL DE SERVICIOS ITV, EUROPE AND SOUTH AMERICA

Goodwill recognised on the acquisition of the vehicle inspection businesses of General de Servicios ITV (Inspección Técnica de Vehículos) SA in Spain and Argentina (2010) has been allocated to the General de Servicios ITV CGU for impairment testing purposes. The carrying amount of the goodwill allocated to the CGU is expressed in EUR for an equivalent of CHF 141 million as at 31 December 2012 (2011: CHF 142 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 8.9%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the vehicle inspection business served in Europe and South America.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 200 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 25 basis points would not result in the carrying amount exceeding the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

LIFE SCIENCE SERVICES, EUROPE

Goodwill recognised on the following acquisitions has been allocated to the Life Science Services, Europe CGU for impairment testing purposes: Medisearch International (2003); Cibest (2004); Aster Cephac (2006); and M-Scan Group (2010). The carrying amounts of the goodwill items allocated to this CGU are expressed in EUR for an equivalent of CHF 113 million as at 31 December 2012 (2011: CHF 101 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 7.7%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a conservative long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Life Science Services business in Europe.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 200 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 25 basis points would not result in the carrying amount exceeding the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

FRESENIUS SERVICES, EUROPE

Goodwill recognised on the acquisition of Institut Fresenius AG (2004) has been allocated to a specific cross-business CGU for impairment testing purposes. The carrying amount of the goodwill allocated to this CGU is expressed in EUR for an equivalent of CHF 52 million as at 31 December 2012 (2011: CHF 55 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 8.1%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a conservative long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Fresenius businesses in Europe.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 200 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 25 basis points would not result in the carrying amount exceeding the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

OIL, GAS & CHEMICALS SERVICES, EUROPE (UPSTREAM)

Goodwill recognised on the acquisition of Horizon Energy Partners (2008) has been allocated to the Oil, Gas & Chemicals Services, Europe (Upstream) CGU for impairment testing purposes. The carrying amount of the goodwill allocated to the CGU is expressed in EUR for an equivalent of CHF 53 million as at 31 December 2012 (2011: CHF 53 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 8.9%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a conservative long-term growth rate of 2.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Oil, Gas & Chemicals Services, Europe (Upstream) segment served by the Group.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 200 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 25 basis points would not result in the carrying amount exceeding the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

MINERALS SERVICES, NORTH AMERICA

Goodwill recognised on the following acquisitions has been allocated to the Minerals Services, Americas CGU for impairment testing purposes: Lakefield group (2002) and Minnovex group (2005). The carrying amounts of the goodwill items allocated to this CGU are expressed in various currencies for an equivalent of CHF 54 million as at 31 December 2012 (2011: CHF 56 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 8.6%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a conservative long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Minerals Services business in the Americas.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 200 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 25 basis points would not result in the carrying amount exceeding the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

OIL, GAS & CHEMICALS SERVICES, NORTH AMERICA

Goodwill recognised on the acquisition of Petroleum Services Corporation Inc. (2005) has been allocated to the Oil, Gas & Chemicals Services, North America CGU for impairment testing purposes. The carrying amount of the goodwill allocated to this CGU is expressed in USD for an equivalent of CHF 30 million as at 31 December 2012 (2011: CHF 30 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 7.4%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a conservative long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Oil, Gas & Chemicals Services business in North America.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 200 basis points would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 25 basis points would not result in the carrying amount exceeding the recoverable amount.

An increase of 1% in the discount rate assumption would not change the conclusions of the impairment test.

12

OTHER INTANGIBLE ASSETS

(CHF million)	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	COMPUTER SOFTWARE AND OTHER ASSETS INTERNALLY GENERATED	COMPUTER SOFTWARE AND OTHER ASSETS PURCHASED	TOTAL
2012					
COST					
At 1 January	97	105	69	202	473
Additions	-	-	5	29	34
Acquisition of subsidiaries	-	35	-	1	36
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(3)	(3)
Exchange differences	(1)	(2)	(1)	(4)	(8)
At 31 December	96	138	73	225	532
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	16	29	56	158	259
Amortisation	8	10	5	23	46
Impairment	8	-	1	-	9
Acquisition of subsidiaries	-	-	-	-	-
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(3)	(3)
Exchange differences	-	(1)	1	(1)	(1)
At 31 December	32	38	63	177	310
NET BOOK VALUE AT 31 DECEMBER 2012	**64**	**100**	**10**	**48**	**222**

(CHF million)	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	COMPUTER SOFTWARE AND OTHER ASSETS INTERNALLY GENERATED	COMPUTER SOFTWARE AND OTHER ASSETS PURCHASED	TOTAL
2011					
COST					
At 1 January	99	83	64	190	436
Additions	-	-	5	18	23
Acquisition of subsidiaries	1	23	-	-	24
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(3)	(3)
Exchange differences	(3)	(1)	-	(3)	(7)
At 31 December	97	105	69	202	473
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	7	22	51	146	226
Amortisation	9	7	5	19	40
Impairment	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(3)	(3)
Exchange differences	-	-	-	(4)	(4)
At 31 December	16	29	56	158	259
NET BOOK VALUE AT 31 DECEMBER 2011	**81**	**76**	**13**	**44**	**214**

SIGNIFICANT INTANGIBLE ASSETS

The Group is implementing global management information systems focusing on contract management, finance and sales order processing. In particular, additions relating to the Group's ERP system amount to CHF 4 million (2011: CHF 4 million) and are being amortised over a period of four years.

Incremental costs relating to internally generated assets are capitalised when incurred and amortised over a period of four years from the time of occurrence. Purchased intangible assets mainly consist of purchased computer software and consultancy services required for implementations.

13

OTHER NON-CURRENT ASSETS

(CHF million)	2012	2011
Non-current loans to third parties	1	1
Other non-current assets	43	45
TOTAL	**44**	**46**

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans to third parties range between 0% and 15.0%.

Other non-current assets consist mainly of deposits for guarantees and include CHF 14 million (2011: CHF 14 million) of restricted cash. Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2012 and 2011, the fair value of the Group's other non-current assets approximates the carrying value.

14

UNBILLED REVENUES AND INVENTORIES

(CHF million)	2012	2011
Work-in-progress	40	33
Unbilled revenues	207	183
Inventories	55	41
TOTAL	**302**	**257**

15

TRADE ACCOUNTS AND NOTES RECEIVABLE

(CHF million)	2012	2011
Trade accounts and notes receivable	1 136	1 013
Allowance for doubtful accounts	(159)	(145)
TOTAL	**977**	**868**
Ageing of trade accounts and notes receivables not impaired:		
Not overdue	406	384
Past due not more than two months	389	326
Past due more than two months but not more than four months	91	92
Past due more than four months but not more than six months	48	39
Past due more than six months but not more than one year	43	27
Past due more than one year	-	-
TOTAL	**977**	**868**

The nominal value, less impairment provisions, of trade accounts and notes receivable is considered to approximate their fair value.

The movement of allowance for doubtful accounts is analysed as follows:

(CHF million)	2012	2011
Balance at beginning of the year	(145)	(175)
Acquisition of subsidiaries	(2)	-
Increase in allowance recognised in the income statement	(26)	(7)
Utilisations	12	35
Exchange differences	2	2
TOTAL	**(159)**	**(145)**

Receivables aged less than 360 days are provided when the credit worthiness review indicates that the amounts may have become unrecoverable.

The Group provides fully for all receivables over 360 days as historical experience shows that receivables aged more than 360 days are generally not recoverable.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counter-parties and customers. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The Group periodically assesses the creditworthiness of customers.

The Group’s credit risk is diversified due to the large number of entities that make up the Group’s customer base and the diversification across many different industries and geographic regions.

The maximum credit risk to which the Group is theoretically exposed at 31 December 2012 is represented by the carrying amounts of receivables in the balance sheet.

No customer accounts for 5% or more of the Group’s total receivables at balance sheet date.

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OTHER RECEIVABLES AND PREPAYMENTS

(CHF million)	2012	2011
Prepayments	77	80
Derivative assets	6	6
Interest Rate Swap designated in a fair value hedge accounting relationship	5	30
Other receivables	167	128
TOTAL	**255**	**244**

The Group has no significant concentration of credit risk, with exposure spread over a large number of counter-parties.

Other receivables consist mainly of sales and other taxes recoverable as well as advances to suppliers and prepaid income tax.

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MARKETABLE SECURITIES

(CHF million)	2012	2011
Available for sale	17	9
TOTAL	**17**	**9**

Unrealised gains or losses on marketable securities designated as available for sale and which are recorded in equity amounted to nil for 2012 (2011: nil).

18

CASH AND CASH EQUIVALENTS

(CHF million)	2012	2011
Cash and short-term deposits	971	1 196
Short-term loans	1	6
TOTAL	**972**	**1 202**

Cash and cash equivalents do not include restricted cash, which is reported within other non-current assets (note 13).

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CASH FLOW STATEMENT

19.1. NON-CASH ITEMS

(CHF million)	NOTES	2012	2011
Depreciation of buildings and equipment	10	222	185
Impairment of land, buildings and equipment and other intangible assets	10 & 12	13	-
Amortisation of intangible assets	12	46	40
Net financial expenses		35	26
(Decrease) in provisions and employee benefits		(54)	(36)
Share-based payment expenses		14	15
(Gain) on disposals of land, buildings and equipment		(1)	-
Taxes		218	203
NON-CASH ITEMS		**493**	**433**

19.2 INCREASE IN WORKING CAPITAL

(CHF million)	2012	2011
(Increase) in unbilled revenues and inventories	(43)	(43)
(Increase) in trade accounts and notes receivable	(91)	(101)
(Increase) in other receivables and prepayments	(22)	(15)
Increase in trade and other payables	27	40
Increase in other creditors and accruals	20	35
Increase in other provisions	36	-
(INCREASE) IN WORKING CAPITAL	**(73)**	**(84)**

19.3. CASH FLOWS ARISING FROM ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

(CHF million)	2012 ACQUISITIONS	2012 DIVESTMENTS	2011 ACQUISITIONS	2011 DIVESTMENTS
Tangible and other long-term assets	(32)	-	(20)	-
Intangible assets	(36)	-	(24)	-
Current assets excluding cash and cash equivalents	(58)	-	(20)	-
Cash and cash equivalents	(19)	-	(13)	-
Current liabilities	59	-	13	-
Non-current liabilities	22	-	3	-
NET IDENTIFIABLE ASSETS ACQUIRED OR DIVESTED	**(64)**	-	**(61)**	-
Acquired cash and cash equivalents	19	-	13	-
SUBTOTAL	**(45)**	-	**(48)**	-
Goodwill	(139)	-	(75)	-
Consideration payable	8	-	19	-
Payments on prior year aquisitions	(6)	-	(8)	-
NET CASH FLOWS	**(182)**	-	**(112)**	-

Note 3 provides further information regarding acquisitions and divestments of businesses. All acquisitions were settled in cash.

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ACQUISITIONS

ASSETS AND LIABILITIES ARISING FROM THE 2012 ACQUISITIONS

(CHF million)	CIMM. FAIR VALUE ON ACQUISITION	OTHER FAIR VALUE ON ACQUISITION	TOTAL FAIR VALUE ON ACQUISITION
Tangible and other long-term assets	23	9	32
Intangible assets	7	29	36
Trade accounts and notes receivable	16	20	36
Cash and cash equivalents	8	11	19
Other current assets	5	17	22
Current liabilities	(30)	(29)	(59)
Non-current liabilities	(11)	(11)	(22)
NET ASSETS ACQUIRED	**18**	**46**	**64**
Goodwill	19	120	139
TOTAL PURCHASE PRICE	**37**	**166**	**203**
Acquired cash and cash equivalents	(8)	(11)	(19)
Consideration payable	-	(8)	(8)
NET CASH OUTFLOW ON ACQUISITIONS	**29**	**147**	**176**

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets.

Consideration payable relates mainly to environmental and commercial warranty clauses.

The Group incurred transaction-related costs of CHF 5 million (2011: CHF 6 million) related to external legal fees, due diligence expenses as well as the costs of maintaining an internal acquisition department. These expenses are reported within Other Operating Expenses in the consolidated income statement.

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FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's activities expose it primarily to market, credit and liquidity risk. Market risk includes foreign exchange, interest rate and equity price risks.

The risk management policies and objectives are governed by the Group's policies approved by the Board of Directors.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risk and limits continually by means of reliable and up-to-date administrative and information systems.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies. The Audit Committee is assisted in its oversight role by Internal Audit.

RISK MANAGEMENT ACTIVITIES

The Group uses foreign exchange contracts to manage the Group's exposure to fluctuations in foreign currency exchange rates. These activities are carried out in accordance with the Group's risk management policies and objectives in areas such as counter-party exposure and hedging practices. Counter-parties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table summarises foreign exchange contracts outstanding at year-end. The notional amount of derivatives summarised below represents the gross amount of the contracts and includes transactions which have not yet matured. Therefore the figures do not reflect the Group's net exposure at year-end. The market value approximates the costs to settle the outstanding contracts. These market values should not be viewed in isolation but in relation to the market values of the underlying hedged transactions and the overall reduction in the Group's exposure to adverse fluctuations in foreign exchange rates.

Currently, the Group has limited exposure to interest risk and no exposure to equity price risks.

	NOTIONAL AMOUNT		BOOK VALUE		MARKET VALUE	
(CHF million)	2012	2011	2012	2011	2012	2011
FOREIGN EXCHANGE FORWARD CONTRACTS						
Currency:						
Australian Dollar (AUD)	(49)	(33)	(2)	(1)	(2)	(1)
Brazilian Real (BRL)	-	(5)	-	-	-	-
Canadian Dollar (CAD)	(15)	-	-	-	-	-
Chilean Peso (CLP)	1	34	-	-	-	-
Chinese Renminbi (CNY)	15	(5)	-	-	-	-
Euro (EUR)	(230)	(166)	-	-	-	-
British Pound Sterling (GBP)	(1)	9	-	-	-	-
Hong Kong Dollar (HKD)	145	139	-	-	-	-
Japanese Yen (JPY)	(1)	-	-	-	-	-
Korean Won (KRW)	(12)	(13)	-	-	-	-
New Zealand Dollar (NZD)	(3)	-	-	-	-	-
Philippines Peso (PHP)	(7)	-	-	-	-	-
Polish Zloty (PLN)	(8)	-	-	-	-	-
Russian Rubble (RUB)	(14)	-	(1)	-	(1)	-
Turkish New Lira (TRY)	(20)	(19)	-	-	-	-
US Dollar (USD)	(66)	(112)	(1)	-	(1)	-
South African Rand (ZAR)	(8)	-	-	-	-	-
Other	(8)	(17)	1	-	1	-
TOTAL	**(281)**	**(188)**	**(3)**	**(1)**	**(3)**	**(1)**

FAIR VALUE MEASUREMENT RECOGNISED IN THE BALANCE SHEET

Marketable securities and derivative assets and liabilities are the only financial instruments measured at fair value subsequent to their initial recognition.

Marketable securities (2012: CHF 17 million; 2011: CHF 9 million) qualify as Level 1 fair value measurement category. Derivative assets (2012: CHF 11 million; 2011: CHF 36 million) and liabilities (2012: CHF 9 million; 2011: CHF 7 million) qualify as Level 2 fair value measurement category in accordance with the fair value hierarchy.

Level 1 fair value measurements are those derived from the quoted price in active markets. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivative assets and liabilities consist of foreign currency forward contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract. In addition, the Interest Rate Swap is measured using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contract.

CREDIT RISK MANAGEMENT

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. It arises principally from the Group's commercial activities. The Group has dedicated standards, policies and procedures to control and monitor such risks.

As part of financial management activities the Group enters into various types of transactions with international banks, usually with a credit rating of at least A. Exposure to these risks is closely monitored and kept within predetermined parameters. The Group does not expect any non-performance by these counter-parties.

The maximum credit risk to which the Group is theoretically exposed at 31 December 2012 is the carrying amount of financial assets including derivatives.

Analysis of financial assets by class and category at 31 December 2012:

	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
			AVAILABLE FOR SALE		AT FAIR VALUE THROUGH P&L			
(CHF million)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and short-term deposits	971	971	-	-	-	-	971	971
Trade receivables	977	977	-	-	-	-	977	977
Other receivables [1]	109	109	-	-	-	-	109	109
Unbilled revenues	207	207	-	-	-	-	207	207
Loans to 3rd parties - current	1	1	-	-	-	-	1	1
Loans to 3rd parties - non-current	1	1	-	-	-	-	1	1
Marketable securities	-	-	17	17	-	-	17	17
Derivatives [2]	-	-	-	-	11	11	11	11
TOTAL FINANCIAL ASSETS	**2 266**	**2 266**	**17**	**17**	**11**	**11**	**2 294**	**2 294**

1. Excluding VAT and other tax related items.
2. Including an Interest Rate Swap designated in a fair value hedge accounting relationship of CHF 5 million.

Analysis of financial assets by class and category at 31 December 2011:

	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
			AVAILABLE FOR SALE		AT FAIR VALUE THROUGH P&L			
(CHF million)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and short-term deposits	1 196	1 196	-	-	-	-	1 196	1 196
Trade receivables	868	868	-	-	-	-	868	868
Other receivables [1]	95	95	-	-	-	-	95	95
Unbilled revenues	183	183	-	-	-	-	183	183
Loans to 3rd parties - current	6	6	-	-	-	-	6	6
Loans to 3rd parties - non-current	1	1	-	-	-	-	1	1
Marketable securities	-	-	9	9	-	-	9	9
Derivatives [2]	-	-	-	-	36	36	36	36
TOTAL FINANCIAL ASSETS	**2 349**	**2 349**	**9**	**9**	**36**	**36**	**2 394**	**2 394**

1. Excluding VAT and other tax related items.
2. Including an Interest Rate Swap designated in a fair value hedge accounting relationship of CHF 30 million.

LIQUIDITY RISK MANAGEMENT

The objective of the Group liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding is primarily managed by Group Treasury in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position liquidity risk is limited. The Group has various committed and uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by class and category at 31 December 2012:

	AMORTISED COST AND OTHER LIABILITIES		FAIR VALUE		TOTAL	
			AT FAIR VALUE THROUGH P&L			
(CHF million)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Trade payables	202	202	-	-	202	202
Other payables and financial liabilities [1]	152	152	-	-	152	152
Advances from clients	30	30	-	-	30	30
Loans and obligations under finance leases	1 320	1 320	-	-	1 320	1 320
Derivatives	-	-	9	9	9	9
Bank overdrafts	3	3	-	-	3	3
TOTAL FINANCIAL LIABILITIES	**1 707**	**1 707**	**9**	**9**	**1 716**	**1 716**

1. Excluding VAT and other tax related items.

Analysis of financial liabilities by class and category at 31 December 2011:

(CHF million)	AMORTISED COST AND OTHER LIABILITIES CARRYING AMOUNT	AMORTISED COST AND OTHER LIABILITIES FAIR VALUE	FAIR VALUE AT FAIR VALUE THROUGH P&L CARRYING AMOUNT	FAIR VALUE AT FAIR VALUE THROUGH P&L FAIR VALUE	TOTAL CARRYING AMOUNT	TOTAL FAIR VALUE
Trade payables	195	195	-	-	195	195
Other payables and financial liabilities [1]	135	135	-	-	135	135
Advances from clients	45	45	-	-	45	45
Loans and obligations under finance leases	1 301	1 301	-	-	1 301	1 301
Derivatives	-	-	7	7	7	7
Bank overdrafts	4	4	-	-	4	4
TOTAL FINANCIAL LIABILITIES	**1 680**	**1 680**	**7**	**7**	**1 687**	**1 687**

1. Excluding VAT and other tax related items.

Contractual maturities of financial liabilities including interest payments at 31 December 2012:

(CHF million)	BORROWINGS 3RD PARTY LT AND ST	BANK OVERDRAFTS AND OTHER LIABILITIES	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS OUTFLOWS	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS INFLOWS	TRADE PAYABLES AND OTHERS	FINANCE LEASES	TOTAL
On demand or within one year	42	11	564	(569)	324	2	374
Within the second year	31	5	-	-	1	1	38
Within the third year	28	4	-	-	-	-	32
Within the fourth year	648	3	-	-	-	-	651
Within the fifth year	16	-	-	-	-	-	16
After five years	732	-	-	-	-	-	732

The Group hedges its foreign exchange exposures on a net basis. The net gross settled derivative financial instruments of minus CHF 5 million (2011: CHF 3 million) represents the net nominal value expressed in CHF of the Group's foreign contracts outstanding at 31 December 2012.

Contractual maturities of financial liabilities including interest payments at 31 December 2011:

(CHF million)	BORROWINGS 3RD PARTY LT AND ST	BANK OVERDRAFTS AND OTHER LIABILITIES	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS OUTFLOWS	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS INFLOWS	TRADE PAYABLES AND OTHERS	FINANCE LEASES	TOTAL
On demand or within one year	26	24	512	(515)	310	1	358
Within the second year	26	5	-	-	2	-	33
Within the third year	24	1	-	-	1	-	26
Within the fourth year	22	-	-	-	-	-	22
Within the fifth year	647	1	-	-	-	-	648
After five years	681	-	-	-	1	-	682

SENSITIVITY ANALYSES

The estimated changes in the value of net foreign currency positions are based on an instantaneous 5% weakening of the Swiss Franc against all other currencies from the level applicable at 31 December 2012 and 2011, with all other variables remaining constant.

Sensitivity analysis at 31 December 2012 and 2011:

(CHF million)	2012 INCOME STATEMENT IMPACT INCOME/(EXPENSE)	2012 EQUITY IMPACT INCREASE/(DECREASE)	2011 INCOME STATEMENT IMPACT INCOME/(EXPENSE)	2011 EQUITY IMPACT INCREASE/(DECREASE)
US Dollar (USD)	(1)	6	-	6
Euro (EUR)	(2)	-	(1)	(1)
CFA Franc BEAC (XAF)	2	-	1	-
British Pound Sterling (GBP)	-	2	-	2
Australian Dollar (AUD)	-	2	-	2
Canadian Dollar (CAD)	-	5	-	4
New Metical (MZN)	-	1	-	-
Brazilian Real (BRL)	-	1	-	-
Colombian Peso (COP)	-	1	-	-
Korean Won (KRW)	-	-	-	1
Chilean Peso (CLP)	-	2	-	3

INTEREST RATE RISK MANAGEMENT

The Group is exposed to fair value interest rate risk because the Group borrows funds at fixed interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

On 27 May 2011, the Group entered into an interest rate swap agreement, which hedges the 10 year CHF 275 million corporate bond with a coupon of 3.0% issued at the same date. In this case, the Group designated and documented the interest rate swap exchanging fixed rate interest for floating interest as a hedging instrument against changes in fair value of recognised liability (fair value hedge).

On 18 July 2012, the Group received a cash amount of CHF 33 million in relation with the re-setting of the Interest Rate Swap agreement to market rates.

These cash proceeds were recognised against the carrying amount of the corporate bond and will be amortised within interest expense over the remaining life of the corporate bond by adjusting the effective interest rate under the effective interest method. At the same date, the Group has also re-designated the hedge accounting relationship in compliance with fair value hedge accounting requirements.

If interest rates were 50 basis points higher/lower, the profit for the year ended 31 December 2012 would increase/decrease by nil (2011: nil), excluding the interest rate swap.

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SHARE CAPITAL AND TREASURY SHARES

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARE ISSUED	TOTAL SHARE CAPITAL *(CHF million)*
BALANCE AT 1 JANUARY 2011	**7 589 784**	**232 652**	**7 822 436**	**8**
Treasury shares released into circulation	17 664	(17 664)	-	-
Treasury shares purchased	(43 588)	43 588	-	-
BALANCE AT 31 DECEMBER 2011	**7 563 860**	**258 576**	**7 822 436**	**8**
Treasury shares released into circulation	74 859	(74 859)	-	-
Treasury shares purchased	(6 677)	6 677	-	-
BALANCE AT 31 DECEMBER 2012	**7 632 042**	**190 394**	**7 822 436**	**8**

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 822 436 (2011: CHF 7 822 436) fully paid in and divided into 7 822 436 (2011: 7 822 436) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

TREASURY SHARES

On 31 December 2012, SGS SA held, directly or indirectly, 190 394 treasury shares.

In 2012, 74 859 treasury shares were sold or released to cover option rights. During the year, 6 677 treasury shares were purchased for an average price CHF 1 691.

In 2012, the Group initiated a new Share Buy-Back programme for a total of CHF 250 million, valid from 12 March 2012 to 31 December 2014.

AUTHORISED AND CONDITIONAL ISSUE OF SHARE CAPITAL

The Board has the authority to increase the share capital of SGS SA by a maximum of 500 000 registered shares of a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is mandated to issue the new shares at the market conditions at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription or to allocate such subscription right to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 15 March 2013.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000, divided into 1 100 000 registered shares of a par value of CHF 1 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee share option plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorised to issue. The right to subscribe to such conditional capital is reserved for beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

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LOANS AND OBLIGATIONS UNDER LEASES

(CHF million)	2012	2011
Bank loans	17	9
Bank overdrafts	3	4
Corporate bonds	1 299	1 290
Finance lease obligations	4	2
TOTAL	**1 323**	**1 305**
Current	17	6
Non-current	1 306	1 299

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0% and 9.8% and on short-term loans from third parties range between 0% and 37.5%.

The loans from third parties exposed to fair value interest rate risk amount to CHF 1 003 million (2011: CHF 1 000 million) and the loans from third parties exposed to cash flow interest rate risk amount to CHF 319 million (2011: CHF 303 million).

At 31 December 2012, the fair value of the hedged bond issued 27 May 2011 approximated the carrying value. The fair value of the other corporate bonds was CHF 1 076 million (2011: CHF 1 045).

SGS SA issued the following corporate bonds listed on the SIX Swiss Exchange:

DATE OF ISSUE	FACE VALUE IN CHF MILLION	COUPON IN %	EFFECTIVE INTEREST RATE	YEAR OF MATURITY	ISSUE PRICE IN %	REDEMPTION PRICE IN %
19.08.2010	550	1.875	2.091	2016	100.346	100.000
08.03.2011	375	2.625	2.799	2019	100.832	100.000
27.05.2011 [1]	275	3.000	1.751 [2]	2021	100.480	100.000
27.05.2011 [3]	75	1.875	2.232	2016	99.591	100.000

1. SGS SA entered into an Interest Rate Swap (IRS) agreement related to this bond.
2. Change in the effective interest rate due to the re-setting of the Interest Rate Swap (IRS).
3. Re-opening of the six-year bond issued on 19 August 2010.

Loans and finance lease obligations mature as follows:

	BANK LOANS, OVERDRAFTS AND CORPORATE BONDS		LEASE OBLIGATIONS	
(CHF million)	2012	2011	2012	2011
On demand or within one year	16	4	2	2
Within the second year	3	5	2	-
Within the third year	-	2	-	-
Within the fourth year	620	-	-	-
Within the fifth year	-	619	-	-
After five years	680	673	-	-
TOTAL	**1 319**	**1 303**	**4**	**2**

The currency composition of loans and finance lease obligations is as follows:

(CHF million)	BANK LOANS, OVERDRAFTS AND CORPORATE BONDS 2012	2011	LEASE OBLIGATIONS 2012	2011
Swiss Franc (CHF)	1 299	1 290	-	-
Euro (EUR)	3	3	1	-
US Dollar (USD)	1	-	-	-
Indian Rupee (INR)	1	3	-	-
Colombian Peso (COP)	4	-	-	-
Malagasy Ariary (MGA)	3	3	-	-
Malaysian Ringgit (MYR)	-	-	-	-
Brazilian Real (BRL)	6	1	-	-
Moroccan Dirham (MAD)	-	-	-	-
Polish Zloty (PLN)	-	-	-	-
Other	2	3	3	2
TOTAL	**1 319**	**1 303**	**4**	**2**

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RETIREMENT BENEFIT OBLIGATIONS

The main defined benefit pension plans within the Group are in Switzerland, the USA, the UK, the Netherlands, Germany, Italy, France and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities.

The Group also operates post-employment benefit plans, principally healthcare plans in the USA and in Switzerland. They represent a defined benefit obligation at 31 December 2012 of CHF 13 million (2011: CHF 12 million). The method of accounting and the frequency of valuation are similar to those used for defined benefit pension plans. Healthcare cost trend assumptions do not have a significant effect on the amounts recognised in the income statement.

The assets and liabilities recognised in the balance sheet at 31 December for defined benefit obligations and for post-employment benefit plans are as follows:

(CHF million)	2012	2011
Present value of funded obligations	834	763
Fair value of plan assets	(726)	(662)
UNFUNDED STATUS	**108**	**101**
Present value of unfunded obligations	68	66
Past service cost not yet recognised	-	-
Limit on pension assets	-	2
NET LIABILITY	**176**	**169**

Amounts recorded in the income statement:

(CHF million)	2012	2011
Current service cost	19	18
Interest cost	33	34
Expected return on plan assets	(40)	(41)
Gains due to settlements/curtailments	(2)	-
Past service (credit)/cost	-	(6)
TOTAL INCLUDED IN SALARIES AND WAGES	**10**	**5**

In 2011, IAS 19 revised on Employee Benefits was issued for adoption by 1 January 2013. If this standard and the related consequential amendments had been adopted by the Group in 2011, it is estimated that the operating income for the full year 2011 and 2012 would have been lower by approximately CHF 14 million and by CHF 15 million, respectively with no material impact on the equity or the balance sheet. The Directors anticipate similar impact for the future. As required by the standard, the Group will retrospectively adopt this standard on 1 January 2013.

Amounts recorded in the statement of comprehensive income:

(CHF million)	2012	2011
CUMULATIVE AMOUNT AT 1 JANUARY	**283**	**265**
Net actuarial losses/(gains) recognised in the year	57	56
Limit on pension asset	(4)	(10)
Exchange differences	7	(28)
CUMULATIVE AMOUNT AT 31 DECEMBER	**343**	**283**

The cumulative amount of gains and losses recognised in the statement of comprehensive income amounted to CHF 333 million at the end of the period (2011: CHF 280 million).

Movements in the net liability during the period:

(CHF million)	2012	2011
NET LIABILITY AT 1 JANUARY	**169**	**154**
Change in scope	-	-
Exchange differences	(2)	1
Expense/(income) recognised in the income statement	10	5
Contributions paid by the Group	(54)	(37)
Net (assets)/liabilities assumed in a business combination	-	-
Limit on pension asset	(4)	(10)
Net actuarial losses/(gains) recognised in the year	57	56
NET LIABILITY AT 31 DECEMBER	**176**	**169**

Change in the defined benefit obligation is as follows:

(CHF million)	2012	2011
Opening present value of the defined benefit obligation	829	814
Change in scope	-	-
Current service cost	19	18
Interest cost	33	34
Plan participants' contributions	6	7
Actuarial losses	92	9
Past service (credit)/cost	-	(6)
Settlements and curtailments	(18)	-
Liabilities assumed in a business combination	-	-
Exchange differences	(7)	(5)
Benefits paid	(52)	(42)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**902**	**829**

Change in fair value of plan assets is as follows:

(CHF million)	2012	2011
Opening fair value of plan assets	662	672
Change in scope	-	-
Expected return on plan assets	40	41
Actuarial gains/(losses)	35	(47)
Plan participants' contributions	6	7
Employer contributions	54	37
Settlements and curtailments	(16)	-
Exchange differences on foreign plans	(3)	(6)
Benefits paid	(52)	(42)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**726**	**662**

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 75 million (2011: loss of CHF 6 million). The Group expects to contribute approximately CHF 35 million to its defined benefit plans in 2013.

The major categories of plan assets as a percentage of total plan assets are as follows:

(Weighted average %)	2012	2011
Equity securities	41.7	41.7
Debt securities	28.8	28.8
Property	14.6	16.0
Other	14.9	13.5
TOTAL	**100.0**	**100.0**

The "Other" assets consist mainly of cash and cash equivalents and assets related to insurance contracts.

SGS occupies property that is included in the plan assets with a fair value of CHF 5 million (2011: CHF 5 million). The property is rented at fair market rental rates. There are no SGS SA shares included in plan assets.

The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and portfolio weighting, and future estimates of long-term investment returns.

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2012 and 2011 are as follows:

(Weighted average %)	2012	2011
Discount rate	3.3	4.0
Return on assets	5.9	6.0
Salary progression rate	2.8	2.8
Future pension increases	0.8	0.9
Healthcare cost trend assumed for the next year	8.0	8.5
Ultimate trend rate	5.0	5.0
Year that the rate reaches the ultimate trend rate	2019	2019

Funded status of the retirement benefit obligations for the current and previous periods are as follows:

(CHF million)	2012	2011	2010	2009	2008
Defined benefit obligation	902	829	814	792	705
Plan assets	(726)	(662)	(672)	(657)	(545)
Deficit	176	167	142	135	160
Experience losses/(gains) on plan liabilities	4	8	(6)	(15)	5
Experience gains/(losses) on plan assets	35	(47)	(14)	(36)	165

The amount recognised as an expense in respect of defined contribution plans during 2012 was CHF 46 million (2011: CHF 45 million).

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PROVISIONS

(CHF million)	LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED	DEMOBILISATION AND REORGANISATION	OTHER PROVISIONS	TOTAL
AT 1 JANUARY 2012	**53**	**32**	**41**	**126**
Acquisitions of subsidiaries	-	7	1	8
Charge to income statement	18	13	7	38
Release to income statement	(18)	(1)	(8)	(27)
Payments	(7)	(12)	(3)	(22)
Exchange differences	(1)	(1)	(1)	(3)
AT 31 DECEMBER 2012	**45**	**38**	**37**	**120**

Analysed as:	2012	2011
Current liabilities	23	20
Non current liabilities	97	106
TOTAL	**120**	**126**

A number of Group companies are subject to litigation and other claims arising out of the normal conduct of their business that can be best viewed as claims on services rendered. The claim provision represents the sum of estimates of amounts payable on identified claims and of losses incurred but not yet reported. They therefore reflect estimates of the future payments required to settle both reported and unreported claims.

The process of estimation is complex, dealing with uncertainty, requiring the use of informed estimates, actuarial assessment, and the judgement of management. Any changes in these estimates are reflected in the income statement in the period in which the estimates change.

The timing of cash outflows from pending litigation and claims is uncertain since it depends, in the majority of cases, on the outcome of administrative and legal proceedings. The Group does not discount its provisions, as the timing of the cash outflows cannot be reasonably and reliably determined.

In the opinion of management, based on all currently available information, the provisions adequately reflect exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, results of operations or cash flows.

For specific long-term contracts, typically with two to five years' duration, the Group is required to dismantle infrastructure and terminate the services of personnel upon completion of the contract. These demobilisation costs are provided for during the life of the contract. Experience has shown that these contracts may be either extended or terminated earlier than expected. The timing of these demobilisation outflows is difficult to assess. The amounts are therefore not discounted.

Other provisions relate to various present legal or constructive obligations of the Group toward third parties, such as termination payment to employees upon leaving the Group, which in some jurisdictions are a legal obligation.

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TRADE AND OTHER PAYABLES

(CHF million)	2012	2011
Trade payables	202	195
Other payables	114	91
Other financial liabilities	177	161
TOTAL	**493**	**447**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs.

At 31 December 2012 and 2011, the fair value of the Group's trade accounts and other payables approximates the carrying value.

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OTHER CREDITORS AND ACCRUALS

(CHF million)	2012	2011
Accrued expenses	490	422
Advance billings	59	50
Advances from clients	30	45
Derivative liabilities	9	7
TOTAL	**588**	**524**

At 31 December 2012 and 2011, the fair value of the Group's other creditors and accruals approximates the carrying value.

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CONTINGENT LIABILITIES

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. Management does not expect that the outcome of any of these legal proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

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GUARANTEES

(CHF million)	2012 ISSUED	2011 ISSUED
Guarantees	113	108
Performance bonds	99	81
TOTAL	**212**	**189**

The Group has issued unconditional guarantees to certain financial institutions that have provided credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds and bid bonds to commercial customers on behalf of its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

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OPERATING LEASES

Operating lease rentals are payable as follows:

(CHF million)	2012	2011
Less than one year	108	100
Between one and five years	247	204
More than five years	67	41
TOTAL	**422**	**345**

The Group leases the majority of its office and laboratory space, as well as vehicles and equipment. During the year ended 31 December 2012, CHF 100 million was recognised as an expense in the income statement in respect of operating leases (2011: CHF 128 million).

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EQUITY COMPENSATION PLANS

Selected directors and employees of the SGS Group are entitled to participate each year in a share option plan. The benefits consist of the right to buy SGS SA shares (accounted for as equity-settled share-based payment transactions) at a predetermined fixed price through a traded option plan.

i) Grants to Directors and members of the Operations Council

A total of 1 098 514 options granting the right to acquire shares of SGS SA at a strike price of CHF 1 497, [100 options give the right to acquire one share and each option expires in January 2017 (these options hereinafter referred to as SGSKF)] were granted to the members of the Operations Council and the Board of Directors in 2012. One-third of these options vest or have vested in each of the years 2012, 2013 and 2015 and can be exercised or sold between January 2015 and January 2017. At the date of grant, these options had an aggregated value (calculated on the basis required for Swiss tax reporting purposes) of CHF 1 614 815. The estimated fair value at the time of grant of the options granted was CHF 2 922 046.

ii) Grants to other employees

In 2012, an additional 2 153 857 SGSKF options were granted to employees, other than members of the Operations Council and the Board of Directors. One-third of these options vest or have vested in each of the years 2012, 2013 and 2015 and can be exercised or sold between January 2015 and January 2017. At the date of grant, these options had an aggregate value (calculated on the basis required for Swiss tax reporting purposes) of CHF 3 166 170. The estimated fair value at the time of grant of the options granted was CHF 5 729 260.

iii) Long Term Incentive Plans (LTI)

In 2012, no additional grant of options of the discretionary long term incentive plan (SGSMF-2011 LTI) has been made in addition of options granted in 2011 for the same plan to members of the Operations Council and Directors. At the date of grant in 2011, these options had an aggregated value (calculated on the basis required for Swiss tax reporting purposes) of CHF 7 920 500. The estimated fair value of those options granted is CHF 14 563 500. Additional information is disclosed under the Director's report on Corporate Governance in this report (pages 35 to 43).

In 2012, 20 000 options of the long term incentive plan (SGSMF-2011 LTI) were granted to other employees. The estimated fair value of those options granted is CHF 57 000.

DESCRIPTION	EXERCISE PERIOD FROM	TO	STRIKE PRICE[1]	OPTIONS OUTSTANDING AT 31 DECEMBER 2011	GRANTED	CANCELLED	EXERCISED OR ADJUSTED	OPTIONS OUTSTANDING AT 31 DECEMBER 2012
SGSFS-ordinarily issued	Jan.10	Jan.12	1 218.00	305 184		-	(305 184)	-
SGSMO-ordinarily issued	Jan.11	Jan.13	1 239.50	1 885 299		-	(1 778 636)	106 663
SGSMO-2008 LTI	Jan.12	Jan.13	1 239.50	5 115 500		(5 115 500)[2]		-
SGSGU-2009	Jan.12	Jan.14	985.16	3 835 881		(5 000)	(2 895 468)	935 413
SGSOP-2010	Jan.13	Jan.15	1 255.48	2 810 138		(52 284)		2 757 854
SGSMF-2011	Jan.14	Jan.16	1 546.99	3 029 440		(37 011)		2 992 429
SGSMF-2011 LTI	Jan.15	Jan.16	1 546.99	8 470 000	20 000	(240 000)		8 250 000
SGSKF-2012	Jan.15	Jan.17	1 466.11		3 252 371			3 252 371
TOTAL				**25 451 442**	**3 272 371**	**(5 449 795)**	**(4 979 288)**	**18 294 730**
Of which exercisable				2 190 483				1 042 076

1. The strike price of the options has been adjusted in accordance with market practice for capital reductions and special dividends.

2. The EPS target set in the 2008 LTI Plan was not met at year end 2011, consequently, the options granted under the 2008 LTI Plan did not vest.

The fair value of share options granted during the year is based on their market value at grant date. All options are publicly traded. The exercise dates are not known to the Group. Correspondingly, the weighted average share price at the date of exercise cannot be calculated.

The Group recognised during the year a total expense of CHF 14 million (2011: CHF 15 million) in relation with equity-settled share-based payments.

Shares available for future option plans:

	TOTAL
AT 1 JANUARY 2011	**31 219**
Repurchased shares	43 588
Options granted (SGSMF Plan and adjustments)	(134 015)
Options cancelled	2 665
AT 31 DECEMBER 2011	**(56 543)**
Repurchased shares	6 677
Options granted (SGSKF Plan and adjustments)	(41 619)
Options cancelled	67 033
AT 31 DECEMBER 2012	**(24 452)**

At 31 December 2012, the Group had the following shares available to satisfy the option and share purchase plan programmes:

(CHF million)	2012 TOTAL	2011 TOTAL
Number of shares held	190 394	258 576
Shares allocated to 2007 option plans	-	(29 843)
Shares allocated to 2008 option plans	(9 858)	(88 540)
Shares allocated to 2009 option plans	(20 280)	(40 077)
Shares allocated to 2010 option plans	(29 414)	(29 353)
Shares allocated to 2011 option plans	(117 514)	(127 306)
Shares allocated to 2012 option plans	(37 780)	-
SHARES (REQUIRED) FOR FUTURE OPTION PLANS AT 31 DECEMBER	**(24 452)** [1]	**(56 543)**

1. 53 891 shares SGS SA became available for future option plans as the options SGSMO-LTI did not vest.

The Group has entered into agreements with various banks, whereby the Group has an obligation to offer to sell to the banks the shares underlying the option programme at the relevant strike price whenever these shares become unblocked. The banks are not obliged to purchase these shares.

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RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in the note.

COMPENSATION TO DIRECTORS AND MEMBERS OF THE OPERATIONS COUNCIL

The remuneration of Directors and members of the Operations Council during the year was as follows:

(CHF million)	2012	2011
Short-term benefits	14	14
Post-employment benefits	1	1
Share-based payments [1]	2	17
Severance payments	1	-
TOTAL	**18**	**32**

1. Market value at grant date.

The remuneration of Directors and members of the Operations Council is determined by the Nomination and Remuneration Committee. Additional information is disclosed under the Directors' report on Corporate Governance in this report (pages 35 to 43).

During 2012 and 2011, no member of the Board of Directors or of the Operations Council had a personal interest in any business transactions of the Group.

The Chairman of the Board and the Operations Council (including Senior Management) participate in the share option plans as disclosed in note 31.

In 2012, Directors' fees were CHF 1 645 000 (2011: CHF 1 645 000). In addition, the Chairman of the Board received options for a total value of CHF 89 200 (2011: CHF 703 000 including long term incentive options granted).

The total compensation (cash and options, excluding severance payments) received by the Operations Council (including Senior Management) amounted to CHF 14 498 000 (2011: CHF 29 140 026 including long term incentive options granted).

Disclosure of compensation paid to the Board of Directors and Senior Management, as required by Swiss law is presented in the notes to the accounts of SGS SA on pages 106 to 116 of this report.

LOANS TO MEMBERS OF GOVERNING BODIES

As at 31 December 2012, no loan, credit or outstanding advance was due to the Company from members of its governing bodies (unchanged from prior year).

TRANSACTIONS WITH OTHER RELATED PARTIES

During the year, the Group performed inspection, verification, testing and certification services for other related parties on normal commercial terms generating total revenues of CHF 13.6 million (2011: CHF 16.1 million). Related trade receivable balances unpaid as at 31 December 2012 amounted to CHF 5.2 million (2011: CHF 5.7 million). These trade receivable balances are to be settled in cash when due and are linked to no specific performance bonds or guarantees. No expense was incurred in 2012 and in 2011 in respect of any bad or doubtful debts due from these related parties.

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SIGNIFICANT SHAREHOLDERS

As at 31 December 2012, Exor held 15.00% (2011: 15.00%), Mr. August von Finck and members of his family acting in concert held 14.97% (2011: 14.97%), the Bank of New York Mellon Corporation held 3.26% (2011: 3.30%) of the share capital and voting rights of the Company.

At the same date, SGS Group held 2.43% of the share capital of the Company (2011: 3.31%).

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APPROVAL OF FINANCIAL STATEMENTS AND SUBSEQUENT EVENTS

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorised for issue by the Board of Directors on 29 January 2013, and will be submitted for approval by the Annual General Meeting of Shareholders' to be held on 19 March 2013.

Deloitte.

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of
SGS SA, GENEVA

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of the SGS Group presented on pages 48 to 96, which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

DELOITTE SA

James Baird	Fabien Bryois
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Geneva, 29 January 2013

SGS AUSTRALIAN RADIATION SERVICES

WE CONTAIN THE EXPERTISE THAT KEEPS PEOPLE SAFE

DR. JOSEPH G YOUNG

Managing Director and Principal Consultant Health Physicist, SGS Australian Radiation Services

Every day at SGS Australian Radiation Services (ARS) we strive to continually achieve our motto: 'Keeping people safe'. When it comes to the harmful effects of ionising radiation in the workplace, there can be no doubt about safety. We provide services to major resource companies, universities, leading hospitals, health networks, and government departments and agencies.

We create confidence and trust in feeling safe around radioactive sources. As the leading provider of radiation protection services across Australasia, with NATA accreditation for the calibration of protection level radiation monitors (NATA accreditation No. 16789), our customers rely on us for innovative, practical and cost effective solutions for personal and environmental radiation monitoring, calibrations and repairs, radio-analytical services, and consultancy services.

We deliver state-of-the-art test reports from our purpose-built facilities that include a fully accredited calibration laboratory, radiochemistry laboratories, a counting laboratory with high-resolution gamma ray spectrometry, alpha/beta and gross alpha/beta/gamma radioactivity measurement systems, and liquid scintillation counters. At SGS ARS, keeping people and the environment safe from ionising radiation is still our number one objective.

INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2012	2011
INCOME			
Dividends from subsidiaries		341	699
Financial income	5	61	27
Other income		2	1
TOTAL INCOME		**404**	**727**
EXPENSES			
Administrative expenses		(4)	(4)
Liquidation of subsidiaries, net		-	-
Depreciation		-	(1)
Financial expenses	5	(35)	(41)
Other expenses		(4)	2
Exchange loss, net		(8)	(1)
TOTAL EXPENSES		**(51)**	**(45)**
PROFIT			
Profit before taxes		353	682
Taxes		(9)	(2)
PROFIT FOR THE YEAR		**344**	**680**

BALANCE SHEET AT 31 DECEMBER

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

(CHF million)	NOTES	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Land and buildings		3	3
Financial assets			
Investments in subsidiaries		1 117	925
Loans to subsidiaries		597	518
Other financial assets		1	-
TOTAL NON-CURRENT ASSETS		**1 718**	**1 446**
CURRENT ASSETS			
Amounts due from subsidiaries		801	462
Other current assets		9	9
Cash and cash equivalents		297	754
TOTAL CURRENT ASSETS		**1 107**	**1 225**
TOTAL ASSETS		**2 825**	**2 671**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	2 & 3	8	8
General reserve	3	34	34
Reserve for own shares	3	208	239
Retained earnings	3	562	683
TOTAL EQUITY		**812**	**964**
LIABILITIES			
Non-current liabilities			
Corporate bonds	4	1 275	1 275
Current liabilities			
Provisions		36	34
Amounts due to subsidiaries		681	378
Other liabilities and accruals		21	20
TOTAL LIABILITIES		**2 013**	**1 707**
TOTAL EQUITY AND LIABILITIES		**2 825**	**2 671**

SGS SA ("the Company") is the ultimate parent company of the SGS Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The financial statements are prepared in accordance with the accounting principles required by Swiss law. During the year, there were no changes to the accounting policies.

NOTES

1

SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are valued at acquisition cost less an adjustment for impairment where appropriate.

FOREIGN CURRENCIES

Balance sheet items denominated in foreign currencies are converted at year end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate. All unrealised gains and losses arising on foreign exchange transactions are included in the determination of the net profit except long-term unrealised gains which are deferred.

RISK ASSESSMENT

Risks potentially threatening the Group's ability to meet its strategic objectives are monitored on an ongoing basis by the Board of Directors through the approval of all major investments, transactions and changes by the Operations Council. In addition, in conjunction with the Operations Council, an annual risk assessment process is conducted to ensure the Group is responding effectively to changes in economic conditions, market dynamics and internal developments.

The annual risk assessment process is conducted in three stages. Individual members of the Operations Council, on a rotation basis, are requested to identify the key risks for their areas of responsibility that could prevent the Group from delivering its strategy and achieving its business objectives. All such risks are then ranked according to their potential significance, their likelihood and how effectively management is able to manage the exposure. By applying this framework, the key business risks profile of the Group across geographies and business segments is identified and tracked from one year to the next.

On behalf of the full Board of Directors, the Audit Committee reviews and discusses with management, and in the presence of the external auditors, the outcome of the above risk assessment process. Special focus is placed on ensuring that the risk profile covers all areas of concern identified by the Board and that the Operations Council has put in place internal controls to monitor the evolution of such risks and mitigate their likely impact at an early stage. The outcome of the above process was approved by the Board of Directors on 19 October 2012.

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TOTAL EQUITY

(CHF million)	SHARE CAPITAL	GENERAL RESERVE	RESERVE FOR OWN SHARES	RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2011	**8**	**34**	**181**	**558**	**781**
Dividends paid	-	-	-	(497)	(497)
Increase in the reserve for own shares	-	-	58	(58)	-
Profit for the year	-	-	-	680	680
BALANCE AT 31 DECEMBER 2011	**8**	**34**	**239**	**683**	**964**
Dividends paid	-	-	-	(496)	(496)
Decrease in the reserve for own shares	-	-	(31)	31	-
Profit for the year	-	-	-	344	344
BALANCE AT 31 DECEMBER 2012	**8**	**34**	**208**	**562**	**812**

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SHARE CAPITAL

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL CHF (MILLION)
BALANCE AT 1 JANUARY 2011	**7 589 784**	**232 652**	**7 822 436**	**8**
Treasury shares released into circulation	16 190	(16 190)	-	-
Treasury shares purchased, net	(42 114)	42 114	-	-
BALANCE AT 31 DECEMBER 2011	**7 563 860**	**258 576**	**7 822 436**	**8**
Treasury shares released into circulation	74 859	(74 859)	-	-
Treasury shares purchased, net	(6 677)	6 677	-	-
BALANCE AT 31 DECEMBER 2012	**7 632 042**	**190 394**	**7 822 436**	**8**

Issued share capital

SGS SA has a share capital of CHF 7 822 436 (2011: CHF 7 822 436) fully paid-in and divided into 7 822 436 (2011: 7 822 436) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares

On 31 December 2012, SGS SA, indirectly, held 190 394 of its own shares for which SGS SA has recorded a "reserve for own shares".

In 2012, 74 859 treasury shares, of which 29 703 held by the Foundation (fondation pour l'intéressement du personnel), were sold or released to cover option rights and 3 308 were transferred by the Foundation to a subsidiary.

During the year, 6 677 treasury shares have been purchased by a subsidiary for an average price of CHF 1 691. A corresponding movement in the reserve for own shares has been recorded.

Authorised and conditional issue of share capital

The Board of Directors has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares of a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is authorised to issue the new shares at the market conditions prevailing at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription, or to allocate such subscription rights to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 15 March 2013.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000 divided into 1 100 000 registered shares of a par value of CHF 1 each. This conditional share capital increase is intended to obtain the necessary shares to satisfy employee share option plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorised to issue. The right to subscribe to such conditional capital is reserved to beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

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CORPORATE BONDS

Bonds are recorded at nominal value. SGS SA issued the following bonds:

DATE OF ISSUE	FACE VALUE IN CHF MILLION	COUPON IN %	YEAR OF MATURITY	ISSUE PRICE IN %	REDEMPTION PRICE IN %
19.08.2010	550	1.875	2016	100.346	100.000
08.03.2011	375	2.625	2019	100.832	100.000
27.05.2011 [1]	275	3.000	2021	100.480	100.000
27.05.2011 [2]	75	1.875	2016	99.591	100.000

1. SGS SA entered into an Interest Rate Swap (IRS) agreement for the duration of this bond.

2. Re-opening of the six-year bond issued on 19 August 2010.

The Group has listed all the bonds on the SIX Swiss Exchange.

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FINANCIAL INCOME AND FINANCIAL EXPENSES

(CHF million)	2012	2011
FINANCIAL INCOME		
Interest income 3rd party	34	4
Interest income Group	27	23
TOTAL FINANCIAL INCOME	**61**	**27**
FINANCIAL EXPENSES		
Interest expenses 3rd party	(27)	(21)
Interest expenses Group	(3)	(4)
Other financial expenses	(5)	(16)
TOTAL FINANCIAL EXPENSES	**(35)**	**(41)**

In 2011, other financial expenses mainly include transaction costs net of agio on issuance of the bonds.

On 18 July 2012, the Group received a cash amount of CHF 33 million in relation with the re-setting of the Interest Rate Swap agreement to market rates. These cash proceeds were recognised as interest income in the income statement.

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GUARANTEES AND COMFORT LETTERS

(CHF million)	2012 ISSUED	2012 UTILISED	2011 ISSUED	2011 UTILISED
Guarantees	154	87	122	63
Performance bonds	14	14	13	13
TOTAL	**168**	**101**	**135**	**76**

The Company has unconditionally guaranteed or provided comfort to financial institutions providing credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds to commercial customers on behalf of its subsidiaries.

The Company is part of a VAT Group comprising itself and other Group companies in Switzerland.

7

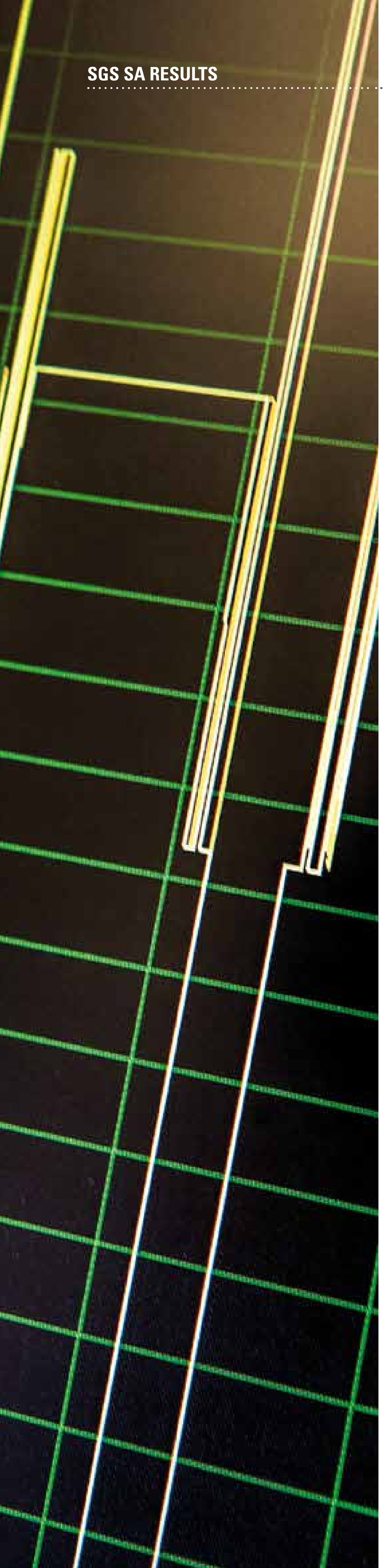
FIRE INSURANCE VALUE OF FIXED ASSETS

(CHF million)	2012	2011
Buildings	15	15

8

SUBSIDIARIES

The list of principal group subsidiaries appears in the Annual Report on pages 124 to 127.



9

COMPENSATION, SHAREHOLDINGS AND LOANS

This section of the Corporate Governance Report serves as the Company's remuneration report.

In accordance with the recommendations of the Swiss Code of Best Practice for Corporate Governance in this matter, this section of the Report will be subject to a consultative vote at the next Annual General Meeting of Shareholders.

9.1. COMPANY'S REMUNERATION POLICIES

The Group's overriding compensation policies are defined by the Board of Directors. The objectives of these policies are twofold: a) to attract and retain the best talent available in the industry; and b) to motivate employees and managers to create and protect value for shareholders by generating long-term sustainable financial achievements.

The Board of Directors is responsible for determining the remuneration of the Chairman and the directors. It also decides on the remuneration and terms of employment of the Chief Executive Officer, based upon the recommendations of the Nomination and Remuneration Committee. It additionally determines the financial targets upon which the variable element of the remuneration of the Operations Council and other Group senior executives is based, and defines the conditions of all share option plans (including Long Term Incentive (LTI) plans) as well as the allocation of such options and the conditions of their granting, vesting and exercise. All general executive remuneration policies, including the criteria and weighting of financial targets relevant to the assessment of the variable element of executive remuneration, are approved by the Board of Directors.

The Board of Directors is assisted in its work by a Nomination and Remuneration Committee (the Committee), which consists of independent non-executive Directors. The Committee acts in part in an advisory capacity to the Board and in part as a decision-making body on matters that the Board has delegated to the Committee. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council (other than the Chief Executive Officer), and decides on all matters relating to the remuneration of these executives.

Neither the Chairman of the Board nor the Chief Executive Officer is allowed to participate in discussions and decisions on their own compensation. General executive remuneration policies, including the implementation of long term incentive plans, are decided by the Board, on the recommendation of the Committee.

The following Directors served on the Nomination and Remuneration Committee in 2012:

- Sergio Marchionne (Chairman)
- August von Finck
- John Elkann

The Chief Executive Officer attends all meetings of the Committee, except when his own remuneration is being discussed.

This chart summarises the authorisation levels for the main decisions relating to compensation of Board and Operations Council Members.

SUBJECT MATTER	RECOMMENDATION	DECISION
Compensation of Board Members	Committee[1]	Board of Directors
Compensation of Chairman	Committee[1]	Board of Directors
Remuneration of CEO	Committee[1]	Board of Directors
Remuneration of other Operations Council Members	CEO	Committee[1]
Issuance of Long Term Incentive Plans	Committee[1]	Board of Directors
Setting of annual financial targets for variable remuneration of Operations Council Members	CEO	Board of Directors
Issuance of Annual Share Options Plans	CEO	Committee[1]

1. Nomination and Remuneration Committee.

When reviewing and deciding on executive remuneration policies, the Committee and the Board have access to the Group Human Resources staff and may use third party consultants specialising in compensation matters. In 2012, neither the Committee nor the Board had recourse to such external advisors. In discharging their duties in relation to compensation, they have relied on advice from the Group Human Resources department and on publicly available information on director and executive management remuneration paid by the companies against which the Group performs periodic benchmarks.

Elements of executive remuneration benchmarked include long and short term incentive compensation, annual base salary, benefits and allowances. Companies against which the Group performs periodic benchmarks are SMI listed companies, large companies that are internationally active including our competitors in the industries in which we operate.

In assessing the adequacy of executive remuneration for executives who are based outside Switzerland, the Group relies, on relevant local market intelligence provided by external benchmarking consulting firms.

Compensation Principles

a) Board of Directors

The members of the Board of Directors are entitled to a fixed annual Board Membership fee, and additional annual fees for participation in Board Committees. Board members do not receive additional compensation for attending meetings. With the exception of the Chairman, Board members do not receive any variable remuneration, options or shares.

The Chairman receives a fixed annual fee and additional fixed fees for chairing the Board Committees. He also receives share options issued by the Company under its annual and long term incentive plans. The conditions of grant, vesting and exercise of options awarded to the Chairman are the same as those applicable to the members of the Operations Council. In principle, the Chairman receives 25% of the options granted to the Chief Executive Officer. The Board has the discretion to grant more options to the Chairman to recognise personal performance. The Chairman does not receive any variable cash remuneration.

b) Operations Council

The remuneration earned by the Chief Executive Officer and by members of the Operations Council comprises: (i) a fixed base salary including benefits; (ii) an annual performance bonus, settled in part in cash and in part by way of options with deferred vesting, granted under annual share options plan; and (iii) long term incentive plan(s). The Company considers that payment of variable remuneration in the form of equity linked instruments whose vesting and exercise is deferred is a key mechanism to align management's incentives to the interests of shareholders.

Employment Contracts

Directors do not hold service contracts and are not entitled to any termination or severance payments. They do not participate in the Company's share option plans (except for the Chairman) or other benefit schemes and the Company does not make any pension contributions on their behalf.

Employment contracts of Operations Council members have no fixed term and can be terminated at any time by either party, provided a standard notice period (six months) is respected. The Chief Executive Officer's employment contract provides for a severance payment equivalent to two years total remuneration payable in the event that the employment contract is terminated or constructively terminated (including in the event of a change of control) by the Company, other than for cause. No severance payment is due if the employment relationship is terminated in any other circumstance. No other executive contract provides for any material change of control protection.

The table below summarises the various components of the compensation of Operations Council members, including the Chief Executive Officer:

COMPENSATION ELEMENT	COMPENSATION VEHICLE	DRIVERS	PERFORMANCE MEASURES	PURPOSE
Base Salary	Monthly cash salary	Position and experience, market practice	Market practice, executive benchmark of international companies in relevant markets	Attract and retain key executives
Annual Bonus	50% cash / 50% allocation of stock options, with deferred vesting and blocking periods	Achievement of annual business and financial objectives	Financial targets: (i) Group Net Profit After Tax and Adjusted Operating Income for the Group as a whole, for regional or business units, (ii) measures of Economic Value Added and (iii) Earnings Per Share (EPS)	Pay for performance
Discretionary Bonus	Cash	Rewarding individual achievements or exceptional performance	Discretionary allocations do not exceed 10% of OC overall remuneration	Attract and retain key executives, recognise individual performance
Long Term Incentives	Stock options award, with vesting conditional upon achieving the Group objectives	Achievement of long-term strategic plans stated by the Group	Earnings per Share targets	Align executive compensation with interests of shareholders

Base salary

The base salary of the Chief Executive Officer and each Operations Council members is reviewed annually, on the basis of market data for similar positions at the companies against which the Group benchmarks itself. It takes into account the individual's performance, scope and complexity of the position. Additional employment benefits are paid depending on standard practice in the location of employment. Such employment benefits include a car allowance and, for expatriate personnel, a housing allowance and tuition fees allowance for children.

Geneva based Operations Council members participate, on the same basis as other Swiss employees of the Group, in the Company's pension schemes, being one defined benefit scheme established in accordance with the Swiss LPP regulations up to an insured amount of CHF 100 thousand and one defined contribution scheme for pensionable remuneration in excess of CHF 100 thousand up to a maximum of CHF 821 thousand per year. Employees contribute 8% of their base salary and the Company contributes an amount equal to one and a half times the contributions paid by all employees to the scheme.

Annual bonus

In addition to the base salary, members of the Operations Council (including the Chief Executive Officer) are entitled to a performance-related annual bonus. For this purpose, the Company defines annual targets at the beginning of the year for the Chief Executive Officer and for each Operations Council member. Relevant targets for the calculation of the Annual Bonus of the CEO are based on the Group Earnings per Shares (EPS). For the heads of corporate functions (SVPs) targets are based 100% on the Group Net Profit After Tax. For EVPs, the relevant targets relate for 50% to the Adjusted Operating Income of their respective business and for 50% to the Group Net Profit After Tax. For COOs, the relevant targets are for 62.5% their respective region's Adjusted Operating Income and Economic Value Added and for 37.5% the Group Net Profit After Tax.

Bonuses are assessed and awarded to the Operations Council members on the basis of the actual performance against the predefined targets.

If targets are achieved they trigger the entitlement to an annual incentive bonus. Once the amount of a bonus is determined, it is settled 50% in cash and 50% in options. The cash component of the bonus is payable immediately. The economic value of the options which is used to convert a bonus entitlement into a number of options is fixed by the Company on the basis of a calculation of the value of the options at grant, taking into account a discount for the three years blocking period during which the options cannot be traded or exercised. The share options are granted immediately, but they vest rateably in three equal instalments over a period of three years and are only exercisable in the fourth and fifth year after grant. Unvested options are subject to forfeiture if the beneficiary leaves the Group for reasons other than retirement, disability or death.

For this purpose, the Company issues Annual Share Option plans, in the form of traded warrants which are listed on the Swiss Stock Exchange. These warrants incorporate a right to buy shares in the Company at a predetermined fixed price through the grant of traded options.

The strike price is determined for each plan on the basis of the average trading price of the Company's shares in the last three months prior to the year of grant.

These Annual Share Option plan serve (i) to pay part of the annual performance bonuses to Members of the Operations Council (ii) to allocate options to the Chairman and (iii) to be awarded as an incentive to other selected employees of the Group. All beneficiaries receive these options under the same conditions of vesting and exercise.

The table below summarises the components of the annual performance targets and how these components are weighted, depending on the function of the respective Operations Council member:

Annual bonus formula	EARNINGS PER SHARE (EPS)	PERFORMANCE OF THE GROUP *(Net Profit After Tax)*	BUSINESS PERFORMANCE *(Adjusted Operating Income of the relevant business)*	REGIONAL PERFORMANCE *(Adjusted Operating Income and Economic Value Added of the relevant region)*
CEO	100%	-	-	-
SVPs (heads of corporate functions)	-	100%	-	-
EVPs	-	50%	50%	-
COOs	-	37.5%	-	62.5%

Discretionary bonus

The Board of Directors and Committee may also grant discretionary cash bonuses to individual Operations Council member to reward outstanding personal achievements. For 2012, an amount of CHF 1 245 thousand (2011: CHF 1 035 thousand) of discretionary bonuses was awarded to Operations Council members (including the Chief Executive Officer). These discretionary cash bonuses are granted at the same time as the Annual Bonus. They are given on an exceptional basis as recognition of personal achievements in the year. In proportion to the overall remuneration, these discretionary bonuses do not exceed 10% of the Operations Council's overall remuneration.

Long Term Incentive Plans

In addition to the annual bonus, the Group periodically sets Long Term Incentive (LTI) Plans. Such plans are designed to motivate the leadership team to achieve the long-term stated objectives of the Group. They consist of options granted to a selected number of senior executives of the Group, the vesting of which is conditional upon: (1) the Group achieving or exceeding stated earnings per share targets; and (2) the beneficiary being employed by the Group on the vesting date.

In 2011, the Company introduced a long term incentive plan (the 2011 LTI Plan) for which vesting is conditional upon the Group achieving or exceeding in 2014 EPS targets ranging from CHF 115 (minimum performance allowing a partial vesting of 50% of options granted under the Plan) to CHF 140 (full vesting of options granted under the Plan).

The 2011 LTI Plan involves the granting of options to acquire shares of the Company at a strike price of CHF 1 617. Such options are in the form of traded warrants, with 100 warrants required to purchase one share. The Group has set aside 9 000 000 such warrants for this incentive plan. This plan is designed to motivate the leadership team to achieve the long-term stated objective by 2014.

Full details of this long term incentive plan are provided in note 31 to the Group consolidated financial statements (pages 93 to 94 of the Annual Report). In 2012, no new Long Term Incentive Plan was introduced by the Group and no additional options were granted to members of the Operations Council in 2012 under the existing 2011 LTI Plan. 20 000 options of the Long Term Incentive plan LTI were granted to other employees in 2012.

The following table shows the strike price, the vesting period and the exercisable period of the options[1] granted to the Chairman of the Board and to the members of the Operations Council under each plan. It includes options granted in January 2013 with respect to performance and financial results in 2012:

TYPE OF OPTIONS (Year of issue)	STRIKE PRICE (CHF)[2]	VESTING DATE 1/3 OF OPTIONS GRANTED	VESTING DATE 1/3 OF OPTIONS GRANTED	VESTING DATE 1/3 OF OPTIONS GRANTED	PERIOD OF EXERCISE
I Annual Share Option Plans					
SGSGU (2009)	1 064	01.2009	07.2010	01.2012	01.2012 - 01.2014
SGSOP (2010)	1 339	01.2010	07.2011	01.2013	01.2013 - 01.2015
SGSMF (2011)	1 617	01.2011	07.2012	01.2014	01.2014 - 01.2016
SGSKF (2012)	1 497	01.2012	07.2013	01.2015	01.2015 - 01.2017
SGSWS (2013)[3]	2 013	01.2013	07.2014	01.2016	01.2016 - 01.2018
II Long Term Incentive Plan					
SGSMF-2011 LTI (2011)				01.2015[4]	01.2015 - 01.2016

1. One hundred options give the right to acquire one share.
2. Before adjustment for capital reductions and special dividends.
3. Granted in 2013 in settlement of 2012 annual variable remuneration.
4. Vesting conditional on minimum EPS target reached in 2014.

RELATIONSHIP BETWEEN ANNUAL VARIABLE COMPENSATION AND BASE SALARY

The portion of fixed and variable remuneration, as a percentage of the total remuneration in any given year, depends on the extent to which pre-defined targets and objectives have been achieved. Assuming achievement of targets, the annual variable component of the Operations Council members' remuneration (annual bonus including cash and options award), expressed as a percentage of their respective annual remuneration ranges between 32% and 48% of their total annual compensation.

If targets are exceeded, annual bonuses are increased on a multiplier basis with a maximum payout which could correspond to a range between 54% and 70% of their respective total annual compensation.

In the event of underperformance against targets, the bonus is rateably reduced on a multiplier basis, so that no bonus is paid in the event that a pre-established minimum target is not achieved.

TOTAL COMPENSATION (EXCLUDING LONG TERM INCENTIVE PLANS) FOR THE CHIEF EXECUTIVE OFFICER

	BELOW MINIMUM TARGET PERFORMANCE	ON TARGET PERFORMANCE	MAXIMUM PERFORMANCE
Base salary	100%	52%	30%
Variable cash compensation	0%	24%	35%
Variable Annual Option allocation (value at grant date)	0%	24%	35%

In 2012, the variable cash element of the Chief Executive Officer's compensation represented 32% of the total compensation (2011: 30%) and the allocation of options represented 7% of the total compensation (2011: 24%).

For the Operations Council as a whole, the variable cash element of the compensation in 2012 amounted to 25% of the total compensation (2011: 26%) and the allocation of options represented 18% of the total compensation (2011: 20%).

Total compensation includes the guaranteed part (base salary) and the variable part of the compensation. It excludes fringe and social benefits.

9.2. COMPENSATION FOR MEMBERS OF GOVERNING BODIES

The bonus settled in options is disclosed as part of the compensation for the year to which it relates (and not for the year it was approved).

9.2.1. Board of Directors

In 2012, the annual board membership fee was CHF 150 thousand for all board members, unchanged from the prior year. Members of the Board serving on a Committee were entitled to an additional fee of CHF 30 thousand per committee, unchanged from last year.

The annual fee payable to the Chairman was CHF 300 thousand, unchanged from the prior year.

The Chairman was awarded, by decision of the Board of Directors 40 000 options under the 2013 Annual Share Options Plan in consideration of the 2012 annual performance (2011: 50 000 SGSKF options under the 2012 Annual Share Options Plan). The conditions of vesting and exercise of these options are the same as those granted to the management under these plans.

The following chart details the fees, other cash benefits and share options granted to each of the Directors for their tenure during 2012:

(CHF thousand)	DATE OF APPOINTMENT	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2012	SHARE OPTIONS	TOTAL 2012 COMPENSATION (INCLUDING OPTIONS)
S. Marchionne	May 01	300	90	25	415	89[1]	504
T.R. Brandolini d'Adda[2]	May 05	150	30	-	180	-	180
J. Elkann[2]	Mar 11	150	30	-	180	-	180
A. von Finck	Oct 98	150	30	-	180	-	180
A.F. von Finck	May 02	150	30	-	180	-	180
C. Grupp	Mar 11	150	-	-	150	-	150
P. Kalantzis	Mar 09	150	30	-	180	-	180
S.R. du Pasquier	Mar 06	150	30	-	180	-	180
TOTAL		**1 350**	**270**	**25**	**1 645**	**89**	**1 734**

1. 40 000 SGSWS granted in January 2013 in relation to the 2012 financial results
2. Board and committees fees for T.R. Brandolini d'Adda,and J. Elkann have been paid to Exor Investissements SA, Luxembourg.

The following chart details the fees, other cash benefits and share options granted to each of the Directors for their tenure during 2011:

(CHF thousand)	DATE OF APPOINTMENT	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2011	SHARE OPTIONS	TOTAL 2011 COMPENSATION (INCLUDING OPTIONS)
S. Marchionne	May 01	300	90	25	415	703 [1,2]	1 118
T.R. Brandolini d'Adda [4]	May 05	150	30	-	180	-	180
J. Elkann [4]	Mar 11	119	23	-	142	-	142 [3]
A. von Finck	Oct 98	150	30	-	180	-	180
A.F. von Finck	May 02	150	30	-	180	-	180
C. Grupp	Mar 11	119	-	-	119	-	119 [3]
P. Kalantzis	Mar 09	150	30	-	180	-	180
T. Limberger	Mar 08	31	-	-	31	-	31 [3]
S.R. du Pasquier	Mar 06	150	30	-	180	-	180
C.Barel di Sant'Albano [4]	Mar 09	31	7	-	38	-	38 [3]
TOTAL		**1 350**	**270**	**25**	**1 645**	**703**	**2 348**

1. 50 000 SGSKF granted in January 2012 in relation to the 2011 financial results.
2. 200 000 SGSMF options granted in 2011 under the 2011 Long Term Incentive Plan, whose vesting is conditional on the achievement of the Group targets in 2014.
3. 2011 fees paid prorata temporis.
4. Board and committees fees for T.R. Brandolini d'Adda, J. Elkann and C. Barel di Sant'Albano have been paid to Exor Investissements SA, Luxembourg.

The following table shows the details of the options [1] granted to the Chairman of the Board under each Annual Share Option Plans and Long Term Incentive Plans:

TYPE OF OPTIONS (YEAR OF ISSUE) (CHF)	STRIKE PRICE [2] (CHF)	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (THOUSAND)	NUMBER VESTED ON DECEMBER 31, 2012
SGSMO (2008)	1 349	81 354	192	81 354
SGSGU (2009)	1 064	96 619	238	96 619
SGSOP (2010)	1 339	50 000	155	33 332
SGSMF (2011)	1 617	50 000	142	33 332
SGSKF (2012)	1 497	50 000	133	16 666
SGSWS (2013) [3]	2 013	40 000	89	-
SGSMF-2011 LTI (2011) [4]	1 617	200 000	570	-

1. One hundred options give the right to acquire one share.
2. Before adjustment for capital reductions and special dividends.
3. Granted in 2013 on the basis of 2012 financial results.
4. Vesting conditional on minimum EPS target reached in 2014.

9.2.2. Compensation to the Operations Council, Senior Management and Chief Executive Officer

This section sets out the global remuneration which was paid to the Operations Council as a whole, to the three Operations Council members who make up Senior Management and to the Chief Executive Officer during 2012. All amounts disclosed in this section include cash bonuses payable and options granted in January 2013 with respect to performance in 2012 and the related financial results.

9.2.2.1. Cash compensation

(CHF thousand)	2012	2011
To the Operations Council (including Senior Management)	CHF 12 140	CHF 12 367
To Senior Management (including Chief Executive Officer)	CHF 2 509	CHF 2 573
To the Chief Executive Officer	CHF 1 545	CHF 1 627

The total cash compensation paid to the Operations Council excludes severance payments (see section 9.2.2.5.). Post employment benefits of CHF 1 567 thousand are not included (2011: CHF 1 406 thousand).

9.2.2.2. Share options

Annual Share Options Plans

In settlement of 2012 annual bonus entitlements, a total of 1 057 102 SGSWS options (2011: 1 044 793 SGSKF options granted in January 2012) were granted to the Operations Council (including Senior Management) in January 2013 on the basis of 2012 results.

Such SGS options grant the right to acquire shares of SGS at a strike price of CHF 2 013 (100 options give the right to acquire one share). They vest in tranches of one-third in 2013, 2014 and 2016 and are subject to a blocking period ending in January 2016. All options granted to the Operations Council on the basis of the 2012 results had a fair value at grant of CHF 2 357 338 (2011: CHF 2 779 149).

The Senior Management was awarded a total of 163 223 SGSWS options granted in January 2013 (2011: 282 863 SGSKF options granted in January 2012). This number includes 48 577 SGSWS options (2011: 180 225 SGSKF options granted in January 2012) awarded to the Chief Executive Officer.

Long-Term Options Plan

Under the 2011 LTI Plan, a total of 4 910 000 SGSMF-2011 LTI options were granted to the Operations Council (including Senior Management) in 2011. The vesting of such options in January 2015 is conditional upon the Group achieving or exceeding EPS targets ranging between CHF 115 (minimum performance allowing a partial vesting under the Plan) and CHF 140 (full vesting of options granted under the Plan) in 2014. If targets defined by the plan are not reached, they will be forfeited.

The Senior Management was awarded a total of 1 120 000 SGSMF-2011 LTI options under the 2011 LTI Plan. This number includes 800 000 options awarded to the Chief Executive Officer.

The following table presents details of the share options awarded to members of the Operations Council, Senior Management and the CEO, and shows those options which have been granted, vested and/or became exercisable in 2012. It includes options granted in January 2013 with respect to performance and financial results in 2012.

In 2012, no new Long Term Incentive Plan was introduced by the Group and no additional options were granted to members of the Operations Council in 2012 under the existing 2011 LTI Plan.

This table relates to individuals who were members of the Operations Council as at 31 December 2012:

TYPE OF OPTIONS[1] (YEAR OF ISSUE)	STRIKE PRICE (CHF)[2]	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (THOUSAND)	NUMBER VESTED ON DECEMBER 31, 2012
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)				
SGSGU (2009)	1 064	1 395 062	3 432	1 395 062
SGSOP (2010)	1 339	608 029	1 885	405 352
SGSMF (2011)	1 617	866 833	2 470	577 888
SGSKF (2012)	1 497	1 004 319	2 671	334 773
SGSWS (2013)[3]	2 013	1 026 799	2 290	-
SGSMF-2011 LTI[4]	1 617	4 430 000	12 626	-
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)				
SGSGU (2009)	1 064	442 177	1 088	442 177
SGSOP (2010)	1 339	92 803	288	61 868
SGSMF (2011)	1 617	246 769	703	164 512
SGSKF (2012)	1 497	282 863	752	94 288
SGSWS (2013)[3]	2 013	163 223	364	-
SGSMF-2011 LTI[4]	1 617	1 120 000	3 192	-
CHIEF EXECUTIVE OFFICER				
SGSGU (2009)	1 064	386 474	951	386 474
SGSOP (2010)	1 339	42 647	132	28 431
SGSMF (2011)	1 617	174 920	499	116 614
SGSKF (2012)	1 497	180 225	479	60 075
SGSWS (2013)[3]	2 013	48 577	108	-
SGSMF-2011 LTI[4]	1 617	800 000	2 280	-

1. One hundred options give the right to acquire one share.
2. Before adjustment for capital reductions and special dividends.
3. Granted in 2013 in settlement of 2012 bonus entitlements.
4. Vesting conditional on minimum EPS target reached in 2014.

9.2.2.3. Total compensation to the Operations Council, Senior Management and Chief Executive Officer

The table below presents all components of the remuneration earned in 2012 by the Operations Council, by the Senior Management and by the Chief Executive Officer. It does not take into account the potential value of options granted in 2011 under the 2011 Long Term Incentive Plan, whose vesting in 2015 is conditional upon the Group achieving minimum EPS targets in 2014.

(CHF thousand)	BASE SALARY	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF SHARE OPTIONS	DISCRETIONARY CASH BONUS	TOTAL 2012 COMPENSATION (INCLUDING OPTIONS)	TOTAL 2011 COMPENSATION (INCLUDING OPTIONS)
To the Operations Council (including Senior Management)	7 593	1 293	2 010	2 357	1 245	14 498	15 147
To Senior Management (including Chief Executive Officer)	1 610	123	305	364	470	2 872	3 325
To the Chief Executive Officer	950	103	91	108	400	1 652	2 106

9.2.2.4. Highest total compensation

In the year under review, the highest compensation paid by the Group was awarded to the CEO (see 9.2.2.3).

9.2.2.5. Severance payments

In 2012, an amount of CHF 626 thousand was recognised as severance payments to Operations Council members (2011: CHF 250 thousand).

9.2.2.6. Loans to members of governing bodies

As at 31 December 2012, no loan, credit or outstanding advance was due to the Group from members of its governing bodies (unchanged from prior year).

9.3. SHARES AND OPTIONS HELD BY MEMBERS OF GOVERNING BODIES

9.3.1. Shares and options held by Members of the Board of Directors

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2012:

NAME	SGSGU	SGSOP	SGSMF	SGSKF	SHARES
S. Marchionne	-	33 332	33 332	16 666	700
T.R. Brandolini d'Adda	-	-	-	-	1
J. Elkann	-	-	-	-	1
A. von Finck	-	-	-	-	19 670
A.F. von Finck	-	-	-	-	439 515
C. Grupp	-	-	-	-	1
P. Kalantzis	-	-	-	-	20
S.R. du Pasquier	-	-	-	-	10

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2011:

NAME	SGSMO	SGSGU	SGSOP	SGSMF	SHARES
S. Marchionne	81 354	64 413	33 332	16 666	700
T.R. Brandolini d'Adda	-	-	-	-	1
J. Elkann	-	-	-	-	1
A. von Finck	-	-	-	-	19 670
A.F. von Finck	-	-	-	-	439 515
C. Grupp	-	-	-	-	1
P. Kalantzis	-	-	-	-	20
S.R. du Pasquier	-	-	-	-	10

9.3.2. Shares and options held by Senior Management

The following table shows the shares and vested options held by Senior Management as at 31 December 2012:

NAME	CORPORATE RESPONSIBILITY	SGSGU	SGSOP	SGSMF	SGSKF	SHARES
C. Kirk	Chief Executive Officer	380 000	28 430	116 612	60 075	1 199
G. Matchett	Chief Financial Officer	-	15 747	25 284	20 528	-
O. Merkt	General Counsel & Chief Compliance Officer	-	17 690	22 614	13 685	45

The following table shows the shares and vested options held by Senior Management as at 31 December 2011:

NAME	CORPORATE RESPONSIBILITY	SGSMO	SGSGU	SGSOP	SGSMF	SHARES
C. Kirk	Chief Executive Officer	272 627	257 648	28 430	58 306	1 199
G. Matchett	Chief Financial Officer	13 028	23 080	15 747	12 642	-
O. Merkt	General Counsel & Chief Compliance Officer	10 000	14 054	17 690	11 307	45

10

SIGNIFICANT SHAREHOLDERS

As at 31 December 2012, Exor held 15.00% (2011: 15.00%), Mr. August von Finck and members of his family acting in concert held 14.97% (2011: 14.97%), the Bank of New York Mellon Corporation held 3.26% (2011: 3.30%) of the share capital and voting rights of the Company.

At the same date, SGS Group held 2.43% of the share capital of the Company (2011: 3.31%).

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE RETAINED EARINGS

(CHF)	2012	2011
Profit for the year	344 300 612	679 599 680
Balance brought forward from previous year	189 002 408	62 138 182
Dividend paid on own shares released into circulation in 2011 prior to the Annual General Meeting on 19 March 2011	-	(219 829)
Dividend paid on own shares released into circulation in 2012 prior to the Annual General Meeting on 12 March 2012	(2 935 140)	-
Reversal from/(transfer to) the reserve for own shares	31 916 195	(58 719 010)
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	**562 284 075**	**682 799 023**
Proposal of the Board of Directors:		
Dividends [1]	(442 658 436)	(493 796 615)
BALANCE CARRIED FORWARD	**119 625 639**	**189 002 408**
Ordinary gross dividend per registered share	30.00	30.00
Additional gross dividend per registered share	28.00	35.00

1. No dividend is paid on own shares held directly or indirectly by SGS SA.

Deloitte.

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of
SGS SA, GENEVA

REPORT ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of SGS SA presented on pages 100 to 116, which comprise the income statement, balance sheet and notes for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

DELOITTE SA

James Baird
Licensed Audit Expert
Auditor in Charge

Fabien Bryois
Licensed Audit Expert

Geneva, 16 January 2013

SGS PFINDE

WE SEE WHAT MIGHT OTHERWISE GO UNNOTICED

RICK PFANNENSTIEL
VP Operations, SGS PfiNDE, Inc.

Our business makes the difference between a timely repair and a disaster. We developed and patented the ultrasonic technology, Flaw Analysis and Sizing Technique™ (FAST) to see the cracks others can't. For organisations in the USA and Canada, SGS PfiNDE Inc. is reducing risk and uncertainty in the characterisation of serious pipeline defects. We are 100% committed and focused on providing our customers with ways to protect and maintain their pipeline integrity. Our proven industry technique FAST™ UT for the ultrasonic inspection of a wide variety of thin walled components remains an industry leading technology. Our continued innovation of new applications for FAST™ UT and the development of a unique collaborative software inspection solution keep us at the cutting edge of pipeline integrity and Non-Destructive Testing (NDT). At SGS PfiNDE, faster and more reliable results get us, and your cracks, noticed.

SGS GROUP – FIVE YEAR STATISTICAL DATA CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	2012	2011	2010	2009	2008
REVENUES	**5 578**	**4 797**	**4 757**	**4 712**	**4 818**
Salaries and wages	(2 728)	(2 304)	(2 228)	(2 229)	(2 243)
Subcontractors' expenses	(338)	(331)	(313)	(319)	(331)
Depreciation, amortisation and impairment	(281)	(225)	(225)	(228)	(214)
Other operating expenses	(1 388)	(1 147)	(1 155)	(1 142)	(1 093)
OPERATING INCOME (EBIT)	**843**	**790**	**836**	**794**	**937**
Analysis of operating income					
Adjusted operating income	**941**	**815**	**848**	**822**	**817**
Amortisation of acquisition intangibles	(18)	(16)	(8)	(8)	(7)
Restructuring costs	(68)	-	-	(20)	-
Transaction-related costs	(12)	(9)	(4)	-	-
Other non-recurring items	-	-	-	-	127
Operating income	**843**	**790**	**836**	**794**	**937**
Financial income/(expense)	(35)	(26)	(7)	(3)	(4)
PROFIT BEFORE TAXES	**808**	**764**	**829**	**791**	**933**
Taxes	(218)	(203)	(215)	(200)	(219)
PROFIT FOR THE YEAR	**590**	**561**	**614**	**591**	**714**
Profit attributable to:					
Equity holders of SGS SA	556	534	588	566	692
Non-controlling interests	34	27	26	25	22
ADJUSTED OPERATING INCOME MARGINS IN %	**16.9**	**17.0**	**17.8**	**17.4**	**17.0**
AVERAGE NUMBER OF EMPLOYEES	**77 020**	**67 633**	**60 321**	**57 153**	**55 026**

SGS GROUP – FIVE YEAR STATISTICAL DATA CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER

(CHF million)	2012	2011	2010	2009	2008
Land, buildings and equipment	1 018	888	756	751	721
Goodwill and other intangible assets	1 181	1 044	982	777	759
Investments in associated and other companies	4	1	2	1	2
Deferred tax and other non-current assets	268	247	235	228	219
TOTAL NON-CURRENT ASSETS	**2 471**	**2 180**	**1 975**	**1 757**	**1 701**
Unbilled revenues and inventories	302	257	217	201	184
Trade accounts and notes receivable	977	868	772	812	919
Other receivables and prepayments	255	244	202	174	194
Cash and marketable securities	989	1 211	815	792	583
TOTAL CURRENT ASSETS	**2 523**	**2 580**	**2 006**	**1 979**	**1 880**
TOTAL ASSETS	**4 994**	**4 760**	**3 981**	**3 736**	**3 581**
Share capital	8	8	8	8	8
Reserves	2 052	1 987	2 061	2 065	1 817
«Equity attributable to equity holders of SGS SA»	**2 060**	**1 995**	**2 069**	**2 073**	**1 825**
Non-controlling interests	58	50	39	37	37
TOTAL EQUITY	**2 118**	**2 045**	**2 108**	**2 110**	**1 862**
Loans and obligations under finance leases	1 306	1 299	553	8	10
Deferred tax liabilities	72	58	63	77	65
Provisions and retirement benefit obligations	273	275	254	249	267
TOTAL NON-CURRENT LIABILITIES	**1 651**	**1 632**	**870**	**334**	**342**
Loans and obligations under finance leases	17	6	3	308	325
Trade and other payables	493	447	401	388	403
Current tax liabilities	104	86	91	72	107
Provisions, other creditors and accruals	611	544	508	524	542
TOTAL CURRENT LIABILITIES	**1 225**	**1 083**	**1 003**	**1 292**	**1 377**
TOTAL LIABILITIES	**2 876**	**2 715**	**1 873**	**1 626**	**1 719**
TOTAL EQUITY AND LIABILITIES	**4 994**	**4 760**	**3 981**	**3 736**	**3 581**
CAPITAL EXPENDITURE					
Land, buildings and equipment	387	345	261	221	290

SGS GROUP – FIVE YEAR STATISTICAL SHARE DATA

(CHF unless indicated otherwise)	2012	2011	2010	2009	2008
SHARE INFORMATION					
REGISTERED SHARES					
Number of shares issued	7 822 436	7 822 436	7 822 436	7 822 436	7 822 436
Number of shares with dividend rights	7 632 042	7 596 871	7 629 482	7 568 664	7 542 214
PRICE					
High	2 156	1 724	1 704	1 400	1 596
Low	1 559	1 255	1 332	1 036	904
Year-end	2 026	1 555	1 569	1 351	1 100
Par value	1	1	1	1	1
KEY FIGURES BY SHARES					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	269.89	263.75	272.53	276.36	244.07
Basic earnings per share [1]	72.97	70.52	77.64	75.48	91.08
Dividend per share ordinary	30.00 [2]	30.00 [2]	30.00 [2]	30.00	35.00
Dividend per share special	28.00 [2]	35.00 [2]	35.00 [2]	30.00	15.00
DIVIDENDS (CHF MILLIONS)					
Ordinary	229 [2]	228 [2]	229	227	264
Special	214 [2]	266 [2]	267	227	113

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 9 to the Group consolidated financial statements (page 68).
2. As proposed by the Board of Directors.

SGS GROUP SHARE INFORMATION

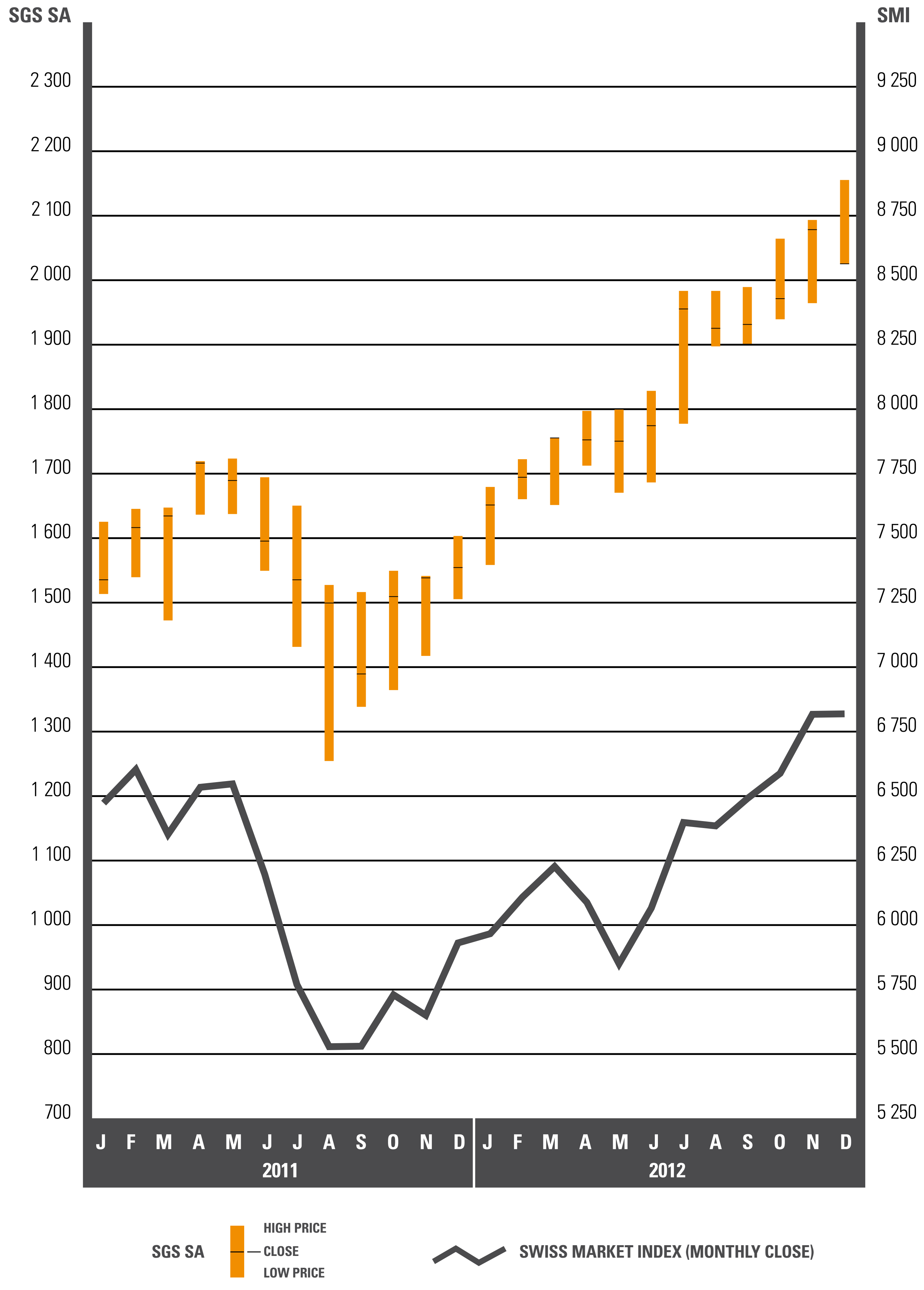
SHARE TRANSFER

SGS SA has no restrictions as to share ownership, except that registered shares acquired in a fiduciary capacity by third parties may not be registered in the shareholders' register, unless a special authorisation has been granted by the Board of Directors.

MARKET CAPITALISATION

At the end of 2012, market capitalisation was approximately CHF 15 848 million (2011: CHF 12 164 million). Shares are quoted on the SIX Swiss Exchange.

CLOSING PRICES FOR SGS AND THE SMI 2011 – 2012



SGS GROUP PRINCIPAL OPERATING COMPANIES AND ULTIMATE PARENT

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Albania	SGS Albania Ltd., Tirana	ALL	100 000	100	D
Albania	SGS Automotive Albania sh.p.k., Tirana	ALL	190 000 100	100	I
Algeria	Qualitest Algérie SPA, Alger	DZD	50 000 000	100	D
Algeria	Société de Contrôle Technique Automobile S.A., Rouiba-Alger	DZD	173 600 000	77	D
Angola	SGS Angola Limitada, Luanda	AOA	8 000 000	100	D
Argentina	SGS Argentina S.A., Buenos Aires	ARS	4 171 536	100	D
Argentina	ITV SA, Buenos Aires	ARS	1 500 000	100	I
Australia	SGS Australia Pty. Ltd., Perth	AUD	200 000	100	I
Australia	Gearhart Australia Limited, Perth	AUD	5 609 210	100	I
Austria	SGS Austria Controll-Co. Ges.m.b.H., Vienna	EUR	185 000	100	D
Azerbaijan	SGS Azeri Ltd., Baku	USD	100 000	100	D
Bahamas	SGS Bahamas Ltd., Freeport	BSD	5 000	100	D
Bangladesh	SGS Bangladesh Limited, Dhaka	BDT	10 000 000	100	D
Belarus	SGS Minsk Ltd., Minsk	USD	20 000	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	2 178 200	100	I
Benin	SGS Bénin S.A., Cotonou	XOF	10 000 000	100	D
Bolivia	SGS Bolivia S.A., La Paz	BOB	41 900	100	D
Bosnia-Herzegovina	SGS Bosna i Hercegovina (d.o.o.) Ltd., Sarajevo	BAM	2 000	100	I
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS do Brasil Ltda., São Paulo	BRL	53 009 486	100	D
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	10 000	100	D
Burkina Faso	SGS Burkina S.A., Ouagadougou	XOF	10 000 000	100	D
Cameroon	SGS Cameroun S.A., Douala	XAF	10 000 000	100	D
Canada	SGS Canada Inc., Missisauga	CAD	20 900 000	100	D
Chile	SGS Chile Limitada, Santiago de Chile	CLP	9 394 781 237	100	D
Chile	Cimm Tecnologias y Servicios S.A., Santiago de Chile	CLP	530 859 038	100	I
China	SGS-CSTC Standards Technical Services Ltd., Beijing	USD	3 966 667	85	I
Colombia	SGS Colombia S.A., Bogota	COP	29 084 965 360	100	D
Colombia	Estudios Technicos S.A., (Etsa)	COP	265 739 000	100	I
Congo	SGS Congo S.A., Pointe-Noire	XAF	10 000 000	100	D
Croatia	SGS Adriatica, w.l.l., Zagreb	HRK	1 300 000	100	I
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 707 000	100	I
Denmark	SGS Danmark A/S, Glostrup	DKK	700 000	100	I
Democratic Republic of Congo	SGS RDC SPRL, Kinshasa	USD	50 000	100	D
Dubai	*(see United Arab Emirates)*				
Ecuador	SGS del Ecuador S.A., Guayaquil	USD	147 680	100	D
Egypt	SGS Egypt Ltd., Cairo	EGP	1 500 000	100	D
Estonia	SGS Estonia Ltd., Tallinn	EUR	42 174	100	I

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Ethiopia	SGS Ethiopia Private Limited, Addis Abeba	ETB	15 000	100	D
Finland	SGS Inspection Services Oy, Helsingfors	EUR	102 000	100	I
Finland	SGS Fimko Oy, Helsingfors	EUR	260 000	100	I
France	SGS Oil, Gas & Chemicals, SAS, Arcueil	EUR	2 320 000	100	I
France	SGS Qualitest Industrie SAS, Orsay	EUR	200 000	100	I
France	Securitest S.A., Paris	EUR	2 745 000	92.14	I
France	SGS Aster SA, Paris	EUR	11 216 390	100	I
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
Germany	SGS Gottfeld NDT Services GmbH, Herne	EUR	750 000	100	I
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 000	100	I
Germany	SGS Tüv GmbH, Sulzbach	EUR	750 000	74.9	I
Ghana	SGS Ghana Limited, Accra	GHS	4 005 202	100	D
Ghana	Ghana Community Network Services Limited, Accra	GHS	1 978 604	60	D
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Great Britain	SGS M-Scan Limited, Ellesmere Port	GBP	139	100	I
Greece	SGS Greece SA, Peristeri	EUR	301 731	100	D
Guam	SGS Guam, Guam	USD	25 000	100	D
Guatemala	SGS Cenral America S.A., Guatemala-City	GTQ	1 068 000	100	D
Guinea-Conakry	SGS Guinée Conakry S.A., Conakry	GNF	50 000 000	100	D
Guinea-Equatorial	Compañia de Inspecciones y Servicios G.E., Malabo	XAF	10 000 000	51	D
Hong Kong	SGS Hong Kong Limited, Hong Kong	HKD	200 000	100	D
Hungary	SGS Hungária Kft., Budapest	HUF	18 000 000	100	I
India	SGS India Private Ltd., Mumbai	INR	800 000	100	D
Indonesia	P.T. SGS Indonesia, Jakarta	USD	200 000	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	100	D
Ireland	SGS Ireland (Holdings) Limited, Dublin	EUR	62 500	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	I
Ivory Coast	SGS Côte d'Ivoire S.A., Abidjan	XOF	300 000 000	100	D
Ivory Coast	Société Ivoirienne de Contrôles Techniques Automobiles et Industriels S.A., Abidjan	XOF	200 000 000	95	D
Jamaica	SGS Supervise Jamaica Limited, Kingston	JMD	1 569 520	100	D
Japan	SGS Japan Inc., Yokohama	JPY	100 000 000	100	D
Jordan	SGS (Jordan) Private Shareholding Company, Amman	JOD	100 000	50	D
Kazakhstan	SGS Kazakhstan Limited, Almaty	KZT	146 527	100	D
Kenya	SGS Kenya Limited, Mombasa	KES	2 000 000	100	D
Korea (Republic of)	SGS Korea Co., Ltd., Seoul	KRW	9 617 540 000	100	D
Kuwait	SGS Kuwait W.L.L., Kuwait	KWD	50 000	49	D
Latvia	SGS Latvija Limited, Riga	LVL	83 200	100	I

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.99	D
Liberia	SGS Liberia Inc, Monrovia	LRD	100	100	D
Lithuania	SGS Klaipeda Ltd., Klaipeda	LTL	40 000	100	I
Luxembourg	SGS Luxembourg S.A., Mamer	EUR	38 000	100	I
Madagascar	SGS Madagascar SARL, Antananarivo	MGA	20 000 000	100	I
Madagascar	Malagasy Community Network Services S.A., Antananarivo	MGA	10 000 000	70	D
Malawi	SGS Malawi Limited, Blantyre	MWK	30 000	100	D
Malaysia	Petrotechnical Inspection (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	500 000	70	D
Malaysia	SGS (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	60 000	100	I
Mali	Analabs Mali SARL, Kayes	XOF	2 500 000	100	D
Mauritius	SGS (Mauritius) LTD, Phoenix	MUR	100 000	100	D
Mexico	SGS de Mexico, S.A. de C.V., Mexico	MXN	7 065 828	100	D
Moldova	SGS (Moldova) S.A., Chisinau	MDL	488 050	100	D
Mongolia	SGS Mongolia LLC, Ulaanbaatar	USD	10 000	100	D
Morocco	SGS Maroc S.A., Casablanca	MAD	12 000 000	100	D
Morocco	SGS Maroc Automotive SA, Casablanca	MAD	33 000 000	75	D
Mozambique	SGS Mozambique, Limitada, Maputo	MZM	100 000	100	D
Myanmar	SGS (Myanmar) Limited, Yangon	MMK	300 000	100	D
Namibia	SGS Inspection Services Namibia (Propietary) Limited, Windhoek	NAD	100	100	I
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
Netherlands	SGS Horizon B.V., Gravenhage	EUR	45 000	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	4 522 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	50	D
Norway	SGS Norge A/S, Bergen	NOK	803 000	100	I
Oman	SGS Gulf Upstream, Oman (Branch office)	-	-	-	-
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	SGS Panama Control Services Inc., Panama	USD	850 000	100	D
Papua-New-Guinea	SGS PNG Pty. Limited, Port Moresby	PGK	2	100	I
Paraguay	SGS Paraguay S.A., Asunción	PYG	1 962 000 000	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	11 738 890	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	6 179 800	100	I
Poland	SGS EKO-PROJEKT Sp. z.o.o., Pszczyna	PLN	2 559 000	100	I
Portugal	SGS Portugal - Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Romania	SGS Romania S.A., Bucharest	RON	100 002	100	I
Russia	SGS Vostok Limited, Moscow	RUB	8 000 000	100	D
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Senegal	SGS Sénégal S.A., Dakar	XAF	35 000 000	100	D
Serbia	SGS Beograd d.o.o., Beograd	EUR	66 161	100	I
Sierra Leone	SGS (SL) Ltd., Freetown	SLL	200 000 000	100	D
Singapore	SGS Testing & Control Services Singapore Pte Ltd., Singapore	SGD	100 000	100	D
Slovakia	SGS Slovakia spol.s.r.o., Kosice	EUR	19 917	100	I
Slovenia	SGS Slovenija d.o.o. - Podjetje za kontrol blaga, Koper	EUR	10 432	100	I
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	5 100 006	100	D
Spain	SGS Española de Control S.A., Madrid	EUR	240 000	100	I
Spain	SGS Tecnos, S.A., Sociedad Unipersonal, Madrid	EUR	57 072 035	100	I
Spain	General de Servicios ITV, S.A., Madrid	EUR	4 559 657	100	I
Sri Lanka	SGS Lanka (Private) Limited, Colombo	LKR	9 000 000	100	D
Sweden	SGS Sweden AB, Göteborg	SEK	1 500 000	100	I
Switzerland	SGS Société Générale de Surveillance SA, Geneva	CHF	10 000 000	100	I
Switzerland	SGS SA, Geneva	CHF	7 822 436		Ultimate parent company
Switzerland	SGS Group Management SA, Geneva	CHF	100 000	100	D
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	SGS Tanzania Superintendence Co. Limited, Dar-es-Salaam	TZS	250 000	100	D
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.99	D
Togo	SGS Togo S.A., Lomé	XOF	10 000 000	100	D
Tunisia	SGS Tunisie S.A., Tunis	TND	49 500	50	D
Turkey	SGS Supervise Gözetme Etud Kontrol Servisleri Anonim Sirketi, Istanbul	TRY	6 550 000	100	I
Turkmenistan	SGS Turkmen Ltd., Ashgabat	USD	50 000	100	D
Uganda	SGS Uganda Limited, Kampala	UGX	5 000 000	100	D
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	I
United Arab Emirates	SGS Gulf Limited, Abu Dhabi, (Branch office)	–	–	–	–
United States	SGS North America Inc., Wilmington	USD	73 701 996	100	I
Uruguay	SGS Uruguay Limitada, Montevideo	UYU	1 500	100	D
Uruguay	Sociedad Uruguaya de Control Técnico de Automotores Sociedad Anónima, Montevideo	UYU	24 000	100	I
Uzbekistan	SGS Tashkent Ltd., Tashkent	USD	50 000	100	D
Venezuela	SGS Venezuela S.A., Caracas	VEF	162 980	100	D
Vietnam	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D
Zambia	SGS Inspections Services Ltd, Lusaka	ZMK	5 000 000	100	I
Zimbabwe	SGS Zimbabwe (Private) Limited, Harare	ZWD	5 000	100	D

SGS LEEDER CONSULTING

THERE IS NOTHING ROUTINE ABOUT US

BRETT COLEMAN
Business Manager,
SGS Leeder Consulting

At SGS Leeder Consulting, we deliver non-routine environmental analytical services. Our expert team has extensive industry experience, which gives us a unique insight into the needs of our customers. Our knowledge ensures we stay ahead of the competition and at the cutting edge of non-routine environmental analytical testing. We supply a wide range of industries with ISO and NATA accredited laboratory testing and analysis of soil, water, air, petroleum, organometallic, and metal speciation. We focus on doing what other laboratories cannot do, either through our fieldwork or by innovating new methods to meet our customers' specific testing criteria. Even when we are faced with the most challenging environmental analysis problem, we deliver a solution.

SHAREHOLDER INFORMATION

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ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders will be held on 19 March 2013 in Geneva.

PROJECT MANAGEMENT

Carole Streng

CONCEPT, DESIGN, PHOTOGRAPHY, REALISATION AND PRODUCTION

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