

PASSION

INTEGRITY

ENTREPRENEURSHIP

INNOVATIVE
SPIRIT

ANNUAL REPORT 2014

SGS





>80 000
employees

>1 650
offices and laboratories

ONE
global network

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 80 000 EMPLOYEES, SGS OPERATES A NETWORK OF OVER 1 650 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.

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FINANCIAL HIGHLIGHTS FROM 2014 AND LETTER FROM THE CHAIRMAN & CEO





4.0

organic revenue growth in %¹

5.9

total revenue in CHF billion

16.1

adjusted operating income
margin in %

629

net profit for the year in CHF million

81.99

basic earnings per share in CHF

108

total cash consideration in CHF million
for the acquisitions

912

cash flow from operating activities
in CHF million

68

proposed dividend per share in CHF

5.4

total revenue up in %¹

10

acquisitions

1. Constant currency basis.



DEAR SHAREHOLDERS,

The SGS Group finished 2014 strongly delivering revenue growth of 5.4% over prior year (constant currency basis) to CHF 5.9 billion, supported by solid organic revenue growth of 4.0% and an additional 1.4% contributed by recently acquired companies. Due to the continued appreciation of the Swiss Franc against most currencies in which SGS operates around the world, Group revenue for the year increased 0.9% on a reported basis.

Organic revenue growth exhibited resilience during the year with Oil, Gas & Chemicals Services, Agricultural Services, Consumer Testing Services, and Systems & Services Certification Services producing high single-digit growth. The downturn in the global mining industry continued to impact Minerals Services and to a lesser extent, Environmental Services. Organic growth was achieved across all regions, despite the difficult market conditions experienced in Europe.

Acquisitions added 1.4% to Group revenue in 2014 including three new companies acquired in Automotive Services, three in Environmental Services, three in Consumer Testing Services and one in Industrial Services.

The Group reported an adjusted EBITDA of CHF 1,226 million, up 3.4% (constant currency basis) over prior year and an adjusted operating income of CHF 947 million, up 2.6% (constant currency basis) over prior year and resulting in a solid margin of 16.1%.

This margin is slightly below prior year mainly due to the slowdown in Minerals Services. In response to the

prolonged downturn in the mining sector worldwide, restructuring measures were taken resulting in one-off expenses of CHF 11 million, while restructuring carried out in 2013 produced a positive effect, mainly in Industrial Services. EBIT reached CHF 941 million and represented an operating income margin of 16.0% versus 15.4% last year (constant currency basis).

SGS and the Republic of Paraguay have amicably settled a long standing dispute associated with unpaid inspection services provided in the late nineties. As a consequence of this settlement, SGS received a payment which contributed a net amount of CHF 32 million (0.5% to the operating income margin).

Net financial expenses for the year remained stable at CHF 41 million. The overall effective tax rate for the period was 26.0%, slightly below prior year.

Profit attributable to equity holders reached CHF 629 million for the period, up 11.1% over prior year on a constant currency basis.

Operating cash flows remained very strong at CHF 912 million for the year, below the CHF 948 million in prior year, and corresponding to 15.5% of Group revenue versus 16.3% in prior year. This inflow was used primarily to fund net investments in fixed assets of CHF 292 million. The decrease in operating cash flow mainly relates to increased working capital requirements resulting from project related activities. Free cash flows amounting to CHF 607 million improved by 2.7% compared to prior year.

The Group paid a total cash consideration of CHF 108 million for acquisitions completed during the year, in addition to a dividend of CHF 499 million leading to a Group net debt position at 31 December 2014 of CHF 340 million compared to CHF 334 million in December 2013.

MANAGEMENT UPDATES

The Board would like to take this opportunity to thank Géraldine Matchett, outgoing CFO, for her leadership and hard work since 2010, and welcome our new incoming Group CFO, Carla De Geyseler. Mrs. De Geyseler has previously worked at Vodafone Libertel B.V. in the Netherlands, Ernst & Young in Belgium, and spent 15 years with DHL Express holding finance positions in different countries.

ACQUISITIONS

During the year the Group completed ten acquisitions, adding CHF 36 million to revenue and CHF 7 million to the Operating Income. On an annualised basis, these acquisitions amount to CHF 79 million in revenue and CHF 15 million in operating income.

The Group continued to focus on small to medium size companies to expand into new markets and create a more diverse service offering. In North America, the Group acquired three companies, two in Automotive Services and one in Environmental Services. In Europe, six companies were acquired across Industrial Services, Environmental Services, Consumer Testing Services and Automotive Services and finally, one new company in Japan for Consumer Testing Services.

SYNERGIES AND BUSINESS BENEFITS

Within the Group, we continue to look for synergies in terms of maximising cross-business and cross-industry offerings. By proactively listening to our customers and the market, we ensure our ability to leverage multiple business benefits into each business line portfolio.

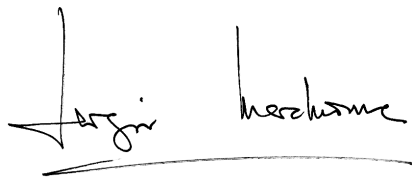
During 2014, we again focused close attention across the Group towards our benchmark 'Goal Zero' thinking on health and safety. Operational integrity (OI) is at the heart of SGS' commitment to developing our people, processes and performance and to become a globally recognised 'zero accident' benchmark for the testing, inspection and certification (TIC) industry. Respect, awareness and action are the three OI

Values we have adopted to ensure the safety of our colleagues, our customers, and ourselves. CATALYST – our ongoing SGS' employee engagement programme – demonstrates our hard work in keeping people safe is proving effective, with 84% of our employees agreeing that SGS is committed to employee safety.

Addressing sustainability has also been a key focus in 2014. We have been named Sector Leader in the Dow Jones Sustainability Indices (DJSI) World and Europe, scoring 73/100 (against DJSI average of 46/100), and elsewhere in this report there is a brief highlight of the hard work and efforts of our sustainability team. More can be read by downloading our Sustainability Performance Review 2014.

INNOVATION FOR GROWTH

Only through innovation can we ensure that SGS remains the leader in the highly competitive testing, inspection and certification marketplace. Strategic planning and acquisition consolidates our leadership position around the globe, while diversifying our business to protect against unexpected downturns. As the rise in emerging economies offers more avenues for trade, and globalisation brings more complex and diverse supply chains, our success depends on anticipating where the services of tomorrow are needed today.



Sergio Marchionne
Chairman of the Board



Christopher Kirk
Chief Executive Officer

SGS AT A GLANCE AND BUSINESS REVIEW





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.

SGS is the best-in-class provider of innovative solutions for inspection, verification, testing and certification services. Our unrivalled ability to leverage a truly global network drives operational excellence and increases profitability in organisations around the world.

We deliver sustainable business advantage through our unique understanding of how to overcome the complex challenges faced by industries today. Our customers rely on our expertise, experience and proven track record of delivering tailored and independent services that exceed expectations.

Every day, SGS delivers business benefits which improve quality, safety, efficiency, productivity and speed to market in our customers' operations, while reducing risk and building trust in the sustainability of their long-term performance.

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
Life Science Services

Carla De Geyseler
Chief Financial Officer

Olivier Merkt
General Counsel &
Chief Compliance Officer

CHIEF OPERATING OFFICERS

Teymur Abasov
Eastern Europe and Middle East

Helmut Chik
China and Hong Kong

Pauline Earl
Western Europe

Alejandro Gomez de la Torre
South America

Anthony Hall
South Eastern Asia and Pacific

Dirk Hellemans
Northern and Central Europe

Frédéric Herren
Africa

Jeffrey McDonald
North America

Ladislav Papik
Southern Central Europe

Dennis Yang
Eastern Asia

EXECUTIVE VICE PRESIDENTS

Michael Belton
Minerals Services

Olivier Coppey
Agricultural Services

Roger Kamgaing
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

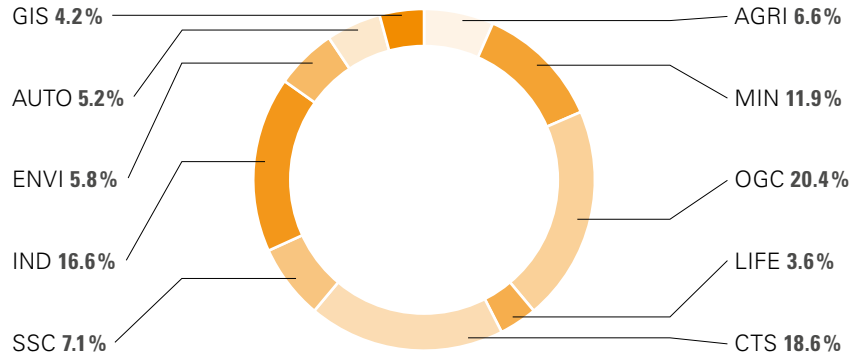
Jean-Luc de Buman
Corporate Development,
Corporate Communications
& Investor Relations

François Marti
Strategic Transformation

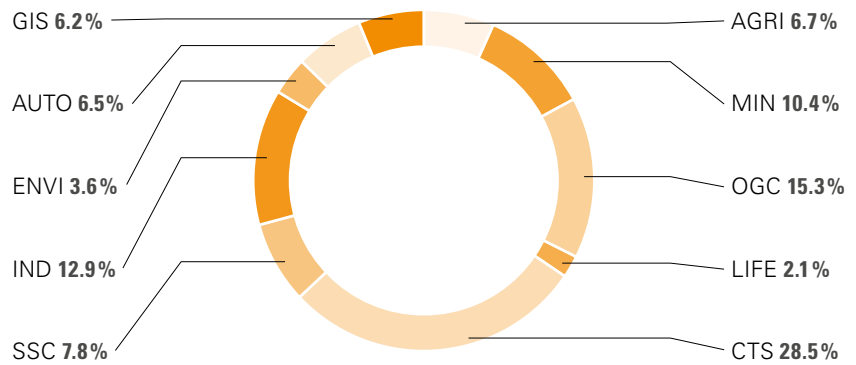
* Denotes members of the Operations Council directly supervised by the Board of Directors (Senior Management).

REVENUE AND ADJUSTED OPERATING INCOME BY BUSINESS

REVENUE

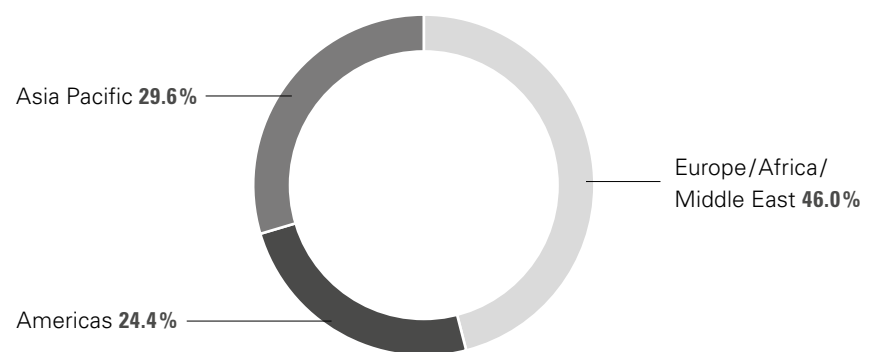


ADJUSTED OPERATING INCOME¹



1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

REVENUE BY REGION



AGRICULTURAL SERVICES

Agricultural Services delivered solid comparable organic revenue growth of 6.6% to CHF 387 million in revenue for the year. Strong commodity trading and solid growth from fumigation and laboratory services played a principal role in supporting organic growth, while partially offsetting a temporary suspension of collateral management activities. Excluding the latter, organic growth would have reached 9.5%.

Trade activities remained strong throughout the year with operations in Canada continuing to benefit from the inland grain market deregulation along with healthy growth in trade activities in the Black Sea region despite the political turmoil. Strong trade volumes in South America in the first half of the year were tempered by a relative decline in the second half as a result of the fishing

ban in Peru impacting both fish discharge control and fishmeal export monitoring activities.

Double-digit growth was achieved in Seed & Crop services in Europe and the South American Mercosur region following the expansion of field and laboratory capabilities. Precision Farming in Africa continued on its strong growth path supported by service innovation using Unmanned Aerial Vehicles (Drones). High activity in seed testing in North America compensated for a slow-down in crop research.

The adjusted operating margin declined slightly from 17.0% in prior year (constant currency basis) to 16.5%, due to a change in the business mix and the temporary reduction of collateral management activities.

During the year, investments continued with the extension of laboratory capabilities in Europe and Latin America, along with investment in expansion of the scope for the Seed and Crop portfolio, such as quarantine testing and fertigation monitoring services in Latin America and the Mediterranean region.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	387.1	363.3	381.3
<i>Change in %</i>		6.6	1.5
ADJUSTED OPERATING INCOME¹	63.8	61.8	65.3
<i>Change in %</i>		3.2	(2.3)
MARGIN %¹	16.5	17.0	17.1

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

MINERALS SERVICES

The global Mining sector remains under pressure with all sectors further curtailing exploration and development spend as well as capital expenditure. Pricing for major commodities continued on a downward trend with significant price reductions seen in gold, iron ore, copper and thermal coal. In these difficult market conditions Minerals Services delivered full year revenue of CHF 703 million, a 3.5% reduction to prior year (constant currency basis). Despite this decline, the business continued to grow its on-site laboratories business and its trade related services. The rate of revenue reduction slowed significantly in the second half of the year.

Performance in Eastern Europe and across Asia was solid as service scope expansion was delivered in these growing markets. The business also continued to deliver on its plans to grow the percentage of its revenue coming from operational sites and

contracts. However, continued reduction in exploration spending, predominantly impacting Geochemistry and Metallurgy, was felt throughout our major commercial testing facilities. 2013 acquisitions of SGS Time Mining and SGS KD Engineering are now fully integrated into the strategic business unit of Mine and Plant Services.

Strong pricing pressure from clients continued across all aspects of the service portfolio. This pressure combined with an altered service mix resulted in a decline in the adjusted

operating margin for the year from 15.4% in prior year (constant currency basis) to 14.1%. Additional alignment of the network infrastructure was undertaken to reflect the reduction in activity, in addition to continued headcount reductions and focus on network operational efficiencies.

The market will remain difficult until commodity prices and demand stabilize. These factors should bring about a recovery in both exploration spending and capital expenditure.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	702.7	728.5	791.9
<i>Change in %</i>		(3.5)	(11.3)
ADJUSTED OPERATING INCOME¹	98.8	112.3	123.4
<i>Change in %</i>		(12.0)	(19.9)
MARGIN %¹	14.1	15.4	15.6

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

OIL, GAS & CHEMICALS SERVICES

Oil, Gas & Chemicals services delivered good results with organic revenue growth of 8.6% (constant currency basis) to CHF 1 201 million, generated by all business segments, including Trade Related which showed accelerated growth in the second half.

Laboratory Outsourcing Services experienced high double-digit growth from new contracts generated in the United Kingdom, USA and India, in addition to new laboratory commissioning projects in Spain, Australia and the Middle East. Plant & Terminal Operations (PTO) also contributed significant growth driven primarily by excellent safety and operating performance in North America supported by its expansion into new crude-by-rail terminal operations. With a new significant contract in China, PTO continues to increase its geographical footprint.

Oil Condition Monitoring Services had a very good year, with new contracts in Asia and South America. A pilot Fuel Integrity Programme was successfully implemented in the Kingdom of Saudi Arabia, offering significant opportunities for this segment in the region. Upstream Services continued to deliver strong growth despite the precipitous drop in oil price which had an immediate impact in certain geographies in the second half.

The adjusted operating margin declined from 13.3% in prior year (constant currency basis) to 12.0%, reflecting

further change in business mix ratios as well as the aforementioned drop in oil price. Specifically in Europe, the services built around the refining industry experienced margin pressure.

Investment in innovation continued throughout the year resulting in new products and services being developed. SGS Applied Technology and Innovation Center was awarded the prestigious 2014 Innovation Prize by the Energy Institute for the development of the AutoGOR™ - the world's first fully automated onsite fluid analyzer.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	1 201.0	1 105.6	1 139.9
<i>Change in %</i>		8.6	5.4
ADJUSTED OPERATING INCOME¹	144.5	146.8	154.0
<i>Change in %</i>		(1.6)	(6.2)
MARGIN %¹	12.0	13.3	13.5

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

LIFE SCIENCE SERVICES

Life Sciences Services delivered sustained organic revenue growth of 5.5% (constant currency basis) to CHF 213 million for the period with good performance in Germany, Canada, the United States and in France.

Facilities in China and India delivered double digit growth with improved margins supported by global key account management. However, laboratory results fell below expectations at SGS M-Scan in the United Kingdom due to temporary executional issues. These challenges along with price competition in Clinical Research impacted performance.

The adjusted operating margin decreased from 13.1% in prior year (constant currency basis) to 9.4%, impacted by price pressure from overcapacity and delays in the start-up of Biosimilars testing.

Operational excellence initiatives and quality focus will remain key priorities going into 2015 to drive margin improvement and business growth.

Laboratories are expected to continue improving due to strategic investments and global key account management activities while Clinical Research is forecasted to grow with improved margin levels.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	212.7	201.7	205.0
<i>Change in %</i>		5.5	3.8
ADJUSTED OPERATING INCOME¹	19.9	26.4	27.1
<i>Change in %</i>		(24.6)	(26.6)
MARGIN %¹	9.4	13.1	13.2

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

CONSUMER TESTING SERVICES

Consumer Testing Services (CTS) delivered comparable revenue growth of 7.5% (of which 6.9% organic) to CHF 1 093 million for the year. Despite the rather difficult market conditions which continued to persist globally, CTS was able to grow in all business lines.

Eastern Asia, Eastern Europe, the Middle East and South America all generated strong results, with all segments performing well. High double-digit growth was achieved in Electrical & Electronics, as well as Automotive Parts testing and Cosmetics, Personal Care & Household mainly in Asia and North America. In Asia, the development of services in footwear testing was successfully rolled out. Food testing activity continued to perform strongly driven by Asian and European markets.

The adjusted operating margin remained stable at 24.7% compared to prior year (constant currency basis), despite softer growth experienced in the retail sector due to the challenging economic environment. Toy testing volumes also marginally contracted due to a flat toys market.

CTS continued to make strategic investments to maintain market leadership especially in Electrical &

Electronics and expanded its global footprint in this segment with the acquisition of Nemko OY in Finland and RFT Ltd in Japan. In addition, the acquisition of Courtray in the CPCH (Cosmetics, Personal Care & Household) segment was completed, helping enhance its portfolio of services.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	1 093.1	1 016.7	1 041.9
<i>Change in %</i>		7.5	4.9
ADJUSTED OPERATING INCOME¹	269.7	251.8	258.3
<i>Change in %</i>		7.1	4.4
MARGIN %¹	24.7	24.8	24.8

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

SYSTEMS & SERVICES CERTIFICATION

Systems & Services Certification delivered comparable revenue growth of 7.0% (of which 5.9% organic) to CHF 415 million for the year, due in part to performance assessment and training activities which continued to play a major role in offsetting lower growth in Europe.

Overall performance continued to be impacted in Europe where Management and Environmental Systems certification is mature and market conditions remain difficult. The business was however able to compensate with strong double-digit growth in Eastern Europe, the Middle East, Africa and the Asia Pacific region.

The adjusted operating margin slightly decreased from 18.1% in prior year (constant currency basis) to 17.8%, impacted primarily by flat revenues experienced in Western Europe, long winter conditions in North America and additional auditor training costs.

Large contracts signed in both the Automotive and Hospitality industries are expected to bring additional growth to the Group in 2015 along with the

introduction of new added value services in areas such as allergens and food security.

The business rolled out a new Oracle-based Learning Management System in twelve countries in 2014 and will continue the rollout throughout 2015. A new centralised back office structure introduced in Europe has exceeded expectations with the United Kingdom and France back office operations already transferred to Poland.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	414.6	387.3	401.6
<i>Change in %</i>		7.0	3.2
ADJUSTED OPERATING INCOME¹	73.9	70.2	73.3
<i>Change in %</i>		5.3	0.8
MARGIN %¹	17.8	18.1	18.3

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

INDUSTRIAL SERVICES

Industrial Services delivered comparable revenue growth of 5.6% (of which 2.4% organic) to CHF 977 million for the year, despite difficult market conditions in the refining sector in Europe and a market slowdown which affected several countries and created some pricing pressure.

In Europe, restructuring undertaken in 2013 in Germany began to have a positive impact on margin and Spain posted improved organic growth. These positive signs give the Group a more optimistic outlook in this region going into 2015 despite margins remaining under pressure and a few important contracts that ended or were delayed in Western Europe.

The adjusted operating margin improved to 12.5% from 11.1% in prior year (constant currency basis), partly driven by improved margin growth following major restructuring in Germany. Implementation of strategic geographic and business unit diversification continued to drive double digit organic growth in Asia and South America. The improvement in overall margin outside Europe reflects this switch of business mix and geography. Operational adjustments will continue

throughout the network to align organisational structures to market demand to further optimise costs and margin.

During the year the Group completed the acquisition of Röntgen Technische Dienst NV in Belgium, specialised in non-destructive testing services, and focussed efforts on integrating the six acquisitions that were made in 2013 which are now fully operational within the Group.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	977.0	925.6	960.3
<i>Change in %</i>		5.6	1.7
ADJUSTED OPERATING INCOME¹	122.6	102.7	107.3
<i>Change in %</i>		19.4	14.3
MARGIN %¹	12.5	11.1	11.2

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

ENVIRONMENTAL SERVICES

Environmental Services delivered comparable revenue growth of 9.2% (of which 0.3% organic) to CHF 342 million for the year, coming principally from Europe which experienced strong growth and improved margins due to restructuring carried out in 2013 in Finland, the Netherlands, Italy and France.

In Europe, laboratory network optimisation and successful integration of recent acquisitions in Germany, United Kingdom and the Netherlands contributed to the Region's success. In the USA, the Group accelerated its development and activities in the Shale Gas and growing Marine services markets, along with strengthening its portfolio through the acquisition of Galson in the industrial hygiene sector. South America registered strong results due to the developing market, the rapid growth of Industrial Hygiene services in Brazil and Air monitoring activities in Chile and Peru.

The adjusted operating margin remained comparable to prior year at 10.0% (constant currency basis), due to the slowdown in the Mining sector which impacted operations in Australia, Canada and Africa, the ending of carbon CDM business mostly affecting India and China and pricing pressure across most major economies including Australia, Belgium, Canada, Germany and Spain.

During the year, global contracts in Consulting, Health & Safety and Energy continued to be awarded to the Group

due to its enhanced global presence which helped to maintain growth and increase service diversification. The Group acquired three companies including Search Group, a specialist in asbestos testing in the Netherlands, Galson Laboratories Inc., a global leader in industrial hygiene analysis and monitoring solutions in the USA and Labtox, a leader in asbestos, polychlorobiphenyl and formaldehyde testing services in Switzerland.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	342.4	313.6	328.0
<i>Change in %</i>		9.2	4.4
ADJUSTED OPERATING INCOME¹	34.3	31.3	33.8
<i>Change in %</i>		9.6	1.5
MARGIN %¹	10.0	10.0	10.3

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

AUTOMOTIVE SERVICES

Automotive Services delivered comparable revenue growth of 5.6% (of which 3.5% organic) to CHF 303 million for the year, spurred by statutory and commercial activities which continued to provide solid revenue growth for the business.

The statutory inspection business strengthened across most regions including Western Europe where the large networks in France achieved revenue growth while maintaining margin. Spain maintained revenues despite adverse economic conditions along with the market liberalisation in Madrid and the Canary Islands. Vehicle inspection services launched in Ecuador Guayaquil in July will help South America offset the expected end of a concession in Chile in December 2014. Africa continues to remain in line with Group expectations despite the challenging environment.

The USA saw improvement in commercial activities within a competitive environment. Engine and vehicle testing services continued to develop additional services.

The adjusted operating margin decreased from 21.8% in prior year (constant currency basis) to 20.5%, impacted by the end of emission programmes in the USA, specifically in New York and Virginia and increased competition in Spain following the liberalisation of statutory inspection business in some regions.

During the year, the Group acquired two companies in the USA, Commercial Aging Services, a specialist in catalyst aging testing and Advanced Testing & Engineering, a leading independent fatigue durability testing laboratory. In Spain the Group acquired Gonzalo de Miguel Redondo S.L.U. (GMR), specialized in technical support services to the automotive industry for homologation and approval of new vehicles, vehicle modifications and automotive parts.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	302.8	286.8	305.1
<i>Change in %</i>		5.6	(0.8)
ADJUSTED OPERATING INCOME¹	62.0	62.4	65.8
<i>Change in %</i>		(0.6)	(5.8)
MARGIN %¹	20.5	21.8	21.6

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.

GOVERNMENT & INSTITUTIONS SERVICES

Governments & Institutions Services (GIS) organic growth decreased slightly by 0.4% (constant currency basis) to CHF 250 million for the year, attributed to a positive swing in Local Solutions in Europe, the Middle East, Africa and Asia, compensating the anticipated decrease in Global Solutions revenue.

Local Solutions continued to perform solidly, growing across all categories during the year thanks to new inspection programmes, successful diversification strategy and substantial growth in Product Conformity Assessment (PCA) volumes. Furthermore GIS signed three new contracts in Burundi, Rwanda and Ghana, the first two being implemented during the year. This growth helped to mitigate the consequences of a contractual termination in Mauritania

and the end of a Forestry contract in the Democratic Republic of Congo. New inspection programmes were launched for cosmetics, wheat flour and alloy steel imports into Indonesia as well as irrigation pumps in Ethiopia. TradeNet continued to perform well from established operations in Africa and Transitnet successfully expanded activities in Eastern Europe.

The adjusted operating margin improved to 23.2% from 23.0% in prior year (constant currency basis), spurred by the new service mix and economies of scale.

During the year, the Group continued to diversify its portfolio, including SGS Layer4 for Telecom activities and SGS Omnis tracking services in Africa.

(CHF million)	2014 RESULTS	2013 PRO-FORMA ²	2013 RESULTS
REVENUE	249.5	250.4	274.7
<i>Change in %</i>		(0.4)	(9.2)
ADJUSTED OPERATING INCOME¹	57.9	57.7	68.2
<i>Change in %</i>		0.3	(15.1)
MARGIN %¹	23.2	23.0	24.8

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

2. Constant currency basis.



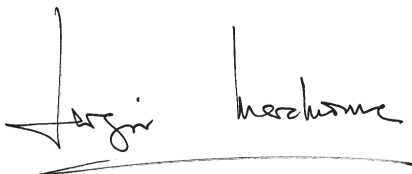
CHAIRMAN'S STATEMENT ON SUSTAINABILITY

In sustainability terms, the business has matured significantly in the last four years, with an integrated approach and demonstrable progress on several fronts. As well as enhancing our portfolio of sustainability services, we have embedded our sustainability management system while aligning colleagues at every level of the company behind our sustainability vision and goals. We are pleased that our efforts to date are being recognised, with SGS being named Commercial and Professional Services Sector Leader in the 2014 Dow Jones Sustainability Indices (DJSI) World and Europe. We were also awarded a position on 'The A List' in the CDP Climate Performance Leadership Index, a global ranking of 187 listed companies on their approach to climate change mitigation.

Our unique Green Book translates our sustainability performance into financial values, enabling us to focus management attention on 'hot spots', such as employee natural turnover and energy consumption. Alongside our sustainability programmes, we encourage employees to save energy and resources through our popular "Doing more with Less" campaign, which was rolled out to a further nine countries, resulting in higher than ever awareness levels and real evidence of behaviour change in our

offices and laboratories. Of course, employee engagement underpins our sustainable business approach, which is why we were pleased to see in our 2014 employee survey that 75% of employees are aware of how sustainability supports our business growth. During 2014, we further reinforced our position in the sustainability services market with the acquisition of the Search Group, a leading engineering and sustainability advisory firm with a laboratory and training institute in the Netherlands, and US-based Galson Laboratories, a global leader in industrial hygiene analysis. Through such new services and our existing portfolio, we believe we are well positioned to demonstrate our value to society. In 2015, we plan to examine this further to better demonstrate the role that we, individually and collectively, are playing in contributing to a more sustainable and economically viable future for everyone.

For more details on our sustainability approach, including our 2020 Sustainability Ambitions, we encourage you to visit our online sustainability report and to download our Sustainability Performance Review 2014.



Sergio Marchionne

Chairman of the Board



Christopher Kirk

Chief Executive Officer

CORPORATE GOVERNANCE





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INFORMATION POLICY

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, composition roles and duties of the Board of Directors and its Committees and Management, internal controls and audits. This report has been prepared in compliance with the Swiss Exchange (SIX) Directive on Information Relating to Corporate Governance of 1 September 2014 and with the Swiss Code of Best Practice for Corporate Governance. The SGS Corporate Governance framework aims to achieve an efficient allocation 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 2014, the market capitalisation of SGS SA was CHF 15 997 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 152 to 155 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 acquisitions made by the SGS Group during 2014 are provided in note 3 to the consolidated financial statements included in the section SGS Group Results (pages 74 to 75) 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 2014, geographic operations were organised as follows:

Europe, Africa, Middle East

- Western Europe
- Northern and Central Europe
- Southern Central Europe
- Eastern Europe & Middle East
- Africa

Americas

- North America
- South America

Asia Pacific

- East Asia
- China & Hong Kong
- South Eastern 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 2014, 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 2014, Groupe Bruxelles Lambert acting through Serena Sàrl held 15.00% (2013: 15.00%), Mr. August von Finck and members of his family acting in concert held 14.97% (2013: 14.97%), the Bank of New York Mellon Corporation held 3.43% (2013: 3.18%) and BlackRock Inc. held 3.00% (2013: nil), of the share capital and voting rights of the Company.

SGS SA, together with certain of its subsidiaries, held 1.88% (2013: 2.19%) of the share capital of the Company.

During 2014, 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 2014, SGS SA held 146 930 treasury shares (2013: 171 596).

In 2014, 24 666 treasury shares were sold or released to cover option rights. These shares were sold at an average price of CHF 1 269. During the year, no treasury shares were purchased 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 purpose 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 19 March 2015.

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 seven years.

2.4. SHARES AND PARTICIPATION CERTIFICATES

All shares, other than treasury shares held 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 the SGS Remuneration Report. 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 2014 (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 (until March 2014)
- Professional Conduct Committee

Initial appointment to the Board

May 2001

Professional Background

Chief Executive Officer of *Fiat Chrysler Automobiles N.V., since 2014

Sergio Marchionne holds a BA in Philosophy from the University of Toronto, and an LLB degree from Osgoode Hall Law School, York University, Toronto. He also has an MBA and B.Com from the University of Windsor, in Canada.

A barrister, solicitor and chartered accountant, Mr Marchionne began his career in Canada in 1983. In 2004, he became CEO of Fiat S.p.A., headquartered in Turin. In addition, in June 2009, he was appointed CEO of Chrysler Group LLC and, in September 2011, also assumed the role of Chairman. In October 2014, he became Chairman of Ferrari S.p.A. and CEO of *Fiat Chrysler Automobiles N.V. (FCA), the company resulting from the merger of Fiat S.p.A. and Chrysler Group LLC.

He served as Chairman of CNH Global N.V. from 2006 and Fiat Industrial S.p.A. from 2011, becoming Chairman of *CNH Industrial N.V., the company resulting from the merger of CNH Global N.V. and Fiat Industrial S.p.A. in 2013.

Other Activities and Functions

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

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

Peterson Institute for International Economics, Member of the Board
Council for the United States and Italy, Chairman

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

PAUL DESMARAIS, JR (1954)

Canadian

Function in SGS

Member:

- Board of Directors

Initial appointment to the Board

July 2013

Professional Background

Chairman and Co-Chief Executive Officer, * Power Corporation of Canada

Paul Desmarais, Jr. has a Bachelor of Commerce Degree from McGill University, Montréal and an MBA from the Institut Européen d'Administration des Affaires (INSEAD), France. He has received honorary doctorates from various Canadian universities.

He joined Power Corporation of Canada in 1981 and assumed the position of Vice-President the following year. In 1984, he led the creation of Power Financial Corporation to consolidate Power's major financial holdings, as well as Pargesa Holding SA, under a single corporate entity. Mr. Desmarais served as Vice-President from 1984 to 1986, as President and Chief Operating Officer of Power Financial from 1986 to 1989, as Executive Vice Chairman from 1989 to 1990, as Executive Chairman from 1990 to 2005, as Chairman of the Executive Committee from 2006 to 2008 and as Executive Co Chairman from 2008 until today. He was named Chairman and Co-CEO with Power Corporation in 1996.

After Power Financial and the Frère Group of Belgium took control of Pargesa in 1990, Mr. Desmarais moved to Europe from 1990 to 1994, to develop the partnership with the Frère Group and to restructure the Pargesa group. From 1982 to 1990, he was a member of the Management Committee of Pargesa, in 1991, Executive Vice Chairman and then Executive Chairman of the Committee, in 2003, he was appointed Co-Chief Executive Officer and in 2013 named Chairman of the Board. He is a Director of many Power group companies in North America.

Other Activities and Functions

*Groupe Bruxelles Lambert, Brussels (BE), Vice-Chairman of the Board of Directors

*Great-West Lifeco Inc., Winnipeg (Can), Member of the Board (including those of its major subsidiaries)

*IGM Financial Inc., Winnipeg (Can), Member of the Board (including those of its major subsidiaries)

*Lafarge SA, Paris (F), Board Member

*Pargesa Holding SA, Geneva (CH), Board Member since 1992, Chairman of the Board since 2013

*Total S.A., Paris (F), Board Member

Member of the Advisory Council of the European Institute of Business Administration (INSEAD)

Trustee of the Brookings Institution and a Co-Chair of the Brookings International Advisory Council (USA)

Chairman of the Canadian Council of Chief Executives (Can)

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

August von Finck is an Industrialist. He descends from the banking family von Finck. His grandfather, Wilhelm von Finck, founded Merck, Finck & Co. in 1870, the private bank which was at the origin of companies including Munich Re, Allianz insurance and the Löwenbräu breweries, among others.

Based in Munich, the member of the third generation of the von Finck family holds interests in a number of German, Swiss, Austrian companies as well as in groups from other countries.

In Switzerland, August von Finck's participations include Mövenpick Holding A.G. and Von Roll Holding A.G.

AUGUST FRANÇOIS VON FINCK (1968)

Swiss

Function in SGS

Member:

- Board of Directors
 - Audit Committee
-

Initial appointment to the Board

May 2002

Professional Background

François Von Finck holds a Master of Business Administration from Georgetown University, Washington D.C. He has a banking background and is currently Managing Director of Carlton Holding in Basel.

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

IAN GALLIENNE (1971)

French

Function in SGS

Member:

- Board of Directors
 - Nomination and Remuneration Committee
-

Initial appointment to the Board

July 2013

Professional Background

Managing Director of *Groupe Bruxelles Lambert, since 2012

Ian Gallienne has a degree in Management and Administration, with a specialization in Finance, from Ecole Supérieure des Dirigeants d'Entreprises (ESDE) in Paris and an MBA from INSEAD in Fontainebleau.

He began his career in 1992 in Spain as co-founder of a sales company. From 1995 to 1997, he managed a consulting firm, specialising in turning around businesses in France. From 1998 to 2005, he was Manager of the private equity funds Rhône Capital LLC in New York and London. In 2005 to 2012, he founded the private equity funds Ergon Capital Partners in Brussels and was Managing Director of such funds until 2012.

In 2012, he became Managing Director of *Groupe Bruxelles Lambert of which he had been a Board Member since 2009.

Other Activities and Functions

Gruppo Banca Leonardo SpA Milan (IT), Member of the Board

*Imerys, Paris (F), Member of the Board and Member of the Strategic Committee, Member of the Compensation and Nomination Committee

*Lafarge, Paris (F), Member of the Board, Member of the Corporate Governance and Nominations Committee, Member of the Remuneration Committee

*Pernod Ricard S.A., Paris (F), Member of the Board and Member of the Remuneration Committee

Steel Partners N.V., (BE), Member of the Board

Erbe S.A. (BE), Member of the Board
Ergon Capital S.A. (BE), Member of the Board

Ergon Capital II S.à r.l. (LU), Manager
Kartesia GP S.A. (LU), Member of the Supervisory Board

CORNELIUS GRUPP (1947)

Austrian

Function in SGS

Member:

- Board of Directors

Initial appointment to the Board

March 2011

Professional Background

Dr. Grupp holds a Doctorate in law and a Master in Business Administration.

He is the owner and general manager of Tubex Holding GmbH, Stuttgart, Germany a company active in the packaging industry and specialised in the production of aluminum aerosol cans, aluminum tubes and plastic tubes and of CAG Holding GmbH, Lilienfeld, Austria, active in the field of aluminum, glass and fibers.

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

Peter Kalantzis holds a Ph.D. in Economics and Political Sciences from the University of Basel and engaged in research as a member of the Institute for Applied Economics Research at the University of Basel between 1969 and 1971.

Prior to 2000, Peter Kalantzis was responsible for Alusuisse-Lonza Group's corporate development and actively involved in the de-merger and stock market launch of Lonza, as well as the merger process of Alusuisse and Alcan.

Dr. Kalantzis served as head of the Chemicals Division of Alusuisse-Lonza Group from 1991 until 1996. In 1991 Dr. Kalantzis was appointed Executive Vice-President and Member of the Executive Committee of the Alusuisse-Lonza Group.

Dr. Kalantzis has worked as an independent consultant since 2000.

Other Activities and Functions

Mövenpick/Holding AG, Baar (CH), Chairman of the Board from 2000 to 2014

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

*CNH International NV, Amsterdam (NL), Member of the Board since 2013

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

Consolidated Lamda Holdings Ltd., Luxembourg (LU), Member of the Board since 2002

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

Elpe-Thraki, Athens (GR), Chairman of the Board since 2008

Pan-European Oil and Industrial Holdings SA, Luxembourg (LU), Member of the Board since 2001

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

Hardstone Services SA, Geneva (CH), Chairman of the Board since 2014, Member since 2009

Gnosis Foundation, Vaduz (FL), President of the Foundation Board since 2008

GÉRARD LAMARCHE (1961)

Belgian

Function in SGS

Member:

- Board of Directors
- Audit Committee

Initial appointment to the Board

July 2013

Professional Background

Managing Director of *Groupe Bruxelles Lambert, since 2012.

Gérard Lamarche graduated from the University of Louvain-la-Neuve with a Bachelor's degree in Economic Science and a specialisation in Business Administration and Management. He also completed the Advanced Management Program for Suez Group Executives at the INSEAD Business School and took part in the 1998-99 Wharton International Forum, Global Leadership Series.

He began his professional career in 1983 with Deloitte Haskins & Sells in Belgium, and became M&A Consultant in the Netherlands in 1987. In 1988, he joined Société Générale de Belgique as Investment Manager. He was promoted to Controller in 1989, and was appointed in 1992 Advisor to the Director of Strategic Planning.

He became Secretary of the Suez Executive Committee (1995-1997); he was later appointed Senior Vice President in charge of Planning, Control and Accounting.

In July 2000, Gérard Lamarche joined NALCO (US subsidiary of the Suez Group and world leader in industrial water treatment) as Director, Senior Executive Vice President and CFO.

He was appointed CFO of the Suez Group in 2003.

He has been a Director of *Groupe Bruxelles Lambert since 2011 and Managing Director since 2012.

Other Activities and Functions

*Lafarge, Paris (F), Member of the Board, Member of the Strategic Committee, Member of the Audit Committee

*Legrand, Limoges (F), Member of the Board and Chairman of the Audit Committee

*Total S.A., Paris (F), Board Member and Member of the Audit Committee

*GDF SUEZ, Paris (F), Censor

SHELBY R. DU PASQUIER (1960)

Swiss

Function in SGS

Member:

- Board of Directors
- Professional Conduct Committee
- Nomination and Remuneration Committee, Chairman (since March 2014)

Initial appointment to the Board

March 2006

Professional Background

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

Shelby R. du Pasquier holds degrees from Geneva University Business School and School of Law as well as from Columbia University School of Law (LLM). He was admitted to the Geneva Bar in 1984 and to the New York Bar in 1989. He became a partner of Lenz & Staehelin in 1994.

Other Activities and Functions

*Swiss National Bank, Member of the Board since 2012

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

Pictet & Cie Group SCA, Chairman of the Supervisory Board since 2013

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 the Remuneration Report.

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 each Member of the Board of Directors, and among them the Chairman of the Board of Directors and the Members of the Nomination Remuneration Committee, are elected each year by the shareholders for a period ending at the next Annual General Meeting. Each Member of the Board is individually elected. There is no limit to the number of terms a Director may serve.

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



3.4. LIMITS ON EXTERNAL MANDATES

At the 2015 Annual General Meeting, the Shareholders will be invited to modify the Articles of Association of the Company in compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), for the purpose of introducing limits on the number of mandates permissible to Board members.

3.5. INTERNAL ORGANISATIONAL STRUCTURE

The duties of the Board of Directors and its Committees are defined in the Company's Articles of Association and in its 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.

3.5.1. Allocation of Tasks within the Board of Directors

The Chairman of the Board is elected by the Annual Meeting of Shareholders. He plans and chairs the Board meetings, defines the agenda of the meetings and conduct the deliberations of the Board of Directors. All Members of the Board of Directors participate in deliberations of the Board and participate equally in its decisions.

Within the limits permitted by law or by the Articles of Association, the Board of Directors can decide to delegate certain of its tasks to standing or ad-hoc committees. With the exception of the members of the Nomination and Remuneration Committee who are elected by the Shareholders, the members of other Committees are appointed by the Board.

3.5.2. Committees

The following Committees have been established within the Board of Directors:

- 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.

Nomination and Remuneration Committee

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 advises the Board of Directors on matters regarding the remuneration of the Members of the Board of Directors and management and on general policies relating to remuneration applicable to the Group. The Committee defines the conditions of stock options plans or other plans for the allocation of shares, issued from time to time by the Company. The Committee reviews and approves the contractual terms of the employment of the Chief Executive Officer and the other members of the management. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council. The Committee drafts the SGS Remuneration Report.

In 2014, the following Directors served on the Nomination and Remuneration Committee:

- Sergio Marchionne (until March 2014)
- August von Finck
- Ian Gallienne
- Shelby du Pasquier (Chairman) (since March 2014).

In 2014, the Committee held two meetings and passed two resolutions in writing. Meetings of the Nomination and Remuneration Committee were attended by all members and had an average duration of 1 hour.

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 2014, the following Directors served on the Audit Committee:

- Sergio Marchionne (Chairman)
- August François von Finck
- Gérard Lamarche
- Peter Kalantzis.

In 2014, the Audit Committee held three meetings, with an average duration of one and a half hours. All meetings were attended by all members.

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.

In 2014, the following Directors served on the Professional Conduct Committee:

- Sergio Marchionne (Chairman)
- Shelby du Pasquier.

In addition to the Board Members, 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.

In 2014, the Professional Conduct Committee held two meetings, with an average duration of one hour. All meetings were attended by all members.

3.5.3. Working Methods of the Board and its Committees

The Board of Directors and each Committee convene regularly scheduled meetings with additional meetings held as and when required, in person or by phone conference. The Board and the Committees may pass resolutions by written consent.

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. The Board and each of the Committees can request the attendance of members of the management of the Group. The Board and each of the Committees are authorised to hire external professional advisors to assist them in matters within their sphere of responsibility.

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

The Board of Directors held five physical meetings in 2014, and one meeting by phone conference. Meetings of the Board of Directors had an average duration of two and half hours. All members of the Board of Directions attended every meeting of the Board in 2014.

3.6. 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.

3.7. 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.

The Chief Executive Officer and the Chief Financial Officer participate 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 is constantly informed about the operational and financial results of the Group by way of detailed monthly management reports which describe the performance of the Group and its divisions. During each Board meeting, the Chief Executive Officer and the Chief Financial Officer present a report to the Board of Directors on the operations and financial results, with an analysis of deviations from prior year and from current financial targets. During Board Meetings, the Board is updated on important issues facing the Group. The Chief Executive Officer, the Chief Financial Officer and the 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 meets regularly with the members of the Operations Council. During Board Meetings or Committee Meetings, Board members can require any information concerning the Group.

The Board reviews and monitors regularly and formally, once a year, all previous acquisitions and large investments as well as the implementation of related Group strategies.

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 in implementing the agreed actions by management.

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. The General Counsel & Chief Compliance Officer reports violations of compliance rules every semester to the Professional Conduct Committee. The Committee monitors disciplinary actions taken and monitor implementation of corrective actions.

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. Formal procedures are in place for both internal and external auditors to report their findings and recommendations independently to the Board's Audit Committee.

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 of 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. As part of this process, the ownership and accountability for identified risks are approved by the Board. The implementation of such actions is audited by Internal Audit. These findings are communicated to the Board of Directors so that progress and identified risks can be monitored objectively and independently from Management.

The risks identified and monitored by the Board fall broadly into three categories: first, environment risk which includes circumstances outside the Group's direct sphere of influence, such as competition and economic or political landscape, second, process risks which include risks linked to the operations of the business, the management of the Group and the integrity of its reputation in the market place, and thirdly, risks associated with information and decision-making.



4

OPERATIONS COUNCIL

The Operations Council (as defined in section 3.6.) 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 2014 were as follows:

CHRISTOPHER KIRK (1956)

British

Chief Executive Officer & IT,
EVP Life Science, ad interim

Bachelor of Science

Joined SGS in 1981

Previous responsibilities

2003 – 2006: EVP, Minerals and Environmental Services

2002 – 2003: COO, South Eastern Asia & Pacific

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

1998 – 1999: Managing Director, Thailand

CARLA DE GEYSELEER (1968)

Belgian

Chief Financial Officer
(since November 2014)

EMBA, Executive Business Administration IMD, 2005

Master in Economics & Finance, 1991

Joined SGS in 2014

Previous work experience

2012 – 2014: Chief Financial Officer, Vodafone Libertel, BV, The Netherlands

2010 – 2012: Director Financial Controlling, Vodafone GmbH, Germany

2007 – 2010: Chief Financial Officer DHL Express Benelux, The Netherlands

1995 – 2007: Various finance positions
DHL Express

1991 – 1995: Senior Auditor,
Ernst & Young, Belgium

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)

Azerbaijani

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: Vice President,
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: Vice President,
Human Resources

2003 – 2005: additional role as Africa
Regional Human 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

OLIVIER COPPEY (1972)

Swiss

EVP, Agricultural Services
MSc Economics
Joined SGS in 1994

Previous responsibilities

2009 – 2012: Vice President Seed
& Crop, Agricultural Services

2006 – 2008: Vice President North
America, Agricultural Services, USA

1994 – 2006: Managerial positions,
Agricultural Services, Switzerland/
India/Cameroon

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 Eastern 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

1997 – 2005: General Manager
Environmental Services, Redback
Drilling Tools, Expertest OGC Services
Australia, Gearhart United Australia

DIRK HELLEMANS (1958)

Belgian

COO, Northern and Central Europe
Degree in Chemical Engineering and
Master in Business Administration
Joined SGS in 1988

Previous responsibilities

2004 – 2012: COO, Central & North
West Europe

2002 – 2004: COO, North West Europe

1997 – 2002: Managing Director, Belgium

FRÉDÉRIC HERREN (1955)

Swiss

COO, Africa
Master in Economics

Initially joined SGS in 1986, rejoined
in 1999

Previous responsibilities

2006 – 2014: EVP, Governments &
Institutions Services

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

ROGER KAMGAING (1966)

Swiss

EVP, Governments & Institutions
Services (since April 2014)
Master in Commercial Law and Tax
Master in Auditing and Consulting
Initially joined SGS in 1997,
rejoined in 2014

Previous responsibilities

2000 – 2012: Governments &
Institutions Services, Global Head
Business Development

1997 – 2000: Governments &
Institutions Services, Sales Manager

Other work experience

2012 – 2014: Kamgaing Associates
(Consulting) and Time
(African Business Incubator)

THOMAS KLUKAS (1965)

German

EVP, Automotive Services
PhD Engineering Science,
Master Business Administration
Joined SGS in 2006

Previous responsibilities

2008 – 2010: VP Automotive Services

2006 – 2008: Automotive Services
Regional Manager, North America

Other work experience

2000 – 2006: Senior Manager DEKRA SE
(Germany and USA)

FRANCOIS MARTI (1968)

Swiss

EVP Systems & Services Certification
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

CORPORATE GOVERNANCE

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 Eastern Asia & Pacific, Regional Manager (Bangkok)

FRANKIE NG (1966)

Swiss/Chinese

EVP, Industrial Services
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

LADISLAV PAPIK (1953)

Slovak

COO, Southern Central Europe
Engineering degree in Metallurgy
Joined SGS in 1992

Previous responsibilities

2006 to date: Managing Director, Hungary
1998 to date: Managing Director, Slovakia
1993 – 1998: Systems & Services Manager, Slovak Republic
1992: Lead Auditor, Systems & Services, Czechoslovak Republic

PETER POSSEMIERS (1962)

Australian & Belgian

EVP, Environmental Services
BSc Chemistry and Microbiology
Joined SGS in 1983

Previous responsibilities

2007 – 2012: Global Sales, OGC
2005 – 2007: Managing Director, Korea
2003 – 2005: OGC Business Development Manager Asia Pacific, China
2001 – 2003: OGC Business Development Manager Asia Pacific, Australia
1998 – 2000: OGC Manager, Singapore

MALCOLM REID (1963)

British

EVP, Consumer Testing Services
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)

Azerbaijani and Canadian

EVP, Oil, Gas & Chemicals Services
PhD in Science
Joined SGS in 1993

Previous responsibilities

2007 – 2013 EVP, Oil, Gas & Chemicals Services and Environmental Services
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 the course of 2014, Anne Hays, EVP Life Sciences and Geraldine Matchett, CFO resigned from their respective positions and left the Group. In April 2014, the Nomination and Remuneration Committee approved the appointment of Roger Kamgaing, taking over from Frédéric Herren. Carla De Geyseler was appointed CFO, a position she assumes since November 2014.

In January 2015, Chris Kirk announced its retirement from management effective as from the 2015 Annual General Meeting. The Board has announced the nomination of Frankie Ng as the future CEO, with effect as from March 2015.

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.

CARLA DE GEYSELEER

Macintosh Retail Group (NL), Member of the Supervisory Board and Chair of the Audit Committee

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

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 Organisation
for Certification) since 2012

the Ordinance against Excessive
Compensation at Listed Joint-Stock
Companies (OaEC), for the purpose of
introducing limits on the number
of mandates permissible to members
of the Operations Council.

4.3. LIMITS ON EXTERNAL MANDATES

At the 2015 Annual General Meeting,
the Shareholders will be invited to
modify the Articles of Association
of the Company, in compliance with

4.4. 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

5.1. CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND THE SHAREHOLDING PROGRAMMES

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. In line with these
principles, Board members are entitled
to a fixed fee which takes into account
their level of responsibility.

Until the 2015 Annual General Meeting,
the ultimate responsibility for defining
remuneration policies and deciding
on all matters relating to remuneration
rests with the Board of Directors.
The Board of Directors is assisted in its
work by a Nomination and Remuneration
Committee (for a description of the
Committee's role and composition,
see paragraph 3.5.2). A specific report
on remuneration issued by the Company
describes in details the components
and amounts of the compensation paid

by the Company and will be subject to
an advisory vote at the 2015 Annual
General Meeting.

At the 2015 Annual General Meeting,
amended Articles of Association will
be deliberated and approved in keeping
with the requirements of the Ordinance
against Excessive Compensation
at Listed Joint-Stock Companies (OaEC).
Until such time, and including decisions
relating to the 2014 financial year,
the authorisations level for the main
decisions relating to compensation of
Board and Operations Council Members
is summarised in the chart below.
The levels of approval which will be
implemented after the change of
the Company's Articles of Association
in March 2015 are described in the
SGS Remuneration Report (page 45).

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
Fixation 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.

5.1.1. Rules on Performance
Related Pay, Allocation of Equity
Securities and Options

At the 2015 Annual General Meeting,
the principles of the variable
remuneration and the allocation of

shares or equity linked instruments to
the members of the Operations Council
will be introduced in the Company's
Articles of Association. At the same
time, the Articles of Association will
be amended to allow the Board of

Directors to use an additional amount in
excess of the approval granted by the
shareholders, in situations where new
members join the Operations Council
after the approval of the remuneration
by the Annual General Meeting.

5.1.2. Rules on Loans, Credit Facilities and Post-Employment Benefits

At the 2015 Annual General Meeting, the Company's Articles of Association will be amended to introduce limits on loans, credit facilities and post-employment benefits to Board Members and to Members of the Operations Council.

5.1.3. Rules on Vote on Pay

The procedure on the vote by the Shareholders on the proposed fixed and variable remuneration of the Operations Council and compensation to the Board of Directors will be defined in an amendment to the Articles of Association to be introduced at the 2015 Annual General Meeting. The Board will recommend to the AGM the introduction

in the Articles of Association of rules mandating separate votes on (i) the board remuneration for the period until the next Annual General Meeting (ii) the fixed remuneration of the Operations Council for the next calendar year (iii) a retrospective vote on executive variable compensation at the AGM and (iv) prospective approval by the AGM of any long term incentive plans.

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. A shareholder may also elect to grant power of attorney to an independent proxy appointed by the Company 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.

Shareholders have the opportunity to give general or specific voting instructions to the independent proxy. The voting of resolutions by electronic votes is authorized by the Articles of Association, within the modalities defined by the Board of Directors.

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, unless Swiss company law mandates 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 Meetings, 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.

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 assumed this position after agreement by the Company's Audit Committee.

8.2. AUDIT FEES

Total audit fees paid to Deloitte for the audit of the Company and the Group financial statements in 2014 amounted to CHF 6.0 million (2013: CHF 6.1 million).

8.3. ADDITIONAL FEES

An aggregate amount of CHF 1.3 million (2013 CHF 1.1 million) was paid to Deloitte for other professional services, unrelated to the statutory audit activity. This amount includes CHF 0.7 million (2013: CHF 0.6 million) for tax compliance services and CHF 0.6 million (2013: CHF 0.5 million) for non-statutory reporting and assurance services.

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 REMUNERATION REPORT





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**INTRODUCTION
BY THE NOMINATION
AND REMUNERATION
COMMITTEE**

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**COMPANY'S
REMUNERATION POLICY
AND GOVERNANCE**

- 2.1. Remuneration Policy and Principles
 - 2.2. Remuneration Governance
 - 2.2.1. Nomination and Remuneration Committee
 - 2.2.2. Rules on Vote on Pay
 - 2.2.3. Method of Determination of Compensation - Benchmarking
-

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REMUNERATION MODEL

- 3.1. Structure of Remuneration of the Board of Directors
 - 3.2. Structure of Remuneration of the Operations Council
 - 3.2.1. Base Salary
 - 3.2.2. Annual Bonus
 - 3.2.3. Discretionary Bonus
 - 3.2.4. Long Term Incentive Plans
 - 3.2.5. Benefits
 - 3.2.6. Employment Contracts
 - 3.2.7. Timeline of Remuneration
-

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REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

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REMUNERATION AWARDED TO THE CEO, SENIOR MANAGEMENT AND OTHER MEMBERS OF THE OPERATIONS COUNCIL

5.1. Cash Compensation

5.2. Share Options

5.2.1. Annual Share Option Plans

5.2.2. Long Term Incentive Plan

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

5.4. Other Compensation

5.4.1. Severance Payments

5.4.2. Loans to Members of Governing Bodies

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CHANGES TO THE REMUNERATION MODEL FOR 2015

The SGS Remuneration Report provides an overview of the SGS remuneration model, its principles and programs and the related governance framework. The report also includes details on the remuneration of the Board of Directors and of the Operations Council related to the 2014 business year.

The SGS Remuneration Report has been prepared in compliance with the Ordinance against Excessive Compensation in Stock Exchange listed Companies ("the Ordinance"), the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance of 1 September 2014 and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

1

INTRODUCTION BY THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is pleased to present its 2014 Remuneration Report to you.

In 2014, the Committee welcomed Shelby du Pasquier as a new member of the Committee.

Mr. Shelby du Pasquier was thereafter nominated Chairman of the Committee, taking over from Mr. Sergio Marchionne.

During the year, the Committee has undertaken a full review of the remuneration model in order to assess its alignment to the business strategy and to the expectations of our shareholders. The Committee has considered these various perspectives and, as a result, has decided on a number of changes, effective from 2015:

- Discontinuation of:
 - Any stock options program;
 - Discretionary bonus; and
 - Incentive scheme for the Chairman of the Board of Directors.
- Introduction of:
 - Share grants for both short term and long term incentive plans tied to both annual performance and multi-year comparative performance measured against peer class; and
 - Share ownership guideline.

More information will be provided in section 6 of this report.

Furthermore, following the provisions of the Ordinance issued by the Swiss Federal Council, we will solicit a consultative vote on the Remuneration Report and for the first time we will seek Shareholders approval in binding vote on:

- The remuneration of the Board of Directors until the next Annual General Meeting;
- The 2014 variable remuneration of the Operations Council members;
- The fixed remuneration of the Operations Council members for 2016.

The Articles of Association of SGS have been revised accordingly and outline the remuneration framework as well as the structure of the binding vote on remuneration. The revised Articles of Association will be submitted to the upcoming Annual General Meeting for approval.

On the following pages, you will find detailed information about our remuneration model, its principles and programs, the remuneration awarded to the Board of Directors and to the Operations Council in respect of 2014 and the changes which will be implemented in 2015.

We hope that you find this report informative and are confident that our approach to executive pay is fully aligned with the strategy and the performance of the Company and with the interests of our shareholders.

Shelby du Pasquier
Chairman

2

COMPANY'S REMUNERATION POLICY AND GOVERNANCE

2.1. REMUNERATION POLICY AND PRINCIPLES

The Company's remuneration policy is defined by the Board of Directors with two main objectives: to attract and retain the best talents available in the industry, and to motivate employees and managers to create and protect value for our shareholders by driving long-term sustainable financial success.

The remuneration policy is built on core principles that are aligned to the Company's business strategy of profitable growth and that aim to drive and support the Company's core values of passion, integrity, entrepreneurship and innovative spirit:

REMUNERATION PRINCIPLES

PAY FOR PERFORMANCE

A substantial portion of remuneration is directly linked to business performance.

LONG-TERM VALUE CREATION AND ALIGNMENT TO SHAREHOLDERS' INTERESTS

Part of the remuneration is delivered in the form of equity compensation subject to a multi-year vesting period.

MARKET COMPETITIVENESS

Remuneration levels are in line with competitive market practice in order to be able to attract, retain and develop the best talent.

INTERNAL EQUITY

Remuneration programs are straightforward and fair, they link remuneration to the level of responsibilities and to the skill-set required to perform the role.

2.2. REMUNERATION GOVERNANCE

2.2.1. Nomination and Remuneration Committee

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-based plans (including Long Term Incentive plans)

as well as the allocation of share-based awards and the conditions of their granting, vesting and exercise.

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.

General executive remuneration policies, including the implementation of long term incentive plans and the determination of financial targets relevant to any incentive plan, are decided by the Board based on the recommendation of the Committee.

The following charts summarise the authorisation levels for the main decisions relating to the compensation of the Board and the Operations Council members. When reviewing and deciding on executive remuneration policies, the Committee and the Board have access to Group Human Resources staff and may use third party consultants specialising in compensation matters. In 2014, neither the Committee nor the Board had recourse to such external advisors.

Current authorisation levels:

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
Fixation of annual financial targets for variable remuneration of Operations Council Members	CEO	Board of Directors
Annual Share Options Plans grants	CEO	Committee ¹

1. Nomination and Remuneration Committee.

Authorisation levels from 2015 Annual General Meeting of shareholders (AGM):

SUBJECT MATTER	RECOMMENDATION	APPROVAL
Aggregate remuneration amount of the Board of Directors	Board of Directors	AGM (binding vote)
Individual remuneration of the Chairman of the Board of Directors	Committee ¹	Board of Directors
Individual remuneration of the members of the Board of Directors	Committee ¹	Board of Directors
Aggregate remuneration amount of the Operations Council	Board of Directors	AGM (binding vote)
Individual remuneration of the CEO	Committee ¹	Board of Directors
Individual remuneration of the Operations Council Members	CEO	Committee ¹
Establishment of Long-Term Incentive plans	Board of Directors	AGM (binding vote)
Setting of annual financial targets for variable remuneration of Operations Council Member	CEO	Board of Directors
Remuneration report	Board of Directors	AGM (consultative vote)

1. Nomination and Remuneration Committee.

The following Directors served on the Nomination and Remuneration Committee in 2014:

- Sergio Marchionne (Chairman until March)
- Ian Gallienne
- August von Finck
- Shelby du Pasquier (Chairman from March)

In 2014, the Committee met two times and settled two resolutions during the year. The Chairman of the Nomination and Remuneration Committee reports to the Board of Directors after each meeting on the activities of the Committee. The minutes of the Committee meetings are available to the members of the Board of Directors.

As a general rule, the Chairman of the Board of Directors attends the meetings of the Committee, except when matters pertaining to his own compensation are being discussed. Selected members of the Operations Council, the CEO and the Senior VP for HR, may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

2.2.2. Rules on Vote on Pay

Starting at the Annual General Meeting in 2015, and as required by the Ordinance, the total amount of the remuneration

to be paid to members of the Board of Directors for the coming year, the variable remuneration of the Operation Council members for 2014 and the fixed remuneration of the Operation Council members for 2016 will be subject to the approval of the shareholders in the form of binding votes on remuneration.

The procedure on the vote by the Shareholders on the proposed fixed and variable remuneration of the Operations Council and compensation to the Board of Directors will be defined in an amendment to the Articles of Association to be introduced at the 2015 Annual General Meeting. The Board will recommend to the AGM the introduction in the Articles of Association of rules mandating separate votes on (i) the Board remuneration for the period until the next Annual General Meeting (ii) the fixed remuneration of the Operations Council for the next calendar year (iii) a retrospective vote on executive variable compensation and (iv) prospective approval of any long term incentive plans.

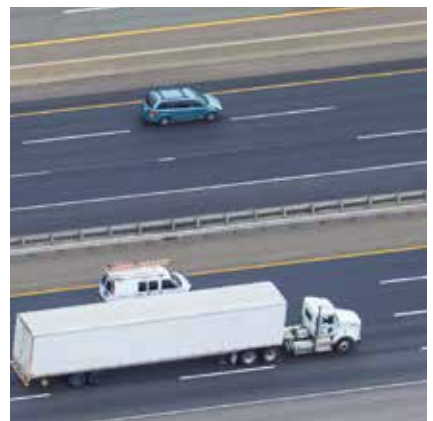
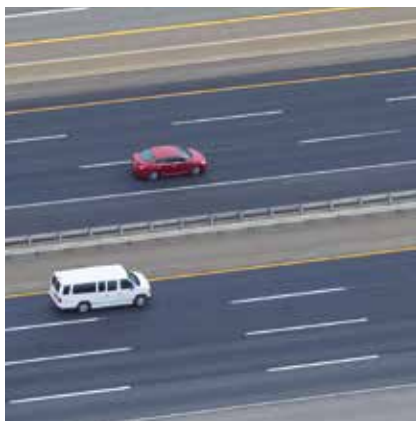
2.2.3. Method of Determination of Compensation - Benchmarking

As a global business in a broad range of sectors, SGS' business success is driven by the commitment and engagement of its employees. Our remuneration policy must take account of both global and local

practices, whilst allowing for individual variations. We therefore compare our practices with those of other similar organisations. The Group performs periodic benchmarks against companies which satisfy the following criteria:

- Competitors in the testing, inspection and certification industry, such as Bureau Veritas, Intertek, DNV and TÜV.
- All SMI listed companies
- Internationally active companies within and outside Switzerland which operate in one or more of the industry sectors in which SGS is active, including the energy, mining, industrial, chemical, medical goods, pharmaceutical, durable and non-durable goods, and food sectors, such as Alstom, Glencore-Xstrata, Siemens, DuPont, Baxter, Actelion, Schindler and Amcor.

The elements of executive remuneration benchmarked include annual base salary, allowances, short-term and long-term incentive compensation and benefits. To ensure proper benchmarking we use a proprietary job sizing methodology. Since more than one-third of our Operations Council members are based outside Switzerland, we utilize information published by reputable data providers, including Mercer and Towers Watson, who are able to supply information on both a local and a global basis.



3

REMUNERATION MODEL

3.1. STRUCTURE OF REMUNERATION OF THE BOARD OF DIRECTORS

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

The Chairman receives a fixed annual fee and additional fixed fees for chairing the Audit Committee and the Professional Conduct Committee.

REMUNERATION OF THE BOARD OF DIRECTORS

FIXED ANNUAL FEE	COMMITTEE FEE (PER COMMITTEE)	
300'000	30'000	Chairman
150'000	30'000	Board members

Directors receive an annual fixed fee of CHF 150 000 whilst the Chairman receives CHF 300 000. In addition members of a Board Committee receive CHF 30 000 for each Committee. They do not hold service contracts and are not entitled to any termination or severance payments. They do not participate in the Company's benefit schemes and the Company does not make any pension contributions on their behalf.

In addition, social charges are applied to the above amounts.

3.2. STRUCTURE OF REMUNERATION OF THE OPERATIONS COUNCIL

The remuneration earned by the Chief Executive Officer and by members of the Operations Council comprises: (i) a fixed base salary, (ii) an annual performance bonus, settled partly in cash and partly in options with deferred vesting, (iii) a long term incentive, and (iv) other benefits such as retirement, insurances and perquisites.

The Group's strategic plan drives all the activities in the business. The plan is reflected in to the remuneration strategy that will assist the Group in achieving its financial and other business goals.

The long-term incentive is the vehicle used to drive sustained performance aligned with the Group's long-term strategic plans. Each year, an annual business plan is prepared which sets the objectives to be achieved during the year. The annual performance bonus is used to provide incentive and reward to the annual components of the business plan. Further, the Company considers that the payment of variable remuneration in the form of equity linked instruments with deferred vesting is a key mechanism to align the management's incentives to the interests of shareholders.

SGS REMUNERATION REPORT

The table below summarises the various components of the compensation of Operations Council members, including the Chief Executive Officer until 2014:

REMUNERATION ELEMENT	REMUNERATION VEHICLE	DRIVERS	PERFORMANCE MEASURES	PURPOSE	PLAN PERIOD
Base Salary	Monthly cash salary	Position and experience, market practice (benchmarking)	n/a	Attract and retain key executives	Continuous
Annual Bonus	50% cash 50% allocation of stock options, with deferred vesting and blocking periods	Annual business and financial performance	Financial targets: (i) Adjusted 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	1 year performance period 3 years deferral period
Discretionary Bonus	Cash	Exceptional individual performance	n/a	Retain key executives, recognise exceptional individual performance	1 year performance period
Long Term Incentives	Stock options	Long-term strategic performance	Normalised Earnings Per Share	Align executive compensation with the interests of shareholders and reward long-term performance	4 years performance period
Benefits	Retirement benefits and insurances, perquisites	Market practice	n/a	Protect executives and employees against risks, attract and retain	Continuous

This table will be revised in 2015 to incorporate the changes in the remuneration model, described in section 6.

3.2.1. Base Salary

The base salaries of the Chief Executive Officer and of each Operations Council member are reviewed annually on the basis of market data for similar positions in those companies and geographies against which the Group benchmarks itself. In addition to individual performance and contribution, business performance and results, the deciding body takes into account the scope and complexity of the areas of responsibility of the position, skill sets and experience required to perform the role, and relevant market practice in the industry.

3.2.2. Annual Bonus

Members of the Operations Council (including the Chief Executive Officer) are entitled to a performance-related annual bonus (the "Annual Bonus"). The Annual Bonus is a short-term variable incentive designed to reward these Executives for position-specific contribution to the Company's performance. The target incentive is expressed as a percentage of the annual base salary and varies depending on the role. For the CEO, the on-target incentive amounts to 70% of annual base salary,

while on-target incentive is between 35% and 60% for the other members of the Operations Council.

At the beginning of the year, the Board of Directors, on the advice of the Nomination and Remuneration Committee, define the annual performance objectives for the Chief Executive Officer and for each Operations Council member.

- For the CEO, the performance objective is the Group Earnings per Share (EPS). This measure was chosen because it provides a good indicator of the shareholder value derived from earnings growth.

- For the heads of corporate functions (SVPs), the Annual Bonus is based 100% on the Adjusted Group Net Profit after Tax (NPAT). This measure was chosen because it is focused on driving profit at Group level.
- For the EVPs, it is based 50% on the Adjusted Operating Income of their respective business and 50% on the Adjusted Group Net Profit after Tax, focusing their effort on driving profit at their respective business and at the Group level.
- For the COOs, their respective region's Adjusted Operating Income and Economic Value Added account for 62.5% of the bonus, while the Adjusted Group Net Profit after Tax accounts for 37.5%.

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 (Adjusted 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%

For each objective, a target (expected level of performance), a threshold (minimum level of performance to trigger a payout) and a payout curve formed of a decelerator for performance under target and an accelerator for performance over target are pre-defined. At the end of the performance period, the results are assessed against the pre-defined targets and the payout curve. For every percentage point that actual performance is below target, the base calculation amount of the bonus will be reduced by 5%; for every percentage point above target, this amount will be increased by 3%, to a maximum of 250%.

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 the valuation 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 economic value is calculated using a 90 days average market value prior to issuance. In view of exceptional change of the CHF exchange rate against EUR on 15 January 2015 and its consequences on the Swiss Stock Exchange, the options will be granted in February 2015.

The economic value calculation will be done using an average value of 30 working days from 15 January 2015 (included). The share options are granted immediately, but they vest rateably in three equal instalments over a period of three years: one-third at grant, one-third 18 months after the grant and one-third 36 months after the grant. The vested options 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 Bonus 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.

3.2.3. Discretionary Bonus

In addition to the Annual Bonus, which rewards the achievement of financial performance targets, in exceptional circumstances the Board of Directors and Nomination and Remuneration Committee may also grant individual Operations Council members a discretionary bonus, based on their exceptional individual performance. If awarded, exceptional discretionary bonuses are granted at the same time as the Annual Bonus to recognize outstanding personal achievement. The total of discretionary bonuses awarded will not exceed 10% of the Operations Council's overall remuneration costs. As a recognition for the recovery of net CHF 32 million in Paraguay, an exceptional reward of CHF 75 000 has been granted to Senior Management. No additional discretionary bonus was awarded in 2014.

3.2.4. Long Term Incentive Plans

In addition to the Annual Bonus, the Board of Directors periodically sets Long Term Incentive (LTI) Plans, designed to motivate the leadership team to realise the long-term 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

SGS REMUNERATION REPORT

or exceeding its stated Earnings Per Share targets, and (2) the participant being employed by the Group on the vesting date.

In 2011, the Company introduced a long term incentive plan (the "2011 LTI Plan"). The vesting is conditional upon the Group achieving or exceeding its 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) by 2014. In 2013, the Board of Directors reviewed these EPS targets and decided to introduce a normalisation in order to exclude material distortions caused

by foreign exchange fluctuations, the issuance of corporate bonds and the adoption of new accounting standards since the inception of the LTI plan.

In 2014, in the light of the normalised EPS, the vesting scale was amended by the Board of Directors to allow 50% vesting in January 2015 to participants employed at the end of January 2015. This is a recognition of the achievements and contribution to the growth of the Company and will drive motivation and engagement for the years ahead. The 2011 LTI Plan involved the granting of options to acquire shares of the Company at a strike price of CHF 1 617. Such options are delivered in the form

of traded warrants, with 100 warrants required to purchase one share. The Group originally set aside 9 000 000 such warrants for this incentive plan. This plan was designed to motivate the leadership team to achieve the objectives of the 2014 Strategic Plan. Full details of this long term incentive plan are provided in note 31 to the Group consolidated financial statements (pages 115 to 116 of the Annual Report).

In 2014, no new Long Term Incentive Plan was introduced by the Group and no additional options were granted to members of the Operations Council under the existing 2011 LTI Plan.

The following table shows the strike price, the vesting period and the exercisable period of the options¹ granted to the Chairman of the Board and to the members of the Operations Council under each plan. It includes options that will be granted in February 2015 with respect to performance and financial results in 2014:

I Annual Share Option Plans

TYPE OF OPTIONS <i>(Year of issue)</i>	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
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)	2 013	01.2013	07.2014	01.2016	01.2016 – 01.2018
SGSPF (2014)	2 059	01.2014	07.2015	01.2017	01.2017 – 01.2019
SGSBB (2015) ³	-	01.2015	07.2016	01.2018	01.2018 – 01.2020

II Long Term Incentive Plan					
SGSMF-2011 LTI (2011)	1 617	-	-	01.2015	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. Specifically for SGSBB: granted in 2015 as settlement of 2014 annual variable remuneration. Strike price to be confirmed in February 2015, in view of the exceptional change of the CHF exchange rate against EUR on 15 January 2015 and its consequences on the Swiss Stock Exchange.

3.2.5. Benefits

Additional employment benefits such as allowances or memberships may be awarded in accordance with prevailing practice in the locations of employment of individual Operations Council members. They also include the employer's contributions to social benefits as per the applicable legislation in the country of employment.

Retirement benefits are set out on page 56 in this Report. Geneva - based Operations Council members participate, on the same basis as other Swiss employees of the Group, in the Company's pension scheme. 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. Employees have the possibility to voluntarily increase their contribution rate by 2% above the standard rate. More flexibility has also been granted to employees who wish to fund a potential retirement before the normal age, or for those who wish to continue working after the age of 65.

3.2.6. Employment Contracts

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 of six months is respected.

As of 2015, the executive contracts do not provide for any severance payments, and are subject to applicable legislation in the country of employment.

More than one-third of the Operations Council members are not employed in Switzerland.

3.2.7. Timeline of Remuneration

The following outlines the timeline of payment of each remuneration element that has been earned in 2014:

- The Annual Base Salary is paid during 2014
- The cash portion of the Annual Bonus is paid shortly after the end of 2014
- The share option portion of the Annual Bonus vest one-third in February 2015, one-third in July 2016 and one-third in January 2018

- The options granted under the Long-Term Incentive in 2011 and earned over the performance period from 2011 to 2014 will vest in January 2015. In 2014, in the light of the normalised EPS, the vesting scale was amended by the Board of Directors to allow 50% vesting in January 2015 to participants employed at the end of January 2015.

4

REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

In 2014, 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 following chart details the fees and other cash benefits granted to each of the Directors for their tenure in 2014:

<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2014	SHARE OPTIONS	TOTAL 2014 COMPENSATION (INCLUDING OPTIONS)
S. Marchionne	300	68	54	422	-	422
P. Desmarais	150	-	13	163	-	163
A. von Finck	150	30	14	194	-	194
A.F. von Finck	150	30	16	196	-	196
I. Gallienne	150	30	16	196	-	196
C. Grupp	150	-	11	161	-	161
P. Kalantzis	150	30	14	194	-	194
G. Lamarche	150	30	16	196	-	196
S.R. du Pasquier	150	53	18	221	-	221
TOTAL	1 500	271	172	1 943	-	1 943

SGS REMUNERATION REPORT

The following chart details the fees, other cash benefits and share options granted to each of the Directors for their tenure in 2013:

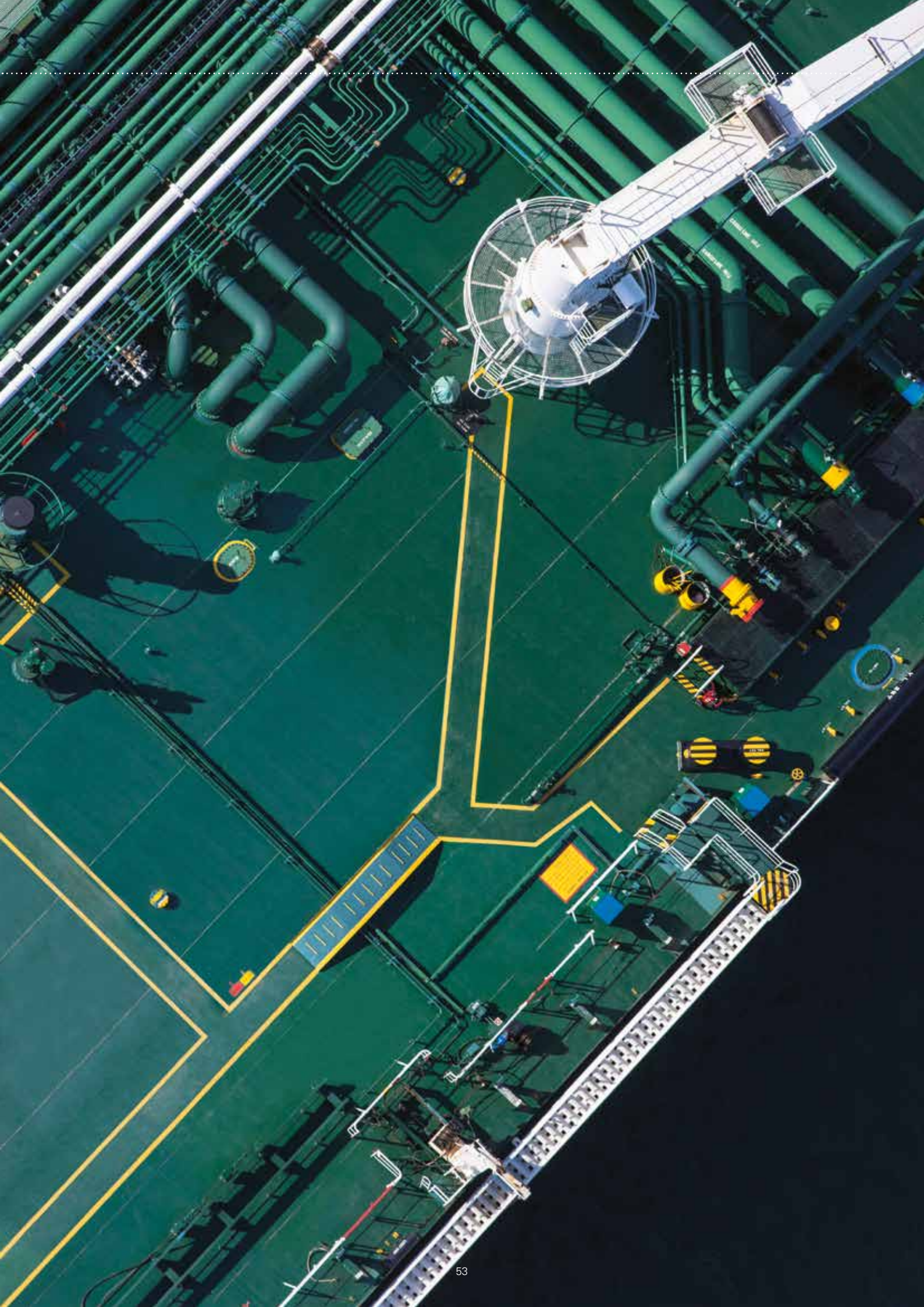
<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2013	SHARE OPTIONS	TOTAL 2013 COMPENSATION (INCLUDING OPTIONS)
S. Marchionne	300	90	55	445	189	634
T.R. Brandolini D'Adda	75	15	-	90	-	90
P. Desmarais	75	-	6	81	-	81
J. Elkann	75	15	-	90	-	90
A. von Finck	150	30	13	193	-	193
A.F. von Finck	150	30	15	195	-	195
I. Gallienne	75	15	7	97	-	97
C. Grupp	150	-	11	161	-	161
P. Kalantzis	150	30	13	193	-	193
G. Lamarche	75	15	7	97	-	97
S.R. du Pasquier	150	30	15	195	-	195
TOTAL	1 425	270	142	1 837	189	2 026

The following table shows the details of the options¹ granted to the Chairman of the Board under each Annual Share Option Plans and Long Term Incentive Plans:

TYPE OF OPTIONS (YEAR OF ISSUE)	STRIKE PRICE ² (CHF)	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2014	NUMBER VESTED ON 31 DECEMBER 2013
SGSMF (2011)	1 617	50 000	142	50 000	33 333
SGSKF (2012)	1 497	50 000	133	33 333	33 333
SGSWS (2013)	2 013	40 000	89	26 667	13 334
SGSPF (2014)	2 059	75 000	189	25 000	-
SGSMF-2011 LTI (2011)	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.



5

REMUNERATION AWARDED TO THE CEO, SENIOR MANAGEMENT AND OTHER MEMBERS OF THE OPERATIONS COUNCIL

This section sets out the 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 for 2014. All amounts disclosed in this section include cash bonuses and options that will be granted in February 2015 with respect to performance in 2014 (disclosure according to the accrual principle).

5.1. CASH COMPENSATION

<i>(CHF thousand)</i>	2014	2013
To the Operations Council (including Senior Management)	11 607	12 245
To Senior Management (including Chief Executive Officer)	2 559	2 582
To the Chief Executive Officer	1 649	1 672

The total cash compensation paid to the Operations Council includes the annual base salaries, the cash portion of the Annual Bonus, the Discretionary Bonus if any, and any other cash allowances, including allowances paid to individual members in respect of vehicle, housing and schooling. Post-employment benefits of CHF 1 046 thousand are not included (2013: CHF 1 298 thousand). Employer's contributions to social benefits are excluded as well.

The overall lower cash compensation is explained by the fact that several members of the Operations Council joined or left during 2014.

The achievement of financial targets in the businesses and in the regions ranges from 77.2% to 107.7%. Consequently, the overall payout ranges from 42.6% to 148% for the members of the Operations Council (excluding CEO) and amounts to 123.6% for the CEO.

In 2014, the bonus calculated was based on the Adjusted Operating Income incorporating the positive impact of the Paraguay settlement.

5.2. SHARE OPTIONS

5.2.1. Annual Share Option Plans

In settlement of 2014 Annual Bonus entitlements, SGSBB options will be granted to the Operations Council (including Senior Management) in February 2015 on the basis of 2014 results (2013: 926 061 SGSPF options were granted in January 2014). Such SGS options grant the right to acquire shares of SGS at a strike price which will be confirmed in February 2015 (100 options give the right to acquire one share). They vest in tranches of one-third in 2015, 2016 and 2018 and are subject to a blocking period ending in January 2018.

In view of the exceptional change of the CHF exchange rate against EUR on 15 January 2015 and its consequences on the Swiss Stock Exchange, the options will be granted in February 2015. The economic value calculation will be done using an average value of 30 working days from 15 January 2015 (included).

5.2.2. Long Term Incentive Plan

Under the 2011 LTI Plan, a total of 4 350 000 SGSMF-2011 LTI options were granted to the Operations Council members (including Senior Management) in 2011. 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 vesting of such options in January 2015 was conditional on 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) by 2014. In 2013, the Board of Directors reviewed these EPS targets and decided to introduce a normalisation in order to exclude material distortions caused by foreign exchange fluctuations, the issuance of corporate bonds and the adoption of new accounting standards since the inception of the LTI plan. In 2014, in the light of the normalised EPS, the vesting scale was amended by the Board of Directors to allow 50% vesting in January 2015 to participants employed at the end of January 2015. This is a recognition of the achievements and contribution to the growth of the Company and will drive motivation and engagement for the years ahead.

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 2014. It includes options that will be granted in February 2015 with respect to performance and financial results in 2014.

TYPE OF OPTIONS ¹ (YEAR OF ISSUE)	STRIKE PRICE (CHF) ²	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2014	NUMBER VESTED ON 31 DECEMBER 2013
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)					
SGSMF (2011)	1 617	877 389	2 501	877 389	584 926
SGSKF (2012)	1 497	986 587	2 624	657 725	657 725
SGSWS (2013)	2 013	1 036 765	2 312	691 177	345 588
SGSPF (2014)	2 059	986 061	2 485	328 687	-
SGSMF-2011 LTI	1 617	4 350 000	12 398	-	-
SGSBB (2015) ³	-	-	2 908	-	-
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)					
SGSMF (2011)	1 617	246 769	703	246 769	164 513
SGSKF (2012)	1 497	282 863	752	188 575	188 575
SGSWS (2013)	2 013	163 223	364	108 815	54 408
SGSPF (2014)	2 059	394 021	893	131 340	-
SGSMF-2011 LTI	1 617	1 120 000	3 192	-	-
SGSBB (2015) ³	-	-	826	-	-
CHIEF EXECUTIVE OFFICER					
SGSMF (2011)	1 617	174 920	499	174 920	116 613
SGSKF (2012)	1 497	180 225	479	120 150	120 150
SGSWS (2013)	2 013	48 577	108	32 385	16 192
SGSPF (2014)	2 059	282 818	713	94 273	-
SGSMF-2011 LTI	1 617	800 000	2 280	-	-
SGSBB (2015) ³	-	-	687	-	-

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

2. Before adjustment for capital reductions and special dividends.

3. Options to be granted in 2015 as settlement of the 2014 bonus. Estimated market value of options that will be allocated in February 2015.

SGS REMUNERATION REPORT

5.3. TOTAL COMPENSATION TO THE OPERATIONS COUNCIL, SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER

The tables below present all components of the remuneration earned in 2013 and 2014 by the Operations Council, by the Senior Management and by the Chief Executive Officer.

Total compensation in 2014:

(CHF thousand)	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF SHARE OPTIONS ¹	DISCRETIONARY CASH BONUS	TOTAL 2014 COMPENSATION (INCLUDING OPTIONS)
To the Operations Council (including Senior Management) ²	7 680	1 046	2 198	2 603	2 908	75	16 510
To Senior Management (including Chief Executive Officer) ³	1 576	271	344	814	826	75	3 906
To the Chief Executive Officer	1 000	172	216	577	687	-	2 652

1. Estimated market value of options that will be allocated in February 2015.

2. 24 FTE (Full Time Equivalent).

3. 3 FTE.

Total compensation in 2013:

(CHF thousand)	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF SHARE OPTIONS	DISCRETIONARY CASH BONUS	TOTAL 2013 COMPENSATION (INCLUDING OPTIONS)
To the Operations Council (including Senior Management) ¹	7 737	1 298	2 240	2 007	2 335	1 210	16 827
To Senior Management (including Chief Executive Officer) ²	1 679	332	343	751	893	60	4 058
To the Chief Executive Officer	1 000	178	216	600	713	-	2 707

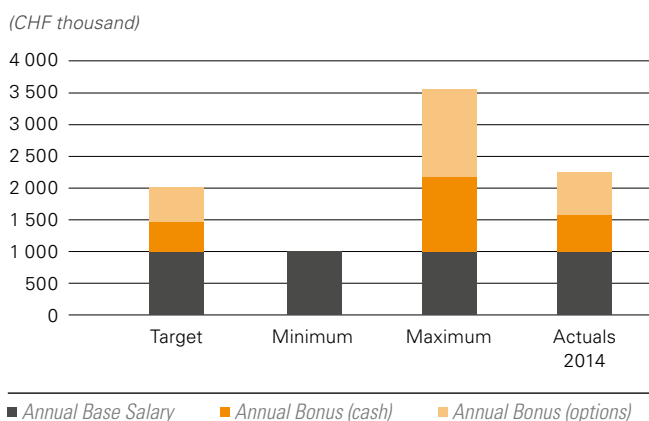
1. 24 FTE (Full Time Equivalent).

2. 3 FTE.

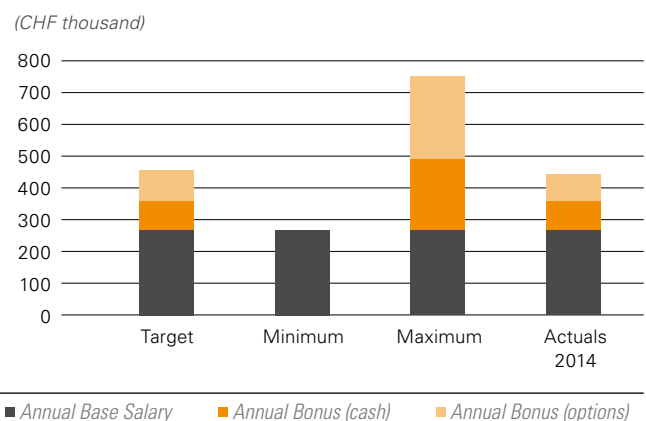
In the year under review, the highest compensation paid by the Group was awarded to the Chief Executive Officer.

The following chart illustrates the ratio between fixed and variable remuneration for the CEO and for the other members of the Operations Council on average (without CEO). The ratio depends on the extent to which pre-defined objectives have been achieved and is being shown at target (assuming performance at the required level), at minimum (no payout under the Annual Bonus due to underperformance), at maximum (maximum payout under the Annual Bonus due to over performance) and at actual levels achieved in 2014.

CEO REMUNERATION MIX



OPERATION COUNCIL (EXCLUDING CEO) REMUNERATION MIX (ON AVERAGE)



In 2014, the variable remuneration of the Chief Executive Officer represented 56% of the total compensation (2013: 57%), split in cash (26%) and options (30%). For the Operations Council, including Senior Management, the variable remuneration amounted to 42% of the total compensation on average (2013: 42%), split in cash (20%) and options (22%). Total compensation includes the guaranteed part (base salary) and the variable part (Annual Bonus in cash and options). It excludes fringe and social benefits.

5.4. OTHER COMPENSATION

5.4.1. Severance Payments

In 2014, no severance payment was made to Operations Council members (2013: CHF 150 000).

5.4.2. Loans to Members of Governing Bodies

As at 31 December 2014, no loan, credit or outstanding advance was due to the Group from members of its governing bodies (unchanged from prior year).

6

CHANGES TO THE REMUNERATION MODEL FOR 2015

The Board of Directors felt that 2014 was an appropriate time to review the current remuneration policy and programs, with the objective of ensuring that they are still aligned to the company's business strategy and to the long-term interests of our shareholders. This review led to a number of changes to be implemented for the business year 2015, taking account of feedback received from our shareholders and their representatives and in compliance with legislative requirements.

ANNUAL BONUS

The performance measurement for the purpose of the Annual Bonus will be based 50% on the performance of the Group and 50% on the role specific performance of the individual. The performance of the Group will be measured by the Adjusted Net Profit After Tax in order to ensure a strong alignment within the leadership team to focus on driving growth and increased profitability at Group level.

The role specific performance will be based on the financial performance of the unit under responsibility of the individual concerned and it will include top-line achievement, bottom-line results and/or value added measurement appropriate to the position.

The combination of both Group and role specific financial performance will lead to an overall financial performance factor, which will be multiplied by a performance factor reflecting the leadership behaviours of the individual in line with the competency model of the Company. This combination of performance measures has been chosen in order to balance between financial performance (at Group and at unit level) and wider leadership behaviours.

The above description indicates only the broad highlights of the new incentive plan. Full details will be provided in the 2015 Remuneration Report.

The programme is presented in diagrammatic formats below:

ILLUSTRATION OF CALCULATION OF ANNUAL BONUS

TARGET AMOUNT	X	FINANCIAL PERFORMANCE (Group performance + role specific performance)	X	LEADERSHIP PERFORMANCE	=	ACTUAL PAYOUT
100'000		120%		110%		132'000

The overall award of the Annual Bonus will continue at an overall payout level of between 0% if threshold targets are not met and up to 250% if targets are overachieved. The bonus will be delivered 50% in cash and 50% in restricted equity instruments, subject to a 3-year blocking period.

Since role specific performance is to be considered in the Annual Bonus, discretionary bonus payments will be discontinued.

SGS REMUNERATION REPORT

LONG-TERM INCENTIVE (LTI)

The Long-Term Incentive plan will be fully based on Group financial performance over a three-year performance period. However, in order to balance with the Annual Bonus which is based on absolute financial performance, a relative performance measurement will be introduced in the LTI plan, combining absolute and relative performance compared to a peer group of companies. The absolute performance measure will be Free Cash Flow with 20% weighting.

In addition, the Company's performance will be compared in relation to that of a peer group, on the basis of three different measures:

- Organic sales growth compared to previous year (top-line performance), with 20% weighting;
- Net Profit After Tax (NPAT) improvement compared to previous year (bottom-line performance), with 20% weighting;
- Total Shareholder Return (TSR, value delivered to shareholders), with 40% weighting.

The peer group consists of a set of pre-selected companies which operate in the same space as SGS and which are subject to the same economic cycles. The comparator companies will be disclosed in due course.

The delivery mechanism for the LTI will be Performance Share Units (PSU), with the award settled in shares at the end of the blocking and vesting period. They will be subject to Share Ownership Guidelines. An allotment of shares to be dedicated to this plan will be submitted for approval at the March 2015 Annual General Meeting.

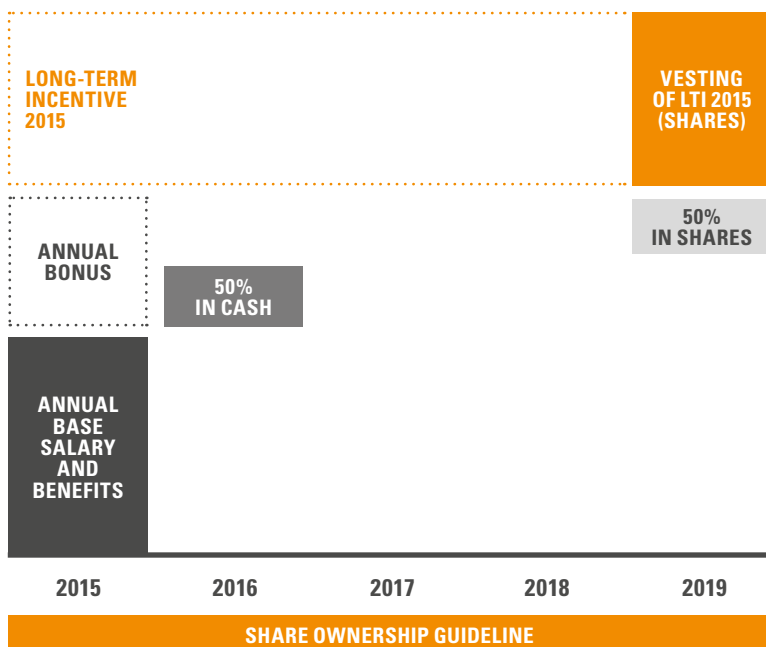
SHARE OWNERSHIP GUIDELINE

A Share Ownership Guideline will be introduced, requiring the members of the Operations Council to own at least a certain multiple of their annual base salary in SGS shares. In the event of a substantial drop in the share price, the Board of Directors may modify at its discretion the Share Ownership Guideline.

SUMMARY

The chart below highlights the main features and the timelines of the new remuneration model:

TIMELINE (PERFORMANCE PERIOD, TIME PAYMENT)



PERFORMANCE OBJECTIVES

- Free Cash Flow (20%)
- Relative revenue growth (20%)
- Relative NPAT growth (20%)
- Relative TSR (40%)
- Group NPAT (50%)
- Role Specific P&L (50%)
- Multiplied by leadership performance factor
- Fixed remuneration

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of
SGS SA, GENEVA

REPORT OF THE STATUTORY AUDITOR IN RELATION TO SECTIONS 4 AND 5 OF THE REMUNERATION REPORT IN ACCORDANCE WITH THE ORDINANCE AGAINST EXCESSIVE COMPENSATION IN STOCK EXCHANGE LISTED COMPANIES (ORDINANCE)

We have audited sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2014, presented on pages 51 to 57.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the Remuneration Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Remuneration Report comply with Swiss law and articles 14 – 16 of the Ordinance.

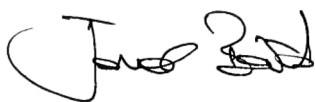
An audit involves performing procedures to obtain audit evidence on the disclosures made in the Remuneration Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Remuneration Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Remuneration Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2014 comply with Swiss law and articles 14 – 16 of the Ordinance.

DELOITTE SA



James Baird

*Licensed Audit Expert
Auditor in Charge*



Fabien Bryois

Licensed Audit Expert

Geneva, 6 February 2015

SGS GROUP RESULTS





CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2014	2013
REVENUE		5 883	5 830
Salaries and wages		(2 891)	(2 871)
Subcontractors' expenses		(361)	(357)
Depreciation, amortisation and impairment	10 & 12	(304)	(298)
Other operating expenses	5	(1 386)	(1 392)
OPERATING INCOME (EBIT)		941	912
Analysis of operating income			
Adjusted operating income		947	977
Restructuring costs		(11)	(33)
Amortisation of acquisition intangibles		(20)	(20)
Transaction and integration-related costs		(7)	(12)
Other non-recurring items		32	-
Operating income		941	912
Financial income	6	17	18
Financial expenses	7	(58)	(56)
PROFIT BEFORE TAXES		900	874
Taxes	8	(234)	(236)
PROFIT FOR THE YEAR		666	638
<i>Profit attributable to:</i>			
Equity holders of SGS SA		629	600
Non-controlling interests		37	38
BASIC EARNINGS PER SHARE (IN CHF)	9	81.99	78.43
DILUTED EARNINGS PER SHARE (IN CHF)	9	81.65	77.84
DIVIDEND PER SHARE (IN CHF)		68.00¹	65.00

1. As proposed by the Board of Directors.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	2014	2013
Actuarial gains/(losses) on defined benefits plans	(100)	71
Income tax on actuarial gains/(losses) taken directly to equity	26	(23)
Items that will not be subsequently reclassified to income statement	(74)	48
Exchange differences and other ¹	82	(132)
Items that may be subsequently reclassified to income statement	82	(132)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	8	(84)
Profit for the year	666	638
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	674	554
<i>Attributable to:</i>		
Equity holders of SGS SA	643	516
Non-controlling interests	31	38

1. In 2014, exchange differences included net exchange gain of CHF 14 million on long-term loans treated as net investment in a foreign entity according to International Accounting Standard (IAS) 21 (2013: losses of CHF 32 million).

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER (BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

<i>(CHF million)</i>	NOTES	2014	2013
ASSETS			
NON-CURRENT ASSETS			
Land, buildings and equipment	10	1 043	1 029
Goodwill	11	1 105	1 009
Other intangible assets	12	232	207
Investments in associated and other companies		24	18
Deferred tax assets	8	195	173
Other non-current assets	13	49	42
TOTAL NON-CURRENT ASSETS		2 648	2 478
CURRENT ASSETS			
Unbilled revenues and inventories	14	330	330
Trade accounts and notes receivable	15	1 068	952
Other receivables and prepayments	16	371	306
Marketable securities	17	9	9
Cash and cash equivalents	18	1 341	964
TOTAL CURRENT ASSETS		3 119	2 561
TOTAL ASSETS		5 767	5 039
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	22	8	8
Reserves		2 473	2 314
Treasury shares	22	(154)	(179)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		2 327	2 143
Non-controlling interests		76	69
TOTAL EQUITY		2 403	2 212
NON-CURRENT LIABILITIES			
Loans and obligations under finance leases	23	1 672	1 293
Deferred tax liabilities	8	74	66
Retirement benefit obligations	24	176	94
Provisions	25	97	96
TOTAL NON-CURRENT LIABILITIES		2 019	1 549
CURRENT LIABILITIES			
Loans and obligations under finance leases	23	18	15
Trade and other payables	26	511	502
Provisions	25	19	18
Current tax liabilities		175	142
Other creditors and accruals	27	622	601
TOTAL CURRENT LIABILITIES		1 345	1 278
TOTAL LIABILITIES		3 364	2 827
TOTAL EQUITY AND LIABILITIES		5 767	5 039

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2014	2013
Profit for the year		666	638
Other non-cash items	19	559	552
(Increase)/decrease in working capital	19	(109)	(29)
Taxes paid		(204)	(213)
CASH FLOW FROM OPERATING ACTIVITIES		912	948
Purchase of land, buildings, equipment and other intangible assets	10 & 12	(305)	(357)
Acquisition of businesses	3 & 19	(114)	(108)
Proceeds from sale of investments		-	-
(Increase)/decrease in other non-current assets		(4)	(4)
(Increase)/decrease in marketable securities		1	8
Interest and dividends received		9	12
Sales of land, buildings and equipment		13	24
CASH FLOW FROM INVESTING ACTIVITIES		(400)	(425)
Dividends paid to equity holders of SGS SA		(499)	(444)
Dividends paid to non-controlling interests		(24)	(27)
Transaction with non-controlling interests		1	-
Cash received on treasury shares		31	42
Cash (paid) on treasury shares		-	(38)
Proceeds of corporate bonds		362	-
Interest paid		(43)	(46)
Net cash flows related to Interest Rate Swaps		2	2
Increase/(decrease) in borrowings		2	(5)
CASH FLOW FROM FINANCING ACTIVITIES		(168)	(516)
Currency translations		33	(13)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		377	(6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		964	970
Increase/(decrease) in cash and cash equivalents		377	(6)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	1 341	964

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(CHF million)	ATTRIBUTABLE TO								
	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 2013	8	(176)	106	(626)	(181)	2 929	2 060	58	2 118
Profit for the year	-	-	-	-	-	600	600	38	638
Other comprehensive income for the year	-	-	-	(132)	48	-	(84)	-	(84)
<i>Total comprehensive income for the year</i>	-	-	-	(132)	48	600	516	38	554
Dividends paid	-	-	-	-	-	(444) ²	(444)	(27)	(471)
Share-based payments	-	-	5	-	-	-	5	-	5
Movement in non-controlling interests	-	-	-	-	-	2	2	-	2
Movement on treasury shares	-	(3)	-	-	-	7	4	-	4
BALANCE AT 31 DECEMBER 2013	8	(179)	111	(758)	(133)	3 094	2 143	69	2 212
BALANCE AT 1 JANUARY 2014	8	(179)	111	(758)	(133)	3 094	2 143	69	2 212
Profit for the year	-	-	-	-	-	629	629	37	666
Other comprehensive income for the year	-	-	-	88	(74)	-	14	(6)	8
<i>Total comprehensive income for the year</i>	-	-	-	88	(74)	629	643	31	674
Dividends paid	-	-	-	-	-	(499) ²	(499)	(24)	(523)
Share-based payments	-	-	10	-	-	-	10	-	10
Movement in non-controlling interests	-	-	-	-	-	(1)	(1)	-	(1)
Movement on treasury shares	-	25	-	-	-	6	31	-	31
BALANCE AT 31 DECEMBER 2014	8	(154)	121	(670)	(207)	3 229	2 327	76	2 403

1. Net of tax.

2. The amounts available for dividends are based on 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 2014. 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 2013 consolidated financial statements, except for the Group's adoption of new IFRS effective 1 January 2014.

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 Amendments, Improvements and Interpretations:

- Amendments to IAS 32: Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IAS 36: Impairment – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting
- Annual Improvements to IFRSs
- IFRIC 21 Levies

These amendments, improvements and interpretations had no material impact on the Group consolidated financial statements.

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

- IFRS 9 Financial Instruments (as revised in 2014)
- IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRSs
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Amendment to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions

- Amendments to IFRS 10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- IFRS 14 Regulatory Deferral Accounts

The directors are assessing the future impacts resulting of the adoption of these new Standards, Improvements, Amendments and Interpretations on the consolidated financial statements.

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Group. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has right, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its return.

The Company reassesses whether or not the Group controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The principal operating companies of the Group are listed on pages 152 to 155.

Associates

Associates are entities 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.

Joint Ventures

A joint venture is a jointly controlled entity or operation where the parties have joint rights to the net assets. The consolidated financial statements include the Group's share of the earnings and net assets on an equity accounting basis of joint ventures that it does not control, effective from the date that joint control commences until the date that joint control ceases.

Joint Operations

A joint operation is an arrangement whereby the parties that have joint control have separable specific rights to the assets and the liabilities within the arrangement. When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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.

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.

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 and liabilities comprise all assets and 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 is recorded in the relevant foreign currency and is 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 take into account the most recent financial results and outlook approved by management, 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 are determined by independent actuaries using the projected unit credit method. Remeasurement 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 immediately recognised as an expense. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation 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.

Payments to defined contribution plans are recognised as an expense in the income statement as incurred.

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.

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 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 taxable profits will 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 and evaluation of the insurance cover where appropriate. 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 a 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, 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 124 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	
			2014	2013	2014	2013
Australia	AUD	100	80.59	79.57	82.49	89.85
Brazil	BRL	100	36.54	37.85	38.96	43.20
Canada	CAD	100	84.92	83.98	82.86	90.09
Chile	CLP	100	0.16	0.17	0.16	0.19
China	CNY	100	15.92	14.70	14.85	15.08
Eurozone	EUR	100	120.22	122.76	121.47	123.09
United Kingdom	GBP	100	153.47	146.93	150.69	145.01
Hong Kong	HKD	100	12.73	11.50	11.80	11.95
India	INR	100	1.55	1.44	1.50	1.59
Taiwan	TWD	100	3.11	2.98	3.02	3.12
USA	USD	100	98.76	89.20	91.48	92.72



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BUSINESS COMBINATIONS AND OTHER SIGNIFICANT TRANSACTIONS

The following business combinations and other significant transactions occurred during 2014 and 2013:

ACQUISITIONS 2014

In 2014, the Group completed 10 acquisitions for a total purchase price of CHF 119 million (note 20).

Search Group

Effective 1 July 2014, SGS acquired for a purchase price of CHF 45 million, 100% of Search Group, a leading engineering and sustainability advisory group, laboratory and training institute, based in the Netherlands.

Other

In 2014, other acquisitions included:

- 100% of Nemko Oy, the company provides testing, calibration and expert services to the domestic and international communication, electrical and electronics industry, based in Finland (effective 1 January 2014);
- 100% of RF Technologies Ltd., a certification body authorised by the Ministry of Internal Affairs and Communications (MIC) of Japan, based in Yokohama, Japan (effective 1 February 2014);
- 100% of Advanced Testing & Engineering Inc., a company specialised in fatigue durability testing laboratory, based in Michigan, USA (effective 1 June 2014);
- 100% of Commercial Aging Services LLC, a company specialised in catalyst aging testing, based in Michigan, USA (effective 1 June 2014);
- 100% of Courtray Consulting Sarl, a leading provider of performance testing, validation and expertise services in the global hygiene disposable industry, based in France (effective 1 July 2014);
- 100% of Galson Laboratories Inc., a global leader in industrial hygiene analysis and monitoring solutions, based in Syracuse, USA (effective 1 August 2014);
- 100% of Röntgen Technische Dienst NV, a global leader in non-destructive testing services based in Belgium (effective 1 October 2014);
- 100% of Gonzalo de Miguel Redondo S.L.U (GMR), specialised in technical support services to the automotive industry for homologation and approval of new vehicles and automotive part, based in Spain (effective 1 November 2014);
- 100% of Labtox, a leader in asbestos, polychlorobiphenyl and formaldehyde testing services, based in Switzerland (effective 11 December 2014).

These companies were acquired for an equivalent of CHF 74 million and the total goodwill generated on these transactions amounted to CHF 48 million (note 20).

Total

All the above transactions contributed in total CHF 36 million in revenues and CHF 7 million in operating income. Had all acquisitions been effective 1 January 2014, the revenues for the period would have increased by CHF 43 million and the Group operating income for the period would have been increased by CHF 8 million. None of the goodwill arising on these acquisitions is expected to be tax deductible.

DIVESTMENTS 2014

There were no significant disposals in 2014.

ACQUISITIONS 2013

In 2013, the Group completed 12 acquisitions for a total purchase price of CHF 118 million (note 20).

Enger Engenharia SA.

Effective 1 May 2013, SGS acquired, for a purchase price of CHF 32 million, 100% of Enger Engenharia SA, headquartered in Sao Paulo, Brazil. The consulting engineering company serves the infrastructure & building market, performing project supervision and management as well as technical consultancy.

Other

In 2013, other acquisitions included:

- 100% of RDFI Group, which operates vehicle inspection test stations, France (effective 1 February 2013);
- 100% of Umweltanalytik RUK GmbH, a provider of biogas, stack and fugitive emission testing services, Germany (effective 1 February 2013);
- 100% of Grupo Labmat, Grupo Labmat serves many markets in providing materials testing, welding and engineering services as well as metallurgy project inspections, based in Sao Paulo state, Brazil, (effective 1 March 2013);
- 100% of Time Mining Group, a supplier of process plant design, project management, but also commissioning and optimization services for minerals processing, South Africa plants (effective 1 April 2013);
- 100% of MSi Testing & Engineering Inc., a laboratory in the fields of Metallurgical Testing and Failure Analysis, USA (effective 1 April 2013);
- 100% of Civil Quality Assurance Pty. Ltd., a geotechnical and environmental consultancy and testing business, Australia (effective 1 June 2013);
- 100% of Qingdao Yuanshun Automotive Services Ltd., a vehicle inspection company of the Shandong province, based in Qingdao, China (effective 1 June 2013);
- 100% of MIS Environmental Ltd., a laboratory offering a vast spectrum of experience in asbestos, environmental and health and safety testing and consultancy services, based in Consett, United Kingdom (effective 1 September 2013);

- 100% of MIS Testing Ltd, a mechanical and material testing laboratory, based in Consett, United Kingdom (effective 1 September 2013);
- 100% of Industrial Valve Engineering limited, a industrial valve testing & certification provider, based in Tokoroa, New Zealand (effective 1 November 2013);
- The business of Hart Aviation, a provider of aviation audit and advisory services to specifically mitigate aviation risks, based in Melbourne, Australia (effective 1 November 2013).

These companies were acquired for a purchase price of CHF 86 million and the total goodwill generated on these transactions amounted to CHF 57 million (note 20).

Total

All the above acquisitions contributed in total CHF 65 million in revenues and CHF 11 million in operating income during the year for the Group. Had all acquisitions been effective 1 January 2013, the Group revenues for the

period would have been increased by CHF 42 million and the Group operating income for the period would have been increased by CHF 7 million. None of the goodwill arising on these acquisitions is expected to be tax deductible.

DIVESTMENTS 2013

There were no significant disposals in 2013.

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INFORMATION BY BUSINESS AND GEOGRAPHICAL SEGMENT

<i>(CHF million)</i>	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	OTHER ¹ NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2014					
Agricultural Services	387	64	-	-	64
Minerals Services	703	99	(1)	-	98
Oil, Gas & Chemicals Services	1 201	144	(3)	-	141
Life Science Services	213	20	(2)	-	18
Consumer Testing Services	1 093	270	(1)	-	269
Systems & Services Certification	414	74	-	-	74
Industrial Services	977	122	(5)	-	117
Environmental Services	342	34	(2)	-	32
Automotive Services	303	62	(6)	-	56
Governments & Institutions Services	250	58	-	32	90
TOTAL	5 883	947	(20)	32	959

Unallocated costs	(18)
GROUP OPERATING INCOME	941

1. This amount represents the amical settlement between SGS and the Republic of Paraguay of a long standing dispute associated with unpaid inspection services.

SGS GROUP RESULTS

<i>(CHF million)</i>	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	OTHER NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2013					
Agricultural Services	381	65	-	-	65
Minerals Services	792	124	(1)	-	123
Oil, Gas & Chemicals Services	1 140	154	(3)	-	151
Life Science Services	205	27	(2)	-	25
Consumer Testing Services	1 042	258	(1)	-	257
Systems & Services Certification	402	73	-	-	73
Industrial Services	960	108	(5)	-	103
Environmental Services	328	34	(1)	-	33
Automotive Services	305	66	(7)	-	59
Governments & Institutions Services	275	68	-	-	68
TOTAL	5 830	977	(20)	-	957

Unallocated costs	(45)
GROUP OPERATING INCOME	912

The revenues reported represent revenue generated from external customers.

UNALLOCATED COSTS 2014

In 2014, the Group incurred CHF 7 million of integration-related costs and transaction-related costs that have been expensed in accordance with IFRS 3 (revised). At the same time, the Group incurred a pre-tax restructuring charge of CHF 11 million, largely as a result of personnel reorganisation due to the decline in market conditions in certain businesses and geographies (CHF 3 million) as well as fixed impairment and other charges (CHF 8 million).

UNALLOCATED COSTS 2013

In 2013, the Group incurred CHF 12 million of integration-related costs and transaction-related costs that have been expensed in accordance with IFRS 3 (revised). At the same time, the Group incurred a pre-tax restructuring charge of CHF 33 million, largely as a result of personnel reorganisation due to the decline in market conditions in certain businesses and geographies (CHF 28 million) as well as fixed impairment and other charges (CHF 5 million).

<i>(CHF million)</i>	2104	%	2013	%
REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	2 709	46.0	2 694	46.2
Americas	1 433	24.4	1 448	24.8
Asia Pacific	1 741	29.6	1 688	29.0
TOTAL	5 883	100.0	5 830	100.0

Revenue in Switzerland from external customers for 2014 amounted to CHF 232 million (2013: CHF 267 million). No country represented more than 15% of revenues from external customers in 2014 or 2013.

MAJOR CUSTOMER INFORMATION

In 2014 and in 2013, no external customer represented 10% or more of the Group's total revenue.

<i>(CHF million)</i>	2014	%	2013	%
OPERATING ASSETS BY BUSINESS SEGMENT				
Agricultural Services	242	5.0	244	5.5
Minerals Services	626	13.1	683	15.5
Oil, Gas & Chemicals Services	951	19.8	898	20.3
Life Science Services	264	5.5	241	5.5
Consumer Testing Services	714	14.9	672	15.2
Systems & Services Certification	199	4.1	179	4.1
Industrial Services	805	16.8	676	15.3
Environmental Services	356	7.4	262	5.9
Automotive Services	422	8.8	404	9.1
Governments & Institutions Services	219	4.6	157	3.6
TOTAL	4 798	100.0	4 416	100.0

<i>(CHF million)</i>	2014	2013
RECONCILIATION OF OPERATING ASSETS BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Assets by business segment as above	4 798	4 416
Non-operating assets	969	623
TOTAL ASSETS PER BALANCE SHEET	5 767	5 039

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:

<i>(CHF million)</i>	2014	%	2013	%
Switzerland	114	4.6	81	3.5
Other countries	2 337	95.4	2 224	96.5
TOTAL SPECIFIC NON-CURRENT ASSETS	2 451	100.0	2 305	100.0

No country represented more than 15% of the specific non-current assets in 2014 or 2013.

SGS GROUP RESULTS

RECONCILIATION WITH TOTAL NON-CURRENT ASSETS

<i>(CHF million)</i>	2014	2013
Specific non-current assets as above	2 451	2 305
Deferred tax assets	195	173
Non-current loans to third parties	2	-
TOTAL	2 648	2 478

<i>(CHF million)</i>	2014	%	2013	%
OPERATING LIABILITIES BY BUSINESS SEGMENT				
Agricultural Services	134	6.6	121	6.6
Minerals Services	243	12.0	250	13.6
Oil, Gas & Chemicals Services	415	20.4	360	19.6
Life Science Services	74	3.6	65	3.5
Consumer Testing Services	378	18.6	329	17.9
Systems & Services Certification	143	7.0	127	6.9
Industrial Services	338	16.6	303	16.4
Environmental Services	118	5.8	104	5.6
Automotive Services	105	5.2	96	5.2
Governments & Institutions Services	86	4.2	87	4.7
TOTAL	2 034	100.0	1 842	100.0

<i>(CHF million)</i>	2014	2013
RECONCILIATION OF OPERATING LIABILITIES BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Liabilities by business segment as above	2 034	1 842
Non-operating liabilities	1 330	985
TOTAL LIABILITIES PER BALANCE SHEET	3 364	2 827

<i>(CHF million)</i>	2014	%	2013	%
CAPITAL ADDITIONS BY BUSINESS SEGMENT				
Agricultural Services	17	5.5	15	4.2
Minerals Services	32	10.3	60	16.8
Oil, Gas & Chemicals Services	75	24.0	68	19.0
Life Science Services	16	5.1	16	4.5
Consumer Testing Services	91	29.2	91	25.5
Systems & Services Certification	5	1.6	5	1.4
Industrial Services	30	9.6	32	9.0
Environmental Services	19	6.1	22	6.2
Automotive Services	16	5.1	25	7.0
Governments & Institutions Services	11	3.5	23	6.4
TOTAL	312	100.0	357	100.0

(CHF million)

	2014	%	2013	%
DEPRECIATION AND AMORTISATION BY BUSINESS SEGMENT				
Agricultural Services	13	4.4	13	4.4
Minerals Services	43	14.4	46	15.7
Oil, Gas & Chemicals Services	56	18.8	52	17.7
Life Science Services	14	4.7	17	5.8
Consumer Testing Services	74	24.8	68	23.3
Systems & Services Certification	5	1.7	5	1.7
Industrial Services	36	12.1	36	12.3
Environmental Services	22	7.4	20	7.2
Automotive Services	22	7.4	23	7.8
Governments & Institutions Services	13	4.3	12	4.1
TOTAL	298	100.0	292	100.0

(CHF million)

	2014	%	2013	%
IMPAIRMENT BY BUSINESS SEGMENT				
Minerals Services	5	83.3	1	16.7
Consumer Testing Services	1	16.7	-	-
Systems & Services Certification	-	-	2	33.3
Industrial Services	-	-	3	50.0
TOTAL	6	100.0	6	100.0

2014

2013

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT

Europe/Africa/Middle East	33 542	32 485
Americas	19 191	18 754
Asia Pacific	30 782	29 271
TOTAL	83 515	80 510
Number of employees at year end	84 246	81 948

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OTHER OPERATING EXPENSES

<i>(CHF million)</i>	2014	2013
Rental expense, insurance, utilities and sundry supplies	287	282
Consumables, repairs and maintenance	400	379
Communication costs	103	107
Travel costs	377	372
Miscellaneous operating income and expenses	219	252
TOTAL	1 386	1 392

6

FINANCIAL INCOME

<i>(CHF million)</i>	2014	2013
Interest income	16	16
Foreign exchange gains	0	1
Other financial income	1	1
TOTAL	17	18

7

FINANCIAL EXPENSES

<i>(CHF million)</i>	2014	2013
Interest expense	40	37
Loss on derivatives at fair value	14	11
(Gain)/loss arising on an Interest Rate Swap ¹	(20)	10
Loss/(gain) arising on adjustment for hedged item ¹	20	(10)
Other financial expenses	2	3
Net financial expenses on defined benefit plans	2	5
TOTAL	58	56

1. In a designated fair value hedge accounting relationship.

8

TAXES

<i>(CHF million)</i>	2014	2013
MAJOR COMPONENTS OF TAX EXPENSE		
Current taxes	223	223
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences	11	13
TOTAL	234	236

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:

<i>(CHF million)</i>	2014	2013
RECONCILIATION OF TAX EXPENSE		
Profit before taxes	900	874
Tax at the domestic rates applicable to the profits earned in the country concerned	173	181
Tax effect of non-deductible or non-taxable items	8	5
(Usage of)/tax charge from unrecognised tax losses	2	12
Non-creditable foreign withholding taxes	31	32
Other	20	6
TAX CHARGE	234	236

<i>(CHF million)</i>	2014		2013	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
COMPONENTS OF DEFERRED INCOME TAX BALANCES				
Fixed assets	30	12	22	10
Inventories and receivables	17	27	10	14
Retirement benefit obligations	36	-	41	-
Provisions and other	66	17	50	19
Intangible assets	8	18	7	23
Tax losses carried forward	38	-	43	-
DEFERRED INCOME TAXES	195	74	173	66

SGS GROUP RESULTS

Net change in deferred tax assets/(liabilities):

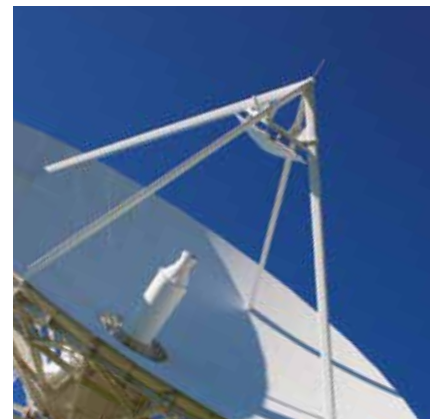
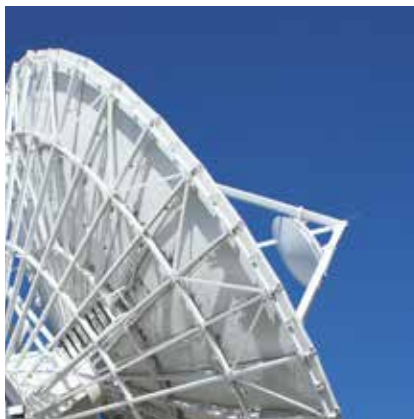
<i>(CHF million)</i>	2014	2013
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY	107	152
(Charged)/credited to the income statement	(11)	(13)
(Charged)/credited to the shareholders' equity ¹	26	(23)
Exchange differences and other	(1)	(9)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER	121	107

1. Relate to remeasurement gains and losses on pensions.

<i>(CHF million)</i>	2014	2013
REFLECTED IN THE BALANCE SHEET AS FOLLOWS:		
Deferred tax assets	195	173
Deferred tax liabilities	(74)	(66)
TOTAL	121	107

The Group has unrecognised tax losses carried forward amounting to CHF 49 million (2013: CHF 50 million) of which none will expire within the next five years. No tax losses carried forward expired in 2014.

At 31 December 2014, consolidated retained earnings include approximately CHF 3 912 million (2013: CHF 3 729 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:

	2014	2013
Profit attributable to equity holders of SGS SA (CHF million)	629	600
Weighted average number of shares	7 670 752	7 649 642
BASIC EARNINGS PER SHARE (CHF)	81.99	78.43

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):

	2014	2013
Profit attributable to equity holders of SGS SA (CHF million)	629	600
Diluted weighted average number of shares	7 702 444	7 708 047
DILUTED EARNINGS PER SHARE (CHF)	81.65	77.84

Adjusted earnings per share are calculated as follows:

	2014	2013
Profit attributable to equity holders of SGS SA (CHF million)	629	600
Amortisation of acquisition intangibles (CHF million)	20	20
Restructuring costs net of tax (CHF million)	8	23
Transaction and integration-related costs net of tax (CHF million)	5	9
Other non-recurring items net of tax (CHF million)	(28)	-
Adjusted profit attributable to equity holders of SGS SA (CHF million)	634	652
ADJUSTED BASIC EARNINGS PER SHARE (CHF)	82.69	85.27
ADJUSTED DILUTED EARNINGS PER SHARE (CHF)	82.35	84.63

10

LAND, BUILDINGS AND EQUIPMENT

<i>(CHF million)</i>	LAND & BUILDINGS	MACHINERY & EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2014				
COST				
At 1 January	453	1 545	643	2 641
Additions	10	154	109	273
Acquisition of subsidiaries	(2)	12	4	14
Sale of subsidiaries	-	-	-	-
Disposals	(2)	(47)	(25)	(74)
Exchange differences/other	18	86	(71)	33
At 31 December	477	1 750	660	2 887
ACCUMULATED DEPRECIATION AND IMPAIRMENTS				
At 1 January	214	1 026	372	1 612
Depreciation	17	170	60	247
Impairment	2	2	2	6
Acquisition of subsidiaries	-	9	3	12
Sale of subsidiaries	-	-	-	-
Disposals	(2)	(39)	(22)	(63)
Exchange differences/other	(2)	27	5	30
At 31 December	229	1 195	420	1 844
NET BOOK VALUE AT 31 DECEMBER 2014	248	555	240	1 043
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 2014	-	1	1	2

<i>(CHF million)</i>	LAND & BUILDINGS	MACHINERY & EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2013				
COST				
At 1 January	453	1 460	608	2 521
Additions	19	206	102	327
Acquisition of subsidiaries	1	15	5	21
Sale of subsidiaries	-	-	-	-
Disposals	(7)	(66)	(41)	(114)
Exchange differences/other	(13)	(70)	(31)	(114)
At 31 December	453	1 545	643	2 641
ACCUMULATED DEPRECIATION AND IMPAIRMENTS				
At 1 January	204	947	355	1 506
Depreciation	17	168	59	244
Impairment	-	4	2	6
Acquisition of subsidiaries	-	9	2	11
Sale of subsidiaries	-	-	-	-
Disposals	(3)	(59)	(33)	(95)
Exchange differences/other	(4)	(43)	(13)	(60)
At 31 December	214	1 026	372	1 612
NET BOOK VALUE AT 31 DECEMBER 2013	239	519	271	1 029
INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS				
Purchase cost of leased tangible assets	-	5	1	6
Accumulated depreciation	-	4	1	5
NET BOOK VALUE AT 31 DECEMBER 2013	-	1	-	1

At 31 December 2014, the Group had commitments of CHF 9 million (2013: CHF 9 million) for the acquisition of land, buildings and equipment.

Included in the other tangible assets are construction-in-progress assets amounting to CHF 12 million (2013: CHF 46 million).

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

<i>(CHF million)</i>	2014	2013
Buildings	635	541
Machinery, equipment and other tangible assets	2 294	2 047

GOODWILL

(CHF million)

	2014	2013
COST		
At 1 January	1 009	959
Additions	84	83
Exchange differences	12	(33)
AT 31 DECEMBER	1 105	1 009

Goodwill impairment reviews have been conducted for goodwill balances allocated to more than 57 cash generating units (CGU). The goodwill balances tested account for 96.4% of the total goodwill net book value reported as at 31 December 2014.

No goodwill impairment exposure was identified and therefore no impairment charge was recorded (2013: nil).

Detailed results of the impairment tests are presented below for larger goodwill balances (representing 45.6% of all goodwill items tested). These tests have all been performed in accordance with the Group's uniform method described on page 69.

AUTOMOTIVE SPAIN AND ARGENTINA

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 Automotive Services Spain and Argentina CGU for impairment testing purposes. The carrying amount of the goodwill allocated to the CGU is expressed in EUR for an equivalent of CHF 142 million as at 31 December 2014 (2013: CHF 143 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 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 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

LIFE SCIENCE SERVICES, EUROPE

Goodwill recognised on the following main acquisitions has been allocated to the Life Science Services, Europe CGU for impairment testing purposes: Medisearch International (2003), Cibest (2004), Aster Cephac (2006), M-Scan Group (2010), Exprimio (2011) and Vitrology (2012). The carrying amounts of the goodwill items allocated to this CGU are expressed in EUR for an equivalent of CHF 104 million as at 31 December 2014 (2013: CHF 105 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 6.9%. 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 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 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

INDUSTRIAL SERVICES, NORTH AMERICA

Goodwill mainly recognised on the following main acquisition of Pfinde (2011), FTS US (2007) and MSI (2013) has been allocated to the Industrial Services North America CGU for impairment testing purposes. The carrying amount of the goodwill allocated to this CGU is expressed in USD and CAD for an equivalent of CHF 73 million as at 31 December 2014 (2013: CHF 67 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 7.0%. 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 Industrial 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 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

MINERALS SERVICES, NORTH AMERICA

Goodwill recognised on the following main acquisitions has been allocated to the Minerals Services North America CGU for impairment testing purposes: Lakefield group (2002) and Minnovex group (2005), SMPN-CEMI (2008) and E&S Engineering (2012). The carrying amounts of the goodwill items allocated to this CGU are expressed in various currencies for an equivalent of CHF 65 million as at 31 December 2014 (2013: CHF 64 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 7.5%. 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 Minerals 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 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

MULTIBUSINESS SERVICES, GERMANY

Goodwill mainly recognised on the following main acquisition of Institut Fresenius AG (2004) and Merlot Nokia Siemens network (2008), 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 64 million as at 31 December 2014 (2013: CHF 65 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 6.9%. 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 in Multibusiness Services in Germany.

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 2.0% would not result in the carrying amount exceeding the

recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

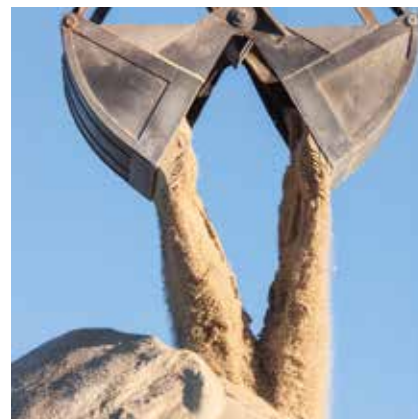
OIL, GAS & CHEMICALS SERVICES, NETHERLANDS AND MALAYSIA

Goodwill recognised on the following main acquisitions of Horizon Energy Partners (2008) and AKZO (2008) has been allocated to the Oil, Gas & Chemicals Services, Netherlands and Malaysia CGU for impairment testing purposes. The carrying amount of the goodwill allocated to the CGU is expressed in EUR for an equivalent of CHF 57 million as at 31 December 2014 (2013: CHF 58 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 7.9%. 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 Oil, Gas & Chemicals Services, Netherlands and Malaysia 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 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.



12

OTHER INTANGIBLE ASSETS

<i>(CHF million)</i>	COMPUTER SOFTWARE AND OTHER ASSETS				TOTAL
	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	
2014					
COST					
At 1 January	82	153	78	240	553
Additions	-	-	7	32	39
Acquisition of subsidiaries	-	20	-	1	21
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(8)	(8)
Exchange differences/other	(1)	3	-	18	20
At 31 December	81	176	85	283	625
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	37	49	67	193	346
Amortisation	7	13	5	26	51
Impairment	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	1	1
Sale of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(8)	(8)
Exchange differences/other	-	1	-	2	3
At 31 December	44	63	72	214	393
NET BOOK VALUE AT 31 DECEMBER 2014	37	113	13	69	232

**COMPUTER SOFTWARE
AND OTHER ASSETS**

<i>(CHF million)</i>	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	TOTAL
2013					
COST					
At 1 January	84	138	73	225	520
Additions	-	-	5	25	30
Acquisition of subsidiaries	-	20	-	1	21
Disposals	-	-	-	(6)	(6)
Exchange differences	(2)	(5)	-	(5)	(12)
At 31 December	82	153	78	240	553
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	30	38	62	177	307
Amortisation	8	12	5	23	48
Impairment	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	1	1
Disposals	-	-	-	(5)	(5)
Exchange differences	(1)	(1)	-	(3)	(5)
At 31 December	37	49	67	193	346
NET BOOK VALUE AT 31 DECEMBER 2013	45	104	11	47	207

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 5 million (2013: CHF 6 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

<i>(CHF million)</i>	2014	2013
Non-current loans to third parties	1	1
Other non-current assets	48	41
TOTAL	49	42

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%.

Other non-current assets consist mainly of deposits for guarantees and include CHF 27 million (2013: CHF 13 million) of restricted cash. Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2014 and 2013, the fair value of the Group's other non-current assets approximates the carrying value.

14

UNBILLED REVENUES AND INVENTORIES

<i>(CHF million)</i>	2014	2013
Work-in-progress	60	43
Unbilled revenues	212	232
Inventories	58	55
TOTAL	330	330

15

TRADE ACCOUNTS AND NOTES RECEIVABLE

<i>(CHF million)</i>	2014	2013
Trade accounts and notes receivable	1 178	1 111
Allowance for doubtful accounts	(110)	(159)
TOTAL	1 068	952
Ageing of trade accounts and notes receivables:		
Not overdue	446	365
Past due not more than two months	401	413
Past due more than two months but not more than four months	102	86
Past due more than four months but not more than six months	49	47
Past due more than six months but not more than one year	70	41
Past due more than one year	-	-
TOTAL	1 068	952

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:

<i>(CHF million)</i>	2014	2013
Balance at beginning of the year	(159)	(159)
Acquisition of subsidiaries	(1)	(1)
Increase in allowance recognised in the income statement	(15)	(17)
Utilisations	66	14
Exchange differences	(1)	4
TOTAL	(110)	(159)

Receivables aged less than 360 days are provided when the creditworthiness 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 counterparties 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 2014 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

<i>(CHF million)</i>	2014	2013
Prepayments	76	68
Derivative assets	22	8
Interest Rate Swap designated in a fair value hedge accounting relationship	15	0
Other receivables	258	230
TOTAL	371	306

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

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

17

MARKETABLE SECURITIES

<i>(CHF million)</i>	2014	2013
Available for sale	9	9
TOTAL	9	9

Unrealised gains or losses on marketable securities designated as available for sale and which are recorded in equity amounted to nil for 2014 (2013: nil).

18

CASH AND CASH EQUIVALENTS

<i>(CHF million)</i>	2014	2013
Cash and short-term deposits	1 340	964
Short-term loans	1	-
TOTAL	1 341	964

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

19

CASH FLOW STATEMENT

19.1. OTHER NON-CASH ITEMS

<i>(CHF million)</i>	NOTES	2014	2013
Depreciation of buildings and equipment	10	247	244
Impairment of land, buildings and equipment and other intangible assets	10 & 12	6	6
Amortisation of intangible assets	12	51	48
Net financial expenses		41	38
(Decrease) in provisions and employee benefits		(28)	(16)
Share-based payment expenses		10	5
(Gain) on disposals of businesses		-	-
(Gain) on disposals of land, buildings and equipment		-	(5)
Share of results from associates and other entities		(2)	(4)
Taxes		234	236
OTHER NON-CASH ITEMS		559	552

19.2 INCREASE IN WORKING CAPITAL

<i>(CHF million)</i>	2014	2013
(Increase) in unbilled revenues and inventories	(2)	(42)
(Increase)/decrease in trade accounts and notes receivable	(90)	(6)
(Increase) in other receivables and prepayments	(25)	(31)
Increase/(decrease) in trade and other payables	(4)	23
Increase in other creditors and accruals	29	33
(Decrease)/increase in other provisions	(17)	(6)
(INCREASE)/DECREASE IN WORKING CAPITAL	(109)	(29)

19.3. CASH FLOWS ARISING FROM ACQUISITIONS AND DIVESTMENTS OF BUSINESSES

<i>(CHF million)</i>	2014 ACQUISITIONS	2014 DIVESTMENTS	2013 ACQUISITIONS	2013 DIVESTMENTS
Tangible and other long-term assets	(6)	-	(11)	-
Intangible assets	(20)	-	(20)	-
Current assets excluding cash and cash equivalents	(21)	-	(19)	-
Cash and cash equivalents	(6)	-	(14)	-
Current liabilities	11	-	18	-
Non-current liabilities	7	-	11	-
NET IDENTIFIABLE ASSETS ACQUIRED OR DIVESTED	(35)	-	(35)	-
Acquired/(divested) cash and cash equivalents	6	-	14	-
SUBTOTAL	(29)	-	(21)	-
Goodwill	(84)	-	(83)	-
Divestments gain	-	-	-	-
Consideration payable	5	-	1	-
Payments on prior year acquisitions	(6)	-	(5)	-
NET CASH FLOWS	(114)	-	(108)	-

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 2014 ACQUISITIONS

<i>(CHF million)</i>	SEARCH FAIR VALUE ON ACQUISITION	OTHER FAIR VALUE ON ACQUISITION	TOTAL FAIR VALUE ON ACQUISITION
Tangible and other long-term assets	1	5	6
Intangible assets	6	14	20
Trade accounts and notes receivable	9	11	20
Cash and cash equivalents	-	6	6
Other current assets	-	1	1
Current liabilities	(5)	(6)	(11)
Non-current liabilities	(2)	(5)	(7)
NET ASSETS ACQUIRED	9	26	35
Goodwill	36	48	84
TOTAL PURCHASE PRICE	45	74	119
Acquired cash and cash equivalents	-	(6)	(6)
Further consideration payable	-	(5)	(5)
NET CASH OUTFLOW ON ACQUISITIONS	45	63	108

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 (2013: CHF 5 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.

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	
	2014	2013	2014	2013	2014	2013
<i>(CHF million)</i>						
FOREIGN EXCHANGE FORWARD CONTRACTS						
Currency:						
Australian Dollar (AUD)	(45)	(30)	(1)	-	(1)	-
Brazilian Real (BRL)	(40)	(25)	(1)	-	(1)	-
Canadian Dollar (CAD)	(14)	(19)	-	1	-	1
Chilean Peso (CLP)	(26)	(21)	1	-	1	-
Chinese Renminbi (CNY)	20	21	-	-	-	-
Colombian Peso (COP)	(10)	(14)	(1)	-	(1)	-
Czech Koruna (CZK)	(2)	(4)	-	-	-	-
Euro (EUR)	(409)	(126)	6	(1)	6	(1)
British Pound Sterling (GBP)	31	(10)	-	-	-	-
Hong Kong Dollar (HKD)	267	235	-	-	-	-
Japanese Yen (JPY)	(4)	1	-	-	-	-
Kenyan Shilling (KES)	-	(3)	-	-	-	-
Korean Won (KRW)	3	-	-	-	-	-
New Zealand Dollar (NZD)	-	(1)	-	-	-	-
Philippines Peso (PHP)	(8)	(7)	-	-	-	-
Polish Zloty (PLN)	(6)	(7)	-	-	-	-
Russian Rubble (RUB)	(3)	(9)	1	-	1	-
Turkish New Lira (TRY)	(16)	(17)	-	-	-	-
US Dollar (USD)	(117)	(72)	(1)	(1)	(1)	(1)
South African Rand (ZAR)	(37)	(40)	-	1	-	1
Other	(2)	-	-	-	-	-
TOTAL	(418)	(148)	4	-	4	-

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 (2014: CHF 9 million; 2013: CHF 9 million) qualify as Level 1 fair value measurement category. Derivative assets (2014: CHF 37 million; 2013: CHF 8 million) and liabilities (2014: CHF 8 million; 2013: CHF 10 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.

The fair values of financial assets and financial liabilities included in the level 2 above have been determined in accordance with generally accepted pricing models.

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 2014 is the carrying amount of financial assets including derivatives.

Analysis of financial assets by class and category at 31 December 2014:

	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
	CARRYING AMOUNT	FAIR VALUE	AVAILABLE FOR SALE		AT FAIR VALUE THROUGH P&L		CARRYING AMOUNT	FAIR VALUE
(CHF million)			CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE		
Cash and cash-equivalents	1 341	1 341	-	-	-	-	1 341	1 341
Trade receivables	1 068	1 068	-	-	-	-	1 068	1 068
Other receivables ¹	140	140	-	-	-	-	140	140
Unbilled revenues	212	212	-	-	-	-	212	212
Loans to 3 rd parties - non-current	1	1	-	-	-	-	1	1
Marketable securities	-	-	9	9	-	-	9	9
Derivatives ²	-	-	-	-	37	37	37	37
TOTAL FINANCIAL ASSETS	2 762	2 762	9	9	37	37	2 808	2 808

1. Excluding VAT and other tax related items.

2. Including an Interest Rate Swap designated in a fair value hedge accounting relationship of CHF 15 million.

In the fair value hierarchy, marketable securities qualify as level 1 and the remaining financial assets qualify as level 2.

SGS GROUP RESULTS

Analysis of financial assets by class and category at 31 December 2013:

(CHF million)	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
	CARRYING AMOUNT	FAIR VALUE	AVAILABLE FOR SALE		AT FAIR VALUE THROUGH P&L		CARRYING AMOUNT	FAIR VALUE
			CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE		
Cash and cash-equivalents	964	964	-	-	-	-	964	964
Trade receivables	952	952	-	-	-	-	952	952
Other receivables ¹	130	130	-	-	-	-	130	130
Unbilled revenues	232	232	-	-	-	-	232	232
Loans to 3 rd parties - current	-	-	-	-	-	-	-	-
Loans to 3 rd parties - non-current	1	1	-	-	-	-	1	1
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	8	8	8	8
TOTAL FINANCIAL ASSETS	2 279	2 279	9	9	8	8	2 296	2 296

1. Excluding VAT and other tax related items.

In the fair value hierarchy, marketable securities qualify as level 1 and the remaining financial assets qualify as level 2.

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 2014:

(CHF million)	AMORTISED COST AND OTHER LIABILITIES		FAIR VALUE		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	AT FAIR VALUE THROUGH P&L		CARRYING AMOUNT	FAIR VALUE
			CARRYING AMOUNT	FAIR VALUE		
Trade payables	192	192	-	-	192	192
Other payables and financial liabilities ¹	159	159	-	-	159	159
Advances from clients	41	41	-	-	41	41
Loans and obligations under finance leases	1 686	1 686	-	-	1 686	1 686
Derivatives	-	-	8	8	8	8
Bank overdrafts	4	4	-	-	4	4
TOTAL FINANCIAL LIABILITIES	2 082	2 082	8	8	2 090	2 090

1. Excluding VAT and other tax related items.

In the fair value hierarchy, all financial liabilities qualify as level 2.

Analysis of financial liabilities by class and category at 31 December 2013:

	AMORTISED COST AND OTHER LIABILITIES		FAIR VALUE AT FAIR VALUE THROUGH P&L		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
(CHF million)						
Trade payables	198	198	-	-	198	198
Other payables and financial liabilities ¹	152	152	-	-	152	152
Advances from clients	36	36	-	-	36	36
Loans and obligations under finance leases	1 307	1 307	-	-	1 307	1 307
Derivatives ²	-	-	10	10	10	10
Bank overdrafts	1	1	-	-	1	1
TOTAL FINANCIAL LIABILITIES	1 694	1 694	10	10	1 704	1 704

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.

In the fair value hierarchy, all financial liabilities qualify as level 2.

Contractual maturities of financial liabilities including interest payments at 31 December 2014:

(CHF million)	BORROWINGS 3 RD 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	46	12	1 130	(1 119)	332	1	402
Within the second year	524	4	-	-	-	-	528
Within the third year	26	1	-	-	-	-	27
Within the fourth year	24	-	-	-	-	-	24
Within the fifth year	397	-	-	-	-	-	397
After five years	852	1	-	-	-	-	853

The Group hedges its foreign exchange exposures on a net basis. The net gross settled derivative financial instruments of CHF 11 million (2013: nil) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2014.

Contractual maturities of financial liabilities including interest payments at 31 December 2013:

(CHF million)	BORROWINGS 3 RD 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	44	8	1 134	(1 134)	330	1	383
Within the second year	29	4	-	-	-	1	34
Within the third year	651	2	-	-	3	-	656
Within the fourth year	17	-	-	-	-	-	17
Within the fifth year	17	-	-	-	-	-	17
After five years	696	1	-	-	-	-	697

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 2014 and 2013, with all other variables remaining constant.

Sensitivity analysis at 31 December 2014 and 2013:

<i>(CHF million)</i>	2014		2013	
	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)
US Dollar (USD)	(1)	8	-	5
Euro (EUR)	(2)	-	(2)	-
CFA Franc BEAC (XAF)	1	-	(1)	-
New Cedi (GHS)	(1)	-	-	-
Kwanza Angolais (AOA)	1	-	-	-
British Pound Sterling (GBP)	-	2	-	2
Australian Dollar (AUD)	-	2	-	2
Canadian Dollar (CAD)	-	5	-	5
New Metical (MZN)	-	-	-	1
Brazilian Real (BRL)	-	2	-	2
Colombian Peso (COP)	-	1	-	1
Korean Won (KRW)	-	1	-	1
Chilean Peso (CLP)	-	2	-	2

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.

In February 2014 the company issued a ten year CHF 250 million straight bond with a coupon of 1.75%. At the same time bond holders of CHF 133 millions accepted to exchange their existing 2016 bonds into new bonds with a term of 8 years amounting to CHF 138 million and maturing in 2022 with a coupon of 1.375%.

Finally the Company re-opened the bond maturing in 2022 and increased the amount by CHF 112 million to a total of CHF 250 million.

If interest rates were 50 basis points higher/lower, the profit for the year ended 31 December 2014 would increase/decrease by CHF nil (2013: nil).



SHARE CAPITAL AND TREASURY SHARES

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF million)
BALANCE AT 1 JANUARY 2013	7 632 042	190 394	7 822 436	8
Treasury shares released into circulation	37 201	(37 201)	-	-
Treasury shares purchased	(18 403)	18 403	-	-
BALANCE AT 31 DECEMBER 2013	7 650 840	171 596	7 822 436	8
Treasury shares released into circulation	24 666	(24 666)	-	-
Treasury shares purchased	-	-	-	-
BALANCE AT 31 DECEMBER 2014	7 675 506	146 930	7 822 436	8

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 822 436 (2013: CHF 7 822 436) fully paid in and divided into 7 822 436 (2013: 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 2014, SGS SA held 146 930 treasury shares.

In 2014, no treasury shares were purchased to cover option rights. During the year, 24 666 treasury shares were sold to cover option rights for an average price CHF 1 269.

In 2012, the Group initiated a 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 19 March 2015.

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

<i>(CHF million)</i>	2014	2013
Bank loans	16	17
Bank overdrafts	4	1
Corporate bonds	1 668	1 288
Finance lease obligations	2	2
TOTAL	1 690	1 308
Current	18	15
Non-current	1 672	1 293

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 1.4% and 13.8% and on short-term loans from third parties range between 0% and 14.5%.

The loans from third parties exposed to fair value interest rate risk amount to CHF 1 361 million (2013: CHF 1 007 million) and the loans from third parties exposed to cash flow interest rate risk amount to CHF 328 million (2013: CHF 298 million).

At 31 December 2014, 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 1 456 million (2013: CHF 1 056 million).

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

DATE OF ISSUE	FACE VALUE IN CHF MILLION	COUPON IN %	YEAR OF MATURITY	ISSUE PRICE IN %	REDEMPTION PRICE IN %
19.08.2010	417	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
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	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.

In February 2014, the Company issued a 10 year CHF 250 million straight bond with a coupon of 1.75%. At the same time, bond holders of CHF 133 million accepted to exchange their existing 2016 bonds into new bonds with a term of 8 years amounting to CHF 138 million and maturing in 2022 with a coupon of 1.375%.

Finally, the Company re-opened the bond maturing in 2022 and increased the amount by CHF 112 million to a total of CHF 250 million.

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

SGS GROUP RESULTS

Loans and finance lease obligations mature as follows:

<i>(CHF million)</i>	BANK LOANS, OVERDRAFTS AND CORPORATE BONDS		LEASE OBLIGATIONS	
	2014	2013	2014	2013
On demand or within one year	16	14	2	1
Within the second year	75	4	-	1
Within the third year	2	622	-	-
Within the fourth year	-	-	-	-
Within the fifth year	373	-	-	-
After five years	1 222	666	-	-
TOTAL	1 688	1 306	2	2

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

<i>(CHF million)</i>	BANK LOANS, OVERDRAFTS AND CORPORATE BONDS		LEASE OBLIGATIONS	
	2014	2013	2014	2013
Swiss Franc (CHF)	1 673	1 295	-	-
Euro (EUR)	-	1	-	1
US Dollar (USD)	1	1	-	-
Indian Rupee (INR)	4	-	-	-
Colombian Peso (COP)	-	1	-	-
Malagasy Ariary (MGA)	2	2	-	-
Brazilian Real (BRL)	7	3	-	-
Other	1	3	2	1
TOTAL	1 688	1 306	2	2



RETIREMENT BENEFIT OBLIGATIONS

The Group mainly operates defined benefit pension plans in Switzerland, the United States of America, the United Kingdom, the Netherlands, Germany, Italy, France, Korea 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 United States of America and in Switzerland. They represent a defined benefit obligation at 31 December 2014 of CHF 14 million (2013: 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.

In 2014, a pension plan previously qualified as defined benefit was amended and now qualified as defined contribution and has been taken out of the scope (2013: nil).

The Group's material defined benefit plans are in Switzerland, the United States of America and the United Kingdom.

SWITZERLAND

The Group jointly operates with the employees a retirement foundation in Switzerland. The assets and liabilities of the retirement foundation are held separately from the Group. The foundation board is equally composed of representatives of the employee and representatives of the employer. This foundation covers all the employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee and the Group contribute at a rate set out in the foundation rules based on a percentage of salary. Every year, the foundation decides the level of interest, if any, to apply to retirement accounts based on the agreed policy. At retirement, employees can elect to withdraw all or part of their balances of their retirement account, failing which the retirement account is converted into annuities at pre-defined conversion rates.

Because the foundation board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees, no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contribution to the foundation.

According to IFRS, the foundation has to be classified as a defined benefit plan due to underlying benefit guarantees and has to be accounted for on this basis.

The weighted average duration of the expected benefit payment is approximately 15 years.

The Group expects to contribute CHF 7 million to this plan in 2015.

UNITED STATES OF AMERICA

The Group operates a non-contributory defined benefit plan which is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

The assets of the plan are held separately from the Group by the trustee-custodian, and the plan's third party pension administrator who disburses payments directly to retirees or beneficiaries under the plan. Both the trustee-custodian and the administrator ensure adherence to ERISA rules.

Funding valuations are calculated on an actuarial basis and contributions are made as necessary. The funding target is to provide the plan with sufficient assets to meet future plan obligations.

Effective 16 March 2004, non-exempt participants ceased accruing any additional benefits; only exempt employees of certain SGS business units in the United States of America are eligible for annual benefit accrual. In addition, the pension benefit was changed and is defined as percentage of the current year's pensionable compensation; the cost of additional benefit accrual is evaluated annually. The Group reserves the right to make future changes to the benefit accrual structure of the plan. Eligible employees become participants in the plan after the completion of one year of service and after reaching the age of 21. Participants become fully vested in the plan after five years of service.

The weighted average of duration of the expected benefit payment is approximately 13 years.

The Group expects to contribute CHF 42 million to this plan in 2015.

SGS GROUP RESULTS

UNITED KINGDOM

The Group operates two defined benefit plans through a trust. The assets of the plans are held separately from the Group and have trustees who ensure the plan's rules are strictly adhered to. One plan has been closed to new entrants since 2002. Since then new employees have been offered membership of defined contributions plans which have been operated by the Group. The other plan has no active members. Under the defined benefit plans, each member's pension at retirement is related to their pensionable service and final salary.

Funding valuations of the defined benefit plans are carried out and agreed between the Group and the plan trustees at least once every three years. The funding target is for the plans to hold assets equal in value of the accrued benefits based on projected salaries. As part of the valuation process, if there is a shortfall against this target, then the Group and trustees will agree on deficit contributions to meet this deficit over a specified period.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to recover any deficit that arises.

The weighted average of duration of the expected benefit payments from the combined plans is approximately 20 years.

The Group expects to contribute CHF 7 million to this plan in 2015.

OTHER COUNTRIES

The Group sponsors defined retirement benefits plans in other countries where the Group operates. No individual countries other than those described above are considered material and need to be separately disclosed.

The Group expects to contribute CHF 7 million to those plans in 2015.

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:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Fair value of plan assets	332	235	235	86	888
Present value of funded defined benefit obligation	(370)	(218)	(284)	(116)	(988)
(UNFUNDED)/FUNDED STATUS	(38)	17	(49)	(30)	(100)
Present value of unfunded defined benefit obligation	(9)	-	(9)	(58)	(76)
Limit on pension asset	-	-	-	-	-
NET ASSET/(LIABILITY) AT 31 DECEMBER	(47)	17	(58)	(88)	(176)

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2013					
Fair value of plan assets	316	207	203	68	794
Present value of funded defined benefit obligation	(300)	(179)	(228)	(99)	(806)
(UNFUNDED)/FUNDED STATUS	16	28	(25)	(31)	(12)
Present value of unfunded defined benefit obligation	(7)	-	(8)	(51)	(66)
Limit on pension asset	(16)	-	-	-	(16)
NET ASSET/(LIABILITY) AT 31 DECEMBER	(7)	28	(33)	(82)	(94)

Amounts recognised in the income statement:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Service cost expense	5	1	2	-	8
Net interest/(income) expense on defined benefit plan	-	(1)	1	2	2
Administrative expenses	-	1	1	-	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	5	1	4	2	12
<i>Expense charged in:</i>					
Salaries and wages	5	2	3	-	10
Financial expense/(income)	-	(1)	1	2	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	5	1	4	2	12

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2013					
Service cost expense	7	2	1	11	21
Net interest/(income) expense on defined benefit plan	-	(1)	3	3	5
Administrative expenses	-	-	1	-	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	7	1	5	14	27
<i>Expense charged in:</i>					
Salaries and wages	7	2	2	11	22
Financial expense/(income)	-	(1)	3	3	5
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	7	1	5	14	27

Amounts recognised in the statement of other comprehensive income:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	8	-	-	1	9
Change in financial assumptions	54	34	28	20	136
Experience adjustments	7	(7)	1	1	2
Actual return on plan assets excluding net interest expense	(12)	(8)	(1)	(10)	(31)
Change in limit on pension asset	(16)	-	-	-	(16)
TOTAL RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	41	19	28	12	100

SGS GROUP RESULTS

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2013					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	7	-	-	(1)	6
Change in financial assumptions	(12)	9	(32)	(2)	(37)
Experience adjustments	(2)	1	-	2	1
Actual return on plan assets excluding net interest expense	(21)	(14)	(22)	-	(57)
Change limit on pension asset	16	-	-	-	16
TOTAL RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	(12)	(4)	(54)	(1)	(71)

Movements in the net asset/(liability) during the period:

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2014					
NET ASSET/(LIABILITY) AT 1 JANUARY	(7)	28	(33)	(82)	(94)
Expense recognised in the income statement	(5)	(1)	(4)	(2)	(12)
Remeasurements recognised in other comprehensive income	(41)	(19)	(28)	(12)	(100)
Contributions paid by the Group	7	8	13	8	36
Exchange differences	(1)	1	(6)	-	(6)
NET ASSET/(LIABILITY) AT 31 DECEMBER	(47)	17	(58)	(88)	(176)

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2013					
NET ASSET/(LIABILITY) AT 1 JANUARY	(17)	17	(92)	(84)	(176)
Expense recognised in the income statement	(7)	(1)	(5)	(14)	(27)
Remeasurements recognised in other comprehensive income	12	4	54	1	71
Contributions paid by the Group	7	8	10	14	39
Exchange differences	(2)	-	-	1	(1)
NET ASSET/(LIABILITY) AT 31 DECEMBER	(7)	28	(33)	(82)	(94)

Change in the defined benefit obligation is as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Opening present value of the defined benefit obligation	307	179	236	150	872
Current service cost	5	1	2	4	12
Interest cost	7	8	12	5	32
Plan participants' contributions	5	-	1	-	6
Past service cost	-	-	-	(4)	(4)
Settlements	-	-	-	-	-
Change in scope	-	-	-	4	4
Net benefit payments	(14)	(6)	(14)	(7)	(41)
(Gains)/losses due to changes in demographic assumptions	8	-	-	1	9
(Gains)/losses due to changes in financial assumptions	54	34	28	20	136
Experience (gains)/losses	7	(7)	1	1	2
Exchange rate (gains)/losses	-	9	27	-	36
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	379	218	293	174	1 064

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2013					
Opening present value of the defined benefit obligation	309	166	279	147	901
Current service cost	5	2	1	11	19
Interest cost	6	8	11	5	29
Plan participants' contributions	4	1	1	-	6
Past service cost	2	-	-	-	2
Settlements	-	-	(8)	-	(8)
Net benefit payments	(13)	(7)	(14)	(12)	(46)
(Gains)/losses due to changes in demographic assumptions	7	-	-	(1)	6
(Gains)/losses due to changes in financial assumptions	(12)	9	(32)	(2)	(37)
Experience (gains)/losses	(2)	1	-	2	1
Exchange rate (gains)/losses	1	(1)	(2)	-	(1)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	307	179	236	150	872

Change in fair value of plan assets is as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Opening fair value of plan assets	316	207	203	68	794
Interest income on plan assets	8	10	10	2	30
Return on plan assets excluding amounts included in net interest expense	12	8	1	10	31
Employer contributions	7	8	13	8	36
Plan participants' contributions	5	-	1	-	6
Net benefit payments	(14)	(6)	(14)	(7)	(41)
Administrative expenses paid	-	(1)	(1)	-	(2)
Settlements	-	-	-	-	-
Change in scope	-	-	-	4	4
Exchange differences	(2)	9	22	1	30
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	332	235	235	86	888

SGS GROUP RESULTS

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2013					
Opening fair value of plan assets	292	183	187	63	725
Interest income on plan assets	6	9	7	2	24
Return on plan assets excluding amounts included in net interest expense	21	14	22	-	57
Employer contributions	7	8	10	14	39
Plan participants' contributions	4	1	1	-	6
Net benefit payments	(13)	(7)	(14)	(12)	(46)
Administrative expenses paid	-	-	(1)	-	(1)
Settlements	-	-	(8)	-	(8)
Exchange differences	(1)	(1)	(1)	1	(2)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	316	207	203	68	794

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 61 million (2013: gain of CHF 81 million).

Changes in the amount not recognised due to the asset limit are as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
ASSET LIMIT AT 1 JANUARY	16	-	-	-	16
Other changes in unrecognised asset due to the asset ceiling	(16)	-	-	-	(16)
Exchange differences	-	-	-	-	-
ASSET LIMIT AT 31 DECEMBER	-	-	-	-	-

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2013					
ASSET LIMIT AT 1 JANUARY	-	-	-	-	-
Other changes in unrecognised asset due to the asset ceiling	16	-	-	-	16
Exchange differences	-	-	-	-	-
ASSET LIMIT AT 31 DECEMBER	16	-	-	-	16

The major categories of plan assets at the balance sheet date are as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Cash and cash equivalent	47	23	1	11	82
Equity securities	84	56	137	2	279
Debt securities	60	94	97	1	252
Insurance policies	-	-	-	72	72
Property	116	-	-	-	116
Investment funds	25	61	-	-	86
Other	-	-	-	1	1
TOTAL PLAN ASSETS AT 31 DECEMBER	332	234	235	87	888

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2013					
Cash and cash equivalent	27	1	1	10	39
Equity securities	83	122	136	3	344
Debt securities	71	84	65	1	221
Insurance policies	-	-	-	55	55
Property	116	-	-	-	116
Investment funds	19	-	-	-	19
Other	-	-	-	-	-
TOTAL PLAN ASSETS AT 31 DECEMBER	316	207	203	68	794

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

SGS occupies property that is included in the Plan assets with a fair value of less than CHF 6 million (2013: CHF 6 million). The property is rented at fair market rental rates. There are no SGS SA shares or any other financial securities used by the Group included in plan assets.

The plan assets are primarily held within instruments with quoted market prices in an active market, with the exception of the property and insurance policy holdings.

The investment strategy in Switzerland is to invest, within the statutory and legal requirements, in a diversified portfolio which provides a long-term return strategy which will enable the board of the foundation to provide increases to the accounts of the members of the pension fund, whilst taking on the lowest possible risk in order to do so.

In the United States of America, the Pension Plan Target Policy is determined by both quantitatively and qualitatively assessing the risk tolerance level and return requirements of the Plan as determined by the Investment Committee. The investment portfolio asset allocation and structure are developed based on the results of this process.

In the United Kingdom, the Trustees review the investment strategy of the Scheme and the Plan on a regular basis in order to ensure that they remain appropriate. The last review for both the Scheme and Plan has recently been undertaken and is in the process of being implemented.

SGS GROUP RESULTS

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 2014 and 2013 are as follows:

<i>(Weighted average %)</i>	CH	UK	USA	OTHER
2014				
Discount rate	1.3	3.6	4.0	2.6
Mortality assumption	LPP 2010 Gen	S1NA	IRS 2015	-
Salary progression rate	2.0	3.6	3.3	2.5
Future pension increases	0.5	3.1/2.1	-	0.5
Healthcare cost trend assumed for the next year	-	-	7.2	-
Ultimate trend rate	-	-	5.0	-
Year that the rate reaches the ultimate trend rate	-	-	2022	-

<i>(Weighted average %)</i>	CH	UK	USA	OTHER
2013				
Discount rate	2.4	4.6	4.9	3.3
Mortality assumption	LPP 2012	S1NA	IRS 2014	-
Salary progression rate	2.0	3.8	3.2	2.3
Future pension increases	0.5	2.3	-	0.5
Healthcare cost trend assumed for the next year	4.0	-	7.5	-
Ultimate trend rate	4.0	-	5.0	-
Year that the rate reaches the ultimate trend rate	-	-	2022	-

The weighted average rate for each assumption used to measure the benefits obligation is also shown. The assumptions used to determine end-of-year benefits obligation are also used to calculate the following year's cost.

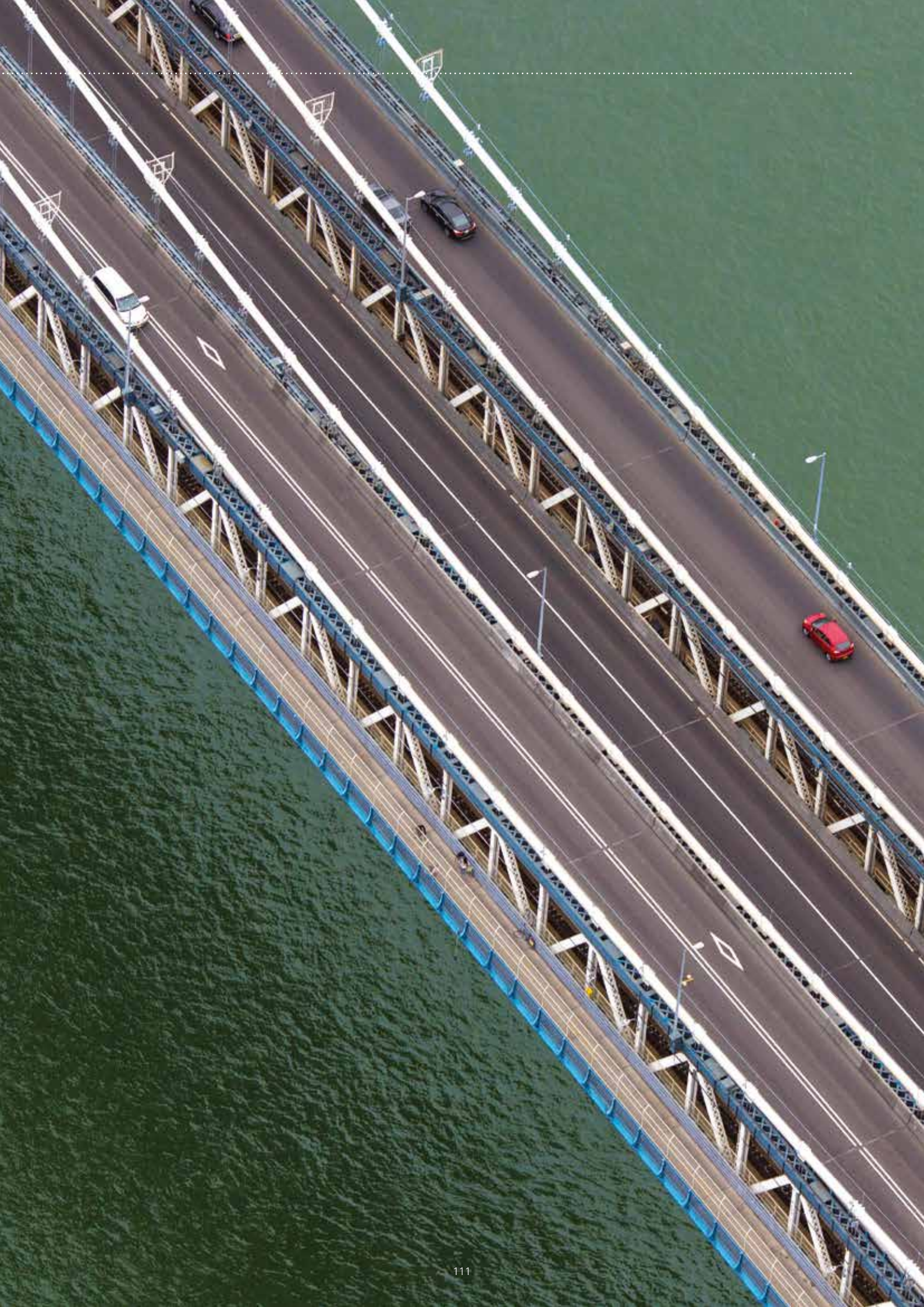
In Switzerland, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 30 million; a 0.5% increase in assumed salary increases would increase the obligation by CHF 2 million and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 12 million.

In the United States of America a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 19 million; a 0.5% increase in assumed salary increases would increase the obligation by less than CHF 0 million and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 14 million.

In the United Kingdom, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 23 million; a 0.5% increase in assumed salary increases would increase the obligation by CHF 3 million and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 7 million.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

The amount recognised as an expense in respect of defined contribution plans during 2014 was CHF 74 million (2013: CHF 61 million).



PROVISIONS

<i>(CHF million)</i>	LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED	DEMobilISATION AND REORGANISATION	OTHER PROVISIONS	TOTAL
AT 1 JANUARY 2014	45	37	32	114
Acquisitions of subsidiaries	-	-	-	-
Charge to income statement	20	13	11	44
Release to income statement	(13)	(4)	(4)	(21)
Payments	(7)	(9)	(9)	(25)
Exchange differences	3	1	0	4
AT 31 DECEMBER 2014	48	38	30	116

<i>Analysed as:</i>	2014	2013
Current liabilities	19	18
Non current liabilities	97	96
TOTAL	116	114

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, evaluation of the insurance cover where appropriate 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

<i>(CHF million)</i>	2014	2013
Trade payables	192	198
Other payables	121	120
Other financial liabilities	198	184
TOTAL	511	502

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2014 and 2013, the fair value of the Group's trade accounts and other payables approximates the carrying value.

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OTHER CREDITORS AND ACCRUALS

<i>(CHF million)</i>	2014	2013
Accrued expenses	523	506
Advance billings	50	49
Advances from clients	41	36
Interest Rate Swap designated in a fair value hedge accounting relationship	0	5
Derivative liabilities	8	5
TOTAL	622	601

At 31 December 2014 and 2013, 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

<i>(CHF million)</i>	2014 ISSUED	2013 ISSUED
Guarantees	109	144
Performance bonds	159	228
TOTAL	268	372

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:

<i>(CHF million)</i>	2014	2013
Less than one year	130	127
Between one and five years	250	237
More than five years	82	69
TOTAL	462	432

The Group leases the majority of its office and laboratory space, as well as vehicles and equipment. During the year ended 31 December 2014, CHF 154 million was recognised as an expense in the income statement in respect of operating leases (2013: CHF 154 million).



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 1 061 061 options granting the right to acquire shares of SGS SA at a strike price of CHF 2 059, 100 options give the right to acquire one share and each option expires in January 2017 (these options hereinafter referred to as SGSPF) were granted to the members of the Operations Council and the Board of Directors in 2014. One-third of these options vest or have vested in each of the years 2014, 2015 and 2017 and can be exercised or sold between January 2017 and January 2019. The estimated fair value at the time of grant of the options granted was CHF 2 673 874.

ii) Grants to Other Employees

In 2014, an additional 2 038 552 SGSPF 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 2014, 2015 and 2017 and can be exercised or sold between January 2017 and January 2019. The estimated fair value at the time of grant of the options granted was CHF 5 137 151.

iii) Long Term Incentive Plans (LTI)

In 2014, 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 the grant, the estimated fair value of those options granted is CHF 12 967 500. Additional information is disclosed in the SGS Remuneration Report (pages 42 to 58).

DESCRIPTION	EXERCISE PERIOD		STRIKE PRICE ¹	OPTIONS OUTSTANDING AT 31 DECEMBER 2013	GRANTED	CANCELLED	EXERCISED OR ADJUSTED	OPTIONS OUTSTANDING AT 31 DECEMBER 2014
	FROM	TO						
SGSGU-2009	Jan.12	Jan.14	973.57	113 161	-	-	(113 161)	-
SGSOP-2010	Jan.13	Jan.15	1 240.70	936 618	-	(159 296)	(584 357)	192 965
SGSMF-2011	Jan.14	Jan.16	1 528.78	2 959 060	-	(3 668)	(1 466 398)	1 488 994
SGSMF-2011 LTI	Jan.15	Jan.16	1 528.78	8 110 000	-	(510 000)	-	7 600 000
SGSKF-2012	Jan.15	Jan.17	1 448.85	3 201 292	-	(57 724)	(3 500)	3 140 068
SGSWS-2013	Jan.16	Jan.18	1 989.31	3 183 130	-	(73 310)	-	3 109 820
SGSPF-2014	Jan.17	Jan.19	2 059.00	-	3 099 613	(72 266)	-	3 027 347
TOTAL				18 503 261	3 099 613	(876 264)	(2 167 416)	18 559 194
Of which exercisable				897 483				1 562 115

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

SGS GROUP RESULTS

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 total expense of CHF 10 million (2013: CHF 5 million) in relation with equity-settled share-based payments.

Shares available for future option plans:

	TOTAL
AT 1 JANUARY 2013	(24 452)
Repurchased shares	18 403
Options granted (SGSWS Plan and adjustments)	(37 537)
Options cancelled	10 397
AT 31 DECEMBER 2013	(33 189)
Repurchased shares	-
Options granted (SGSPF Plan and adjustments)	(35 000)
Options cancelled	47 554
AT 31 DECEMBER 2014	(20 635)

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

<i>(CHF million)</i>	2014 TOTAL	2013 TOTAL
Number of shares held	146 930	171 596
Shares allocated to 2009 option plans	-	(6 636)
Shares allocated to 2010 option plans	(6 513)	(15 713)
Shares allocated to 2011 option plans	(62 743)	(117 114)
Shares allocated to 2012 option plans	(32 525)	(33 112)
Shares allocated to 2013 option plans	(31 480)	(32 211)
Shares allocated to 2014 option plans	(34 304)	-
SHARES (REQUIRED)/AVAILABLE FOR FUTURE OPTION PLANS AT 31 DECEMBER	(20 635)	(33 189)

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.

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:

<i>(CHF million)</i>	2014	2013
Short-term benefits	15	14
Post-employment benefits	1	1
Share-based payments ¹	3	3
Severance payments	-	-
TOTAL	19	18

1. Estimated market value of options that will be allocated in February 2015.

The remuneration of Directors and members of the Operations Council is determined by the Nomination and Remuneration Committee. Additional information is disclosed in the SGS Remuneration Report (pages 42 to 58).

During 2014 and 2013, 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 2014, Directors' fees were CHF 1 943 000 (2013: CHF 1 837 000). The Chairman of the Board did not receive options for 2014 (2013: CHF 189 000).

The total compensation (cash and options) received by the Operations Council (including Senior Management) amounted to CHF 16 510 000 (2013: CHF 16 827 000).

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 129 to 143 of this report.

LOANS TO MEMBERS OF GOVERNING BODIES

As at 31 December 2014, 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 0 (2013: CHF 9.0 million). Related trade receivable balances unpaid as at 31 December 2014 amounted to CHF 0 (2013: CHF 0 million). No expense was incurred in 2014 and in 2013 in respect of any bad or doubtful debts due from these related parties.

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SIGNIFICANT SHAREHOLDERS

As at 31 December 2014, Groupe Bruxelles Lambert acting through Serena SàRL held 15.00% (2013: 15.00%), Mr. August von Finck and members of his family acting in concert held 14.97% (2013: 14.97%), the Bank of New York Mellon Corporation held 3.43% (2013: 3.18%) and BlackRock Inc. held 3.00% (2013: nil) of the share capital and voting rights of the Company.

At the same date, SGS Group held 1.88% of the share capital of the Company (2013: 2.19%).

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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 6 February 2015, and will be submitted for approval by the Annual General Meeting of Shareholders' to be held on 12 March 2015.

On 15 January 2015, the Swiss National Bank removed the currency ceiling against the Euro (EUR). This resulted in a significant strengthening of the Swiss Franc (CHF) against all major currencies in which the Group operates.

The Group has assessed the impact, particularly on counter-party risk, currency exposures and intangible assets, including goodwill.

The event described has no impact on the accounting policies applied, including on the valuation principles followed or on management estimates, in the preparation of the consolidated financial statements for the year ended 31 December 2014.

The Board of Directors of SGS SA has authorised a new Share Buy-Back programme of up to CHF 750 million. Up to CHF 500 million are designated for cancellation and the remainder for employee equity participation plans and/or utilisable as underlying securities for potential issuances of convertible bonds. The programme is expected to start early February 2015 and close 31 December 2016 at the latest.

On 30 January 2015, Mr. August von Finck and members of his family acting in concert increased their stake from 14.97% to 15.03%.

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of
SGS SA, GENEVA

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of SGS Group presented on pages 62 to 118, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation 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 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. 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 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 2014 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.

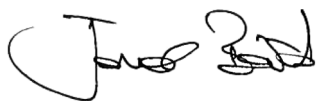
REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (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

*Licensed Audit Expert
Auditor in Charge*



Fabien Bryois

Licensed Audit Expert

Geneva, 6 February 2015

SGS SA RESULTS





INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)

	NOTES	2014	2013
INCOME			
Dividends from subsidiaries		375	744
Financial income	5	54	36
Other income		1	1
Exchange gain, net		0	-
Liquidation of subsidiaries, net		3	-
TOTAL INCOME		433	781
EXPENSES			
Administrative expenses		(4)	(4)
Liquidation of subsidiaries, net		-	0
Depreciation		0	0
Financial expenses	5	(47)	(37)
Other expenses		0	(3)
Exchange loss, net		-	(11)
TOTAL EXPENSES		(51)	(55)
PROFIT			
Profit before taxes		382	726
Taxes		(4)	(9)
PROFIT FOR THE YEAR		378	717

BALANCE SHEET AT 31 DECEMBER

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

<i>(CHF million)</i>	NOTES	2014	2013
ASSETS			
NON-CURRENT ASSETS			
Land and buildings		3	3
<i>Financial assets</i>			
Investments in subsidiaries		1 116	1 131
Loans to subsidiaries		1 295	1 156
Other financial assets		1	1
TOTAL NON-CURRENT ASSETS		2 415	2 291
CURRENT ASSETS			
Amounts due from subsidiaries		299	354
Other current assets		19	16
Cash and cash equivalents		790	268
TOTAL CURRENT ASSETS		1 108	638
TOTAL ASSETS		3 523	2 929
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	2 & 3	8	8
General reserve	2	34	34
Reserve for own shares	2	172	204
Retained earnings	2	750	839
TOTAL EQUITY		964	1 085
LIABILITIES			
<i>Non-current liabilities</i>			
Other long term liabilities		15	-
Corporate bonds	4	1 642	1 275
<i>Current liabilities</i>			
Provisions		37	36
Amounts due to subsidiaries		841	514
Other liabilities and accruals		24	19
TOTAL LIABILITIES		2 559	1 844
TOTAL EQUITY AND LIABILITIES		3 523	2 929

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.

NOTES

1

SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting principles required by Swiss law. They are prepared under the historical cost convention and on the accrual basis. During the year, there were no changes to the 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. Unrealised gains and losses arising on foreign exchange transactions are included in the determination of the net profit, except long-term unrealised gains on long-term loans and related instruments which are deferred.

DIVIDENDS FROM SUBSIDIARIES

In accordance with Swiss law, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of profit in the year to which they relate or for which they are proposed by the Board of Directors. As a result, dividends are recognised in income in the year in which they are received, on a cash basis.

BONDS

Bonds are recorded at nominal value.

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 rotational 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 17 October 2014.

2

TOTAL EQUITY

(CHF million)

	SHARE CAPITAL	GENERAL RESERVE	RESERVE FOR OWN SHARES	RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2013	8	34	208	562	812
Dividends paid	-	-	-	(444)	(444)
Decrease in the reserve for own shares	-	-	(4)	4	-
Profit for the year	-	-	-	717	717
BALANCE AT 31 DECEMBER 2013	8	34	204	839	1 085
Dividends paid	-	-	-	(499)	(499)
Decrease in the reserve for own shares	-	-	(32)	32	-
Profit for the year	-	-	-	378	378
BALANCE AT 31 DECEMBER 2014	8	34	172	750	964

3

SHARE CAPITAL

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL CHF (MILLION)
BALANCE AT 1 JANUARY 2013	7 632 042	190 394	7 822 436	8
Treasury shares released into circulation	37 201	(37 201)	-	-
Treasury shares purchased, net	(18 403)	18 403	-	-
BALANCE AT 31 DECEMBER 2013	7 650 840	171 596	7 822 436	8
Treasury shares released into circulation	24 666	(24 666)	-	-
BALANCE AT 31 DECEMBER 2014	7 675 506	146 930	7 822 436	8

Issued Share Capital

SGS SA has a share capital of CHF 7 822 436 (2013: CHF 7 822 436) fully paid-in and divided into CHF 7 822 436 (2013: 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 2014, SGS SA held 146 930 of its own shares for which SGS SA has recorded a "reserve for own shares".

In 2014, 24 666 treasury shares were sold to cover option rights. 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 19 March 2015.

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.

4

CORPORATE BONDS

SGS SA made the following bond issuances:

DATE OF ISSUE	FACE VALUE IN CHF MILLION	COUPON IN %	YEAR OF MATURITY	ISSUE PRICE IN %	REDEMPTION PRICE IN %
19.08.2010	417	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
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	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.

In February 2014, the Company issued a 10 year CHF 250 million straight bond with a coupon of 1.75%. At the same time, bond holders of CHF 133 million accepted to exchange their existing 2016 bonds into new bonds with a term of 8 years amounting to CHF 138 million and maturing in 2022 with a coupon of 1.375%.

Finally, the Company re-opened the bond maturing in 2022 and increased the amount by CHF 112 million to a total of CHF 250 million.

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

5

FINANCIAL INCOME AND FINANCIAL EXPENSES

(CHF million)	2014	2013
FINANCIAL INCOME		
Interest income 3 rd party	1	0
Interest income Group	53	36
TOTAL FINANCIAL INCOME	54	36
FINANCIAL EXPENSES		
Interest expenses 3 rd party	(37)	(28)
Interest expenses Group	(3)	(2)
Other financial expenses	(7)	(7)
TOTAL FINANCIAL EXPENSES	(47)	(37)

6

GUARANTEES AND COMFORT LETTERS

<i>(CHF million)</i>	2014 ISSUED	2014 UTILISED	2013 ISSUED	2013 UTILISED
Guarantees	212	159	184	92
Performance bonds	23	23	22	22
TOTAL	235	182	206	114

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

<i>(CHF million)</i>	2014	2013
Buildings	15	15

8

SUBSIDIARIES

The list of principal Group subsidiaries appears in the Annual Report on pages 152 to 155.



9

REMUNERATION

9.1. COMPANY'S REMUNERATION POLICY AND GOVERNANCE

9.1.1. Remuneration Policy and Principles

The Company's remuneration policy is defined by the Board of Directors with two main objectives: to attract and retain the best talents available in the industry, and to motivate employees and managers to create and protect value for our shareholders by driving long-term sustainable financial success.

The remuneration policy is built on core principles that are aligned to the Company's business strategy of profitable growth and that aim to drive and support the Company's core values of passion, integrity, entrepreneurship and innovative spirit:

REMUNERATION PRINCIPLES

PAY FOR PERFORMANCE

A substantial portion of remuneration is directly linked to business performance.

LONG-TERM VALUE CREATION AND ALIGNMENT TO SHAREHOLDERS' INTERESTS

Part of the remuneration is delivered in the form of equity compensation subject to a multi-year vesting period.

MARKET COMPETITIVENESS

Remuneration levels are in line with competitive market practice in order to be able to attract, retain and develop the best talent.

INTERNAL EQUITY

Remuneration programs are straightforward and fair, they link remuneration to the level of responsibilities and to the skill-set required to perform the role.

9.1.2. Remuneration Governance

9.1.2.1. Nomination and Remuneration Committee

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-based plans (including Long Term Incentive plans) as well as the allocation of share-based awards and the conditions of their granting, vesting and exercise.

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.

General executive remuneration policies, including the implementation of long term incentive plans and the determination of financial targets relevant to any incentive plan, are decided by the Board based on the recommendation of the Committee.

The following charts summarise the authorisation levels for the main decisions relating to the compensation of the Board and the Operations Council members. When reviewing and deciding on executive remuneration policies, the Committee and the Board have access to Group Human Resources staff and may use third party consultants specialising in compensation matters. In 2014, neither the Committee nor the Board had recourse to such external advisors.

SGS SA RESULTS

Current authorisation levels:

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
Fixation of annual financial targets for variable remuneration of Operations Council Members	CEO	Board of Directors
Annual Share Options Plans grants	CEO	Committee ¹

1. *Nomination and Remuneration Committee.*

Authorisation levels from 2015 Annual General Meeting of shareholders (AGM):

SUBJECT MATTER	RECOMMENDATION	APPROVAL
Aggregate remuneration amount of the Board of Directors	Board of Directors	AGM (binding vote)
Individual remuneration of the Chairman of the Board of Directors	Committee ¹	Board of Directors
Individual remuneration of the members of the Board of Directors	Committee ¹	Board of Directors
Aggregate remuneration amount of the Operations Council	Board of Directors	AGM (binding vote)
Individual remuneration of the CEO	Committee ¹	Board of Directors
Individual remuneration of the Operations Council Members	CEO	Committee ¹
Establishment of Long-Term Incentive plans	Board of Directors	AGM (binding vote)
Setting of annual financial targets for variable remuneration of Operations Council Member	CEO	Board of Directors
Remuneration report	Board of Directors	AGM (consultative vote)

1. *Nomination and Remuneration Committee.*

The following Directors served on the Nomination and Remuneration Committee in 2014:

- Sergio Marchionne (Chairman until March)
- Ian Gallienne
- August von Finck
- Shelby du Pasquier (Chairman from March)

In 2014, the Committee met two times and settled two resolutions during the year. The Chairman of the Nomination and Remuneration Committee reports to the Board of Directors after each meeting on the activities of the Committee. The minutes of the Committee meetings are available to the members of the Board of Directors.

As a general rule, the Chairman of the Board of Directors attends the meetings of the Committee, except when matters pertaining to his own compensation are being discussed. Selected members of the Operations Council, the CEO and the Senior VP for HR, may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

9.1.2.2. Rules on Vote on Pay

Starting at the Annual General Meeting in 2015, and as required by the Ordinance, the total amount of the remuneration to be paid to members of the Board of Directors for the coming year, the variable remuneration of the Operation Council members for 2014 and the fixed remuneration of the Operation Council

members for 2016 will be subject to the approval of the shareholders in the form of binding votes on remuneration.

The procedure on the vote by the Shareholders on the proposed fixed and variable remuneration of the Operations Council and compensation to the Board of Directors will be defined in an amendment to the Articles of Association to be introduced at the 2015 Annual General Meeting. The Board will recommend to the AGM the introduction in the Articles of Association of rules mandating separate votes on (i) the Board remuneration for the period until the next Annual General Meeting (ii) the fixed remuneration of the Operations Council for the next calendar year (iii) a retrospective vote on executive variable compensation and (iv) prospective approval of any long term incentive plans.

9.1.2.3. Method of Determination of Compensation - Benchmarking

As a global business in a broad range of sectors, SGS' business success is driven by the commitment and engagement of its employees. Our remuneration policy must take account of both global and local practices, whilst allowing for individual variations. We therefore compare our practices with those of other similar organisations. The Group performs periodic benchmarks against companies which satisfy the following criteria:

- Competitors in the testing, inspection and certification industry, such as Bureau Veritas, Intertek, DNV and TÜV.
- All SMI listed companies

- Internationally active companies within and outside Switzerland which operate in one or more of the industry sectors in which SGS is active, including the energy, mining, industrial, chemical, medical goods, pharmaceutical, durable and non-durable goods, and food sectors, such as Alstom, Glencore-Xstrata, Siemens, DuPont, Baxter, Actelion, Schindler, Amcor.

The elements of executive remuneration benchmarked include annual base salary, allowances, short-term and long-term incentive compensation and benefits. To ensure proper benchmarking we use a proprietary job sizing methodology. Since more than one-third of our Operations Council members are based outside Switzerland, we utilize information published by reputable data providers, including Mercer and Towers Watson, who are able to supply information on both a local and a global basis.

9.2. REMUNERATION MODEL

9.2.1. Structure of Remuneration of the Board of Directors

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

The Chairman receives a fixed annual fee and additional fixed fees for chairing the Audit Committee and the Professional Conduct Committee.

REMUNERATION OF THE BOARD OF DIRECTORS

FIXED ANNUAL FEE	COMMITTEE FEE (PER COMMITTEE)	
300'000	30'000	Chairman
150'000	30'000	Board members

Directors receive an annual fixed fee of CHF 150 000 whilst the Chairman receives CHF 300 000. In addition members of a Board Committee receive CHF 30 000 for each Committee. They do not hold service contracts and are not entitled to any termination or severance payments. They do not participate in the Company's benefit schemes and the Company does not make any pension contributions on their behalf.

In addition, social charges are applied to the above amounts.

9.2.2. Structure of Remuneration of the Operations Council

The remuneration earned by the Chief Executive Officer and by members of the Operations Council comprises: (i) a fixed base salary, (ii) an annual performance bonus, settled partly in cash and partly in options with deferred vesting, (iii) a long term incentive, and (iv) other benefits such as retirement, insurances and perquisites.

The Group's strategic plan drives all the activities in the business. The plan is reflected in to the remuneration strategy that will assist the Group in achieving its financial and other business goals.

The long-term incentive is the vehicle used to drive sustained performance aligned with the Group's long-term strategic plans. Each year, an annual business plan is prepared which sets the objectives to be achieved during the year. The annual performance bonus is used to provide incentive and reward to the annual components of the business plan. Further, the Company considers that the payment of variable remuneration in the form of equity linked instruments with deferred vesting is a key mechanism to align the management's incentives to the interests of shareholders.

SGS SA RESULTS

The table below summarises the various components of the compensation of Operations Council members, including the Chief Executive Officer until 2014:

REMUNERATION ELEMENT	REMUNERATION VEHICLE	DRIVERS	PERFORMANCE MEASURES	PURPOSE	PLAN PERIOD
Base Salary	Monthly cash salary	Position and experience, market practice (benchmarking)	n/a	Attract and retain key executives	Continuous
Annual Bonus	50% cash 50% allocation of stock options, with deferred vesting and blocking periods	Annual business and financial performance	Financial targets: (i) Adjusted 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	1 year performance period 3 years deferral period
Discretionary Bonus	Cash	Exceptional individual performance	n/a	Retain key executives, recognise exceptional individual performance	1 year performance period
Long Term Incentives	Stock options	Long-term strategic performance	Normalised Earnings Per Share	Align executive compensation with the interests of shareholders and reward long-term performance	4 years performance period
Benefits	Retirement benefits and insurances, prerequisites	Market practice	n/a	Protect executives and employees against risks, attract and retain	Continuous

This table will be revised in 2015 to incorporate the changes in the remuneration model, described in page 130.

9.2.2.1. Base Salary

The base salaries of the Chief Executive Officer and of each Operations Council member are reviewed annually on the basis of market data for similar positions in those companies and geographies against which the Group benchmarks itself. In addition to individual performance and contribution, business performance and results, the deciding body takes into account the scope and complexity of the areas of responsibility of the position, skill sets and experience required to perform the role, and relevant market practice in the industry.

9.2.2.2. Annual Bonus

Members of the Operations Council (including the Chief Executive Officer) are entitled to a performance-related annual bonus (the "Annual Bonus"). The Annual Bonus is a short-term variable incentive designed to reward these Executives for position-specific contribution to the Company's performance.

The target incentive is expressed as a percentage of the annual base salary and varies depending on the role. For the CEO, the on-target incentive amounts to 70% of annual base salary,

while on-target incentive is between 35% and 60% for the other members of the Operations Council.

At the beginning of the year, the Board of Directors, on the advice of the Nomination and Remuneration Committee, define the annual performance objectives for the Chief Executive Officer and for each Operations Council member.

- For the CEO, the performance objective is the Group Earnings per Share (EPS). This measure was chosen because it provides a good indicator of the shareholder value derived from earnings growth.

- For the heads of corporate functions (SVPs), the Annual Bonus is based 100% on the Adjusted Group Net Profit after Tax (NPAT). This measure was chosen because it is focused on driving profit at Group level.
- For the EVPs, it is based 50% on the Adjusted Operating Income of their respective business and 50% on the Adjusted Group Net Profit after Tax, focusing their effort on driving profit at their respective business and at the Group level.
- For the COOs, their respective region's Adjusted Operating Income and Economic Value Added account for 62.5% of the bonus, while the Adjusted Group Net Profit after Tax accounts for 37.5%.

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 (Adjusted 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%

For each objective, a target (expected level of performance), a threshold (minimum level of performance to trigger a payout) and a payout curve formed of a decelerator for performance under target and an accelerator for performance over target are pre-defined. At the end of the performance period, the results are assessed against the pre-defined targets and the payout curve. For every percentage point that actual performance is below target, the base calculation amount of the bonus will be reduced by 5%; for every percentage point above target, this amount will be increased by 3%, to a maximum of 250%.

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 the valuation 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 economic value is calculated using a 90 days average market value prior to issuance. In view of exceptional change of the CHF exchange rate against EUR on 15 January 2015 and its consequences on the Swiss Stock Exchange, the options will be granted in February 2015.

The economic value calculation will be done using an average value of 30 working days from 15 January 2015 (included). The share options are granted immediately, but they vest rateably in three equal instalments over a period of three years: one-third at grant, one-third 18 months after the grant and one-third 36 months after the grant. The vested options 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 Bonus 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.

9.2.2.3. Discretionary Bonus

In addition to the Annual Bonus, which rewards the achievement of financial performance targets, in exceptional circumstances the Board of Directors and Nomination and Remuneration Committee may also grant individual Operations Council members a discretionary bonus, based on their exceptional individual performance. If awarded, exceptional discretionary bonuses are granted at the same time as the Annual Bonus to recognize outstanding personal achievement. The total of discretionary bonuses awarded will not exceed 10% of the Operations Council's overall remuneration costs. As a recognition for the recovery of net CHF 32 million in Paraguay, an exceptional reward of CHF 75 000 has been granted to Senior Management. No additional discretionary bonus was awarded in 2014.

9.2.2.4. Long Term Incentive Plans

In addition to the Annual Bonus, the Board of Directors periodically sets Long Term Incentive (LTI) Plans, designed to motivate the leadership team to realise the long-term 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 its stated Earnings Per Share targets, and (2) the participant being employed by the Group on the vesting date.

In 2011, the Company introduced a long term incentive plan (the “2011 LTI Plan”). The vesting is conditional upon the Group achieving or exceeding its 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) by 2014. In 2013, the Board of Directors reviewed these EPS targets and decided to introduce a normalisation in order to exclude material distortions caused

by foreign exchange fluctuations, the issuance of corporate bonds and the adoption of new accounting standards since the inception of the LTI plan.

In 2014, in the light of the normalised EPS, the vesting scale was amended by the Board of Directors to allow 50% vesting in January 2015 to participants employed at the end of January 2015. This is a recognition of the achievements and contribution to the growth of the Company and will drive motivation and engagement for the years ahead. The 2011 LTI Plan involved the granting of options to acquire shares of the Company at a strike price of CHF 1 617. Such options are delivered in the form

of traded warrants, with 100 warrants required to purchase one share. The Group originally set aside 9 000 000 such warrants for this incentive plan. This plan was designed to motivate the leadership team to achieve the objectives of the 2014 Strategic Plan. Full details of this long term incentive plan are provided in note 31 to the Group consolidated financial statements (pages 115 to 116 of the Annual Report).

In 2014, no new Long Term Incentive Plan was introduced by the Group and no additional options were granted to members of the Operations Council under the existing 2011 LTI Plan.

The following table shows the strike price, the vesting period and the exercisable period of the options¹ granted to the Chairman of the Board and to the members of the Operations Council under each plan. It includes options that will be granted in February 2015 with respect to performance and financial results in 2014:

I Annual Share Option Plans

TYPE OF OPTIONS <i>(Year of issue)</i>	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
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)	2 013	01.2013	07.2014	01.2016	01.2016 – 01.2018
SGSPF (2014)	2 059	01.2014	07.2015	01.2017	01.2017 – 01.2019
SGSBB (2015) ³	-	01.2015	07.2016	01.2018	01.2018 – 01.2020

II Long Term Incentive Plan					
SGSMF-2011 LTI (2011)	1 617	-	-	01.2015	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. Specifically for SGSBB: granted in 2015 as settlement of 2014 annual variable remuneration. Strike price to be confirmed in February 2015, in view of the exceptional change of the CHF exchange rate against EUR on 15 January 2015 and its consequences on the Swiss Stock Exchange.

9.2.2.5. Benefits

Additional employment benefits such as allowances or memberships may be awarded in accordance with prevailing practice in the locations of employment of individual Operations Council members. They also include the employer's contributions to social benefits as per the applicable legislation in the country of employment.

Retirement benefits are set out on page 140 in this Report. Geneva - based Operations Council members participate, on the same basis as other Swiss employees of the Group, in the Company's pension scheme. 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. Employees have the possibility to voluntarily increase their contribution rate by 2% above the standard rate. More flexibility has also been granted to employees who wish to fund a potential retirement before the normal age, or for those who wish to continue working after the age of 65.

9.2.2.6. Employment Contracts

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 of six months is respected.

As of 2015, the executive contracts do not provide for any severance payments, and are subject to applicable legislation in the country of employment.

More than one-third of the Operations Council members are not employed in Switzerland.

9.2.2.7. Timeline of Remuneration

The following outlines the timeline of payment of each remuneration element that has been earned in 2014:

- The Annual Base Salary is paid during 2014
- The cash portion of the Annual Bonus is paid shortly after the end of 2014
- The share option portion of the Annual Bonus vest one-third in February 2015, one-third in July 2016 and one-third in January 2018
- The options granted under the Long-Term Incentive in 2011 and earned over the performance period from 2011 to 2014 will vest in January 2015. In 2014, in the light

of the normalised EPS, the vesting scale was amended by the Board of Directors to allow 50% vesting in January 2015 to participants employed at the end of January 2015.

9.3. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

In 2014, 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 following chart details the fees and other cash benefits granted to each of the Directors for their tenure in 2014:

<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2014	SHARE OPTIONS	TOTAL 2014 COMPENSATION (INCLUDING OPTIONS)
S. Marchionne	300	68	54	422	-	422
P. Desmarais	150	-	13	163	-	163
A. von Finck	150	30	14	194	-	194
A.F. von Finck	150	30	16	196	-	196
I. Gallienne	150	30	16	196	-	196
C. Grupp	150	-	11	161	-	161
P. Kalantzis	150	30	14	194	-	194
G. Lamarche	150	30	16	196	-	196
S.R. du Pasquier	150	53	18	221	-	221
TOTAL	1 500	271	172	1 943	-	1 943

SGS SA RESULTS

The following chart details the fees, other cash benefits and share options granted to each of the Directors for their tenure in 2013:

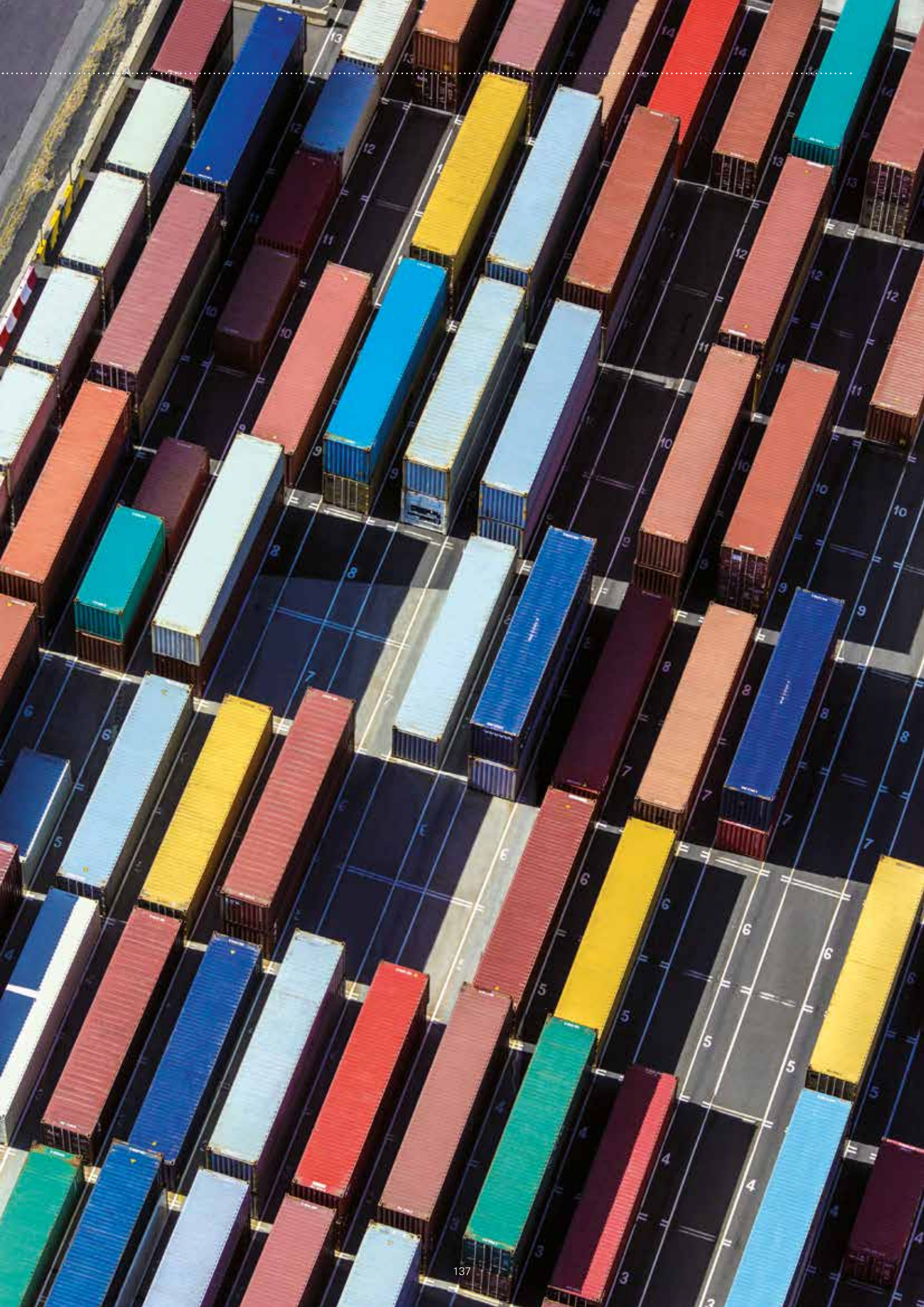
<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2013	SHARE OPTIONS	TOTAL 2013 COMPENSATION (INCLUDING OPTIONS)
S. Marchionne	300	90	55	445	189	634
T.R. Brandolini D'Adda	75	15	-	90	-	90
P. Desmarais	75	-	6	81	-	81
J. Elkann	75	15	-	90	-	90
A. von Finck	150	30	13	193	-	193
A.F. von Finck	150	30	15	195	-	195
I. Gallienne	75	15	7	97	-	97
C. Grupp	150	-	11	161	-	161
P. Kalantzis	150	30	13	193	-	193
G. Lamarche	75	15	7	97	-	97
S.R. du Pasquier	150	30	15	195	-	195
TOTAL	1 425	270	142	1 837	189	2 026

The following table shows the details of the options¹ granted to the Chairman of the Board under each Annual Share Option Plans and Long Term Incentive Plans:

TYPE OF OPTIONS (YEAR OF ISSUE)	STRIKE PRICE ² (CHF)	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2014	NUMBER VESTED ON 31 DECEMBER 2013
SGSMF (2011)	1 617	50 000	142	50 000	33 333
SGSKF (2012)	1 497	50 000	133	33 333	33 333
SGSWS (2013)	2 013	40 000	89	26 667	13 334
SGSPF (2014)	2 059	75 000	189	25 000	-
SGSMF-2011 LTI (2011)	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.



9.4. REMUNERATION AWARDED TO THE CEO, SENIOR MANAGEMENT AND OTHER MEMBERS OF THE OPERATION COUNCIL

This section sets out the 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 for 2014. All amounts disclosed in this section include cash bonuses and options that will be granted in February 2015 with respect to performance in 2014 (disclosure according to the accrual principle).

9.4.1. Cash Compensation

<i>(CHF thousand)</i>	2014	2013
To the Operations Council (including Senior Management)	11 607	12 245
To Senior Management (including Chief Executive Officer)	2 559	2 582
To the Chief Executive Officer	1 649	1 672

The total cash compensation paid to the Operations Council includes the annual base salaries, the cash portion of the Annual Bonus, the Discretionary Bonus if any, and any other cash allowances, including allowances paid to individual members in respect of vehicle, housing and schooling. Post-employment benefits of CHF 1 046 thousand are not included (2013: CHF 1 298 thousand). Employer's contributions to social benefits are excluded as well.

The overall lower cash compensation is explained by the fact that several members of the Operations Council joined or left during 2014.

The achievement of financial targets in the businesses and in the regions ranges from 77.2% to 107.7%. Consequently, the overall payout ranges from 42.6% to 148% for the members of the Operations Council (excluding CEO) and amounts to 123.6% for the CEO.

In 2014, the bonus calculated was based on the Adjusted Operating Income incorporating the positive impact of the Paraguay settlement.

9.4.2. Share Options

9.4.2.1. Annual Share Option Plans

In settlement of 2014 Annual Bonus entitlements, SGSBB options will be granted to the Operations Council (including Senior Management) in February 2015 on the basis of 2014 results (2013: 926 061 SGSPF options were granted in January 2014). Such SGS options grant the right to acquire shares of SGS at a strike price which will be confirmed in February 2015 (100 options give the right to acquire one share). They vest in tranches of one-third in 2015, 2016 and 2018 and are subject to a blocking period ending in January 2018.

In view of the exceptional change of the CHF exchange rate against EUR on 15 January 2015 and its consequences on the Swiss Stock Exchange, the options will be granted in February 2015. The economic value calculation will be done using an average value of 30 working days from 15 January 2015 (included).

9.4.2.2. Long Term Incentive Plan

Under the 2011 LTI Plan, a total of 4 350 000 SGSMF-2011 LTI options were granted to the Operations Council members (including Senior Management) in 2011. 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 vesting of such options in January 2015 was conditional on 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) by 2014. In 2013, the Board of Directors reviewed these EPS targets and decided to introduce a normalisation in order to exclude material distortions caused by foreign exchange fluctuations, the issuance of corporate bonds and the adoption of new accounting standards since the inception of the LTI plan. In 2014, in the light of the normalised EPS, the vesting scale was amended by the Board of Directors to allow 50% vesting in January 2015 to participants employed at the end of January 2015. This is a recognition of the achievements and contribution to the growth of the Company and will drive motivation and engagement for the years ahead.

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 2014. It includes options that will be granted in February 2015 with respect to performance and financial results in 2014.

TYPE OF OPTIONS ¹ (YEAR OF ISSUE)	STRIKE PRICE (CHF) ²	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2014	NUMBER VESTED ON 31 DECEMBER 2013
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)					
SGSMF (2011)	1 617	877 389	2 501	877 389	584 926
SGSKF (2012)	1 497	986 587	2 624	657 725	657 725
SGSWS (2013)	2 013	1 036 765	2 312	691 177	345 588
SGSPF (2014)	2 059	986 061	2 485	328 687	-
SGSMF-2011 LTI	1 617	4 350 000	12 398	-	-
SGSBB (2015) ³	-	-	2 908	-	-
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)					
SGSMF (2011)	1 617	246 769	703	246 769	164 513
SGSKF (2012)	1 497	282 863	752	188 575	188 575
SGSWS (2013)	2 013	163 223	364	108 815	54 408
SGSPF (2014)	2 059	394 021	893	131 340	-
SGSMF-2011 LTI	1 617	1 120 000	3 192	-	-
SGSBB (2015) ³	-	-	826	-	-
CHIEF EXECUTIVE OFFICER					
SGSMF (2011)	1 617	174 920	499	174 920	116 613
SGSKF (2012)	1 497	180 225	479	120 150	120 150
SGSWS (2013)	2 013	48 577	108	32 385	16 192
SGSPF (2014)	2 059	282 818	713	94 273	-
SGSMF-2011 LTI	1 617	800 000	2 280	-	-
SGSBB (2015) ³	-	-	687	-	-

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

2. Before adjustment for capital reductions and special dividends.

3. Options to be granted in 2015 as settlement of the 2014 bonus. Estimated market value of options that will be allocated in February 2015.

SGS SA RESULTS

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

The tables below present all components of the remuneration earned in 2013 and 2014 by the Operations Council, by the Senior Management and by the Chief Executive Officer.

Total compensation in 2014:

<i>(CHF thousand)</i>	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF SHARE OPTIONS¹	DISCRETIONARY CASH BONUS	TOTAL 2014 COMPENSATION (INCLUDING OPTIONS)
To the Operations Council (including Senior Management) ²	7 680	1 046	2 198	2 603	2 908	75	16 510
To Senior Management (including Chief Executive Officer) ³	1 576	271	344	889	826	75	3 906
To the Chief Executive Officer	1 000	172	216	577	687	-	2 652

1. Estimated market value of options that will be allocated in February 2015.

2. 24 FTE (Full Time Equivalent).

3. 3 FTE.

Total compensation in 2013:

<i>(CHF thousand)</i>	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF SHARE OPTIONS	DISCRETIONARY CASH BONUS	TOTAL 2013 COMPENSATION (INCLUDING OPTIONS)
To the Operations Council (including Senior Management) ¹	7 737	1 298	2 240	2 007	2 335	1 210	16 827
To Senior Management (including Chief Executive Officer) ²	1 679	332	343	751	893	60	4 058
To the Chief Executive Officer	1 000	178	216	600	713	-	2 707

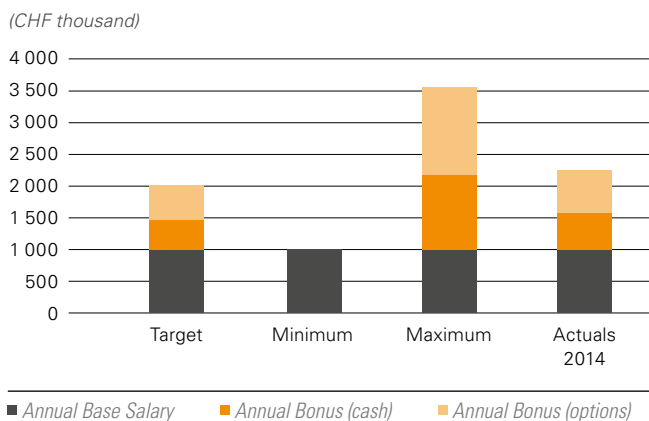
1. 24 FTE (Full Time Equivalent).

2. 3 FTE.

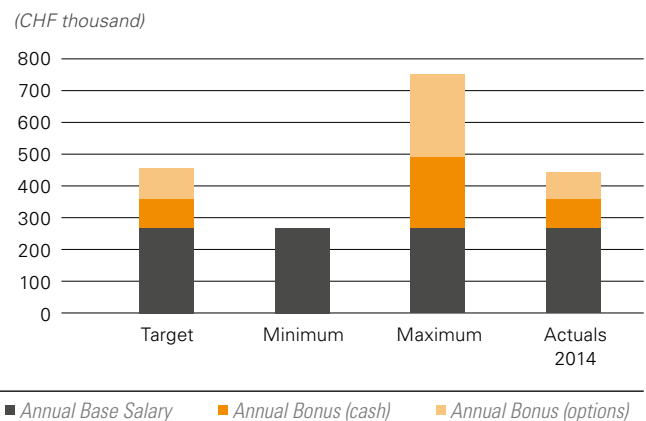
In the year under review, the highest compensation paid by the Group was awarded to the Chief Executive Officer.

The following chart illustrates the ratio between fixed and variable remuneration for the CEO and for the other members of the Operations Council on average (without CEO). The ratio depends on the extent to which pre-defined objectives have been achieved and is being shown at target (assuming performance at the required level), at minimum (no payout under the Annual Bonus due to underperformance), at maximum (maximum payout under the Annual Bonus due to over performance) and at actual levels achieved in 2014.

CEO REMUNERATION MIX



OPERATION COUNCIL (EXCLUDING CEO) REMUNERATION MIX (ON AVERAGE)



In 2014, the variable remuneration of the Chief Executive Officer represented 56% of the total compensation (2013: 57%), split in cash (26%) and options (30%). For the Operations Council, including Senior Management, the variable remuneration amounted to 42% of the total compensation on average (2013: 42%), split in cash (20%) and options (22%). Total compensation includes the guaranteed part (base salary) and the variable part (Annual Bonus in cash and options). It excludes fringe and social benefits.

9.4.4. Other Compensation

9.4.4.1. Severance Payments

In 2014, no severance payment was made to Operations Council members (2013: CHF 150 000).

9.4.4.2. Loans to Members of Governing Bodies

As at 31 December 2014, no loan, credit or outstanding advance was due to the Group from members of its governing bodies (unchanged from prior year).

10

SHARES AND OPTIONS HELD BY MEMBERS OF GOVERNING BODIES

10.1. 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 2014:

NAME	SGSMF	SGSKF	SGSWS	SGSPF	SHARES
S. Marchionne	50 000	33 333	26 667	25 000	700
A. von Finck	-	-	-	-	19 670
A.F. von Finck	-	-	-	-	439 515
C. Grupp	-	-	-	-	1
P. Kalantzis	-	-	-	-	150
S.R. du Pasquier	-	-	-	-	10
P, Desmarais	-	-	-	-	10
I. Gallienne	-	-	-	-	1
G. Lamarche	-	-	-	-	25

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2013:

NAME	SGSOP	SGSMF	SGSKF	SGSWS	SHARES
S. Marchionne	50 000	33 332	33 333	13 334	700
A. von Finck	-	-	-	-	19 670
A.F. von Finck	-	-	-	-	439 515
C. Grupp	-	-	-	-	1
P. Kalantzis	-	-	-	-	20
S.R. du Pasquier	-	-	-	-	10
P, Desmarais	-	-	-	-	10
I. Gallienne	-	-	-	-	1
G. Lamarche	-	-	-	-	25

10.2. SHARES AND OPTIONS HELD BY SENIOR MANAGEMENT

The following table shows the shares and vested options held by Senior Management as at 31 December 2014:

NAME	CORPORATE RESPONSIBILITY	SGSMF	SGSKF	SGSWS	SGSPF	SHARES
C. Kirk	Chief Executive Officer	174 920	120 150	32 384	94 273	1 199
C. De Geyseler	Chief Financial Officer	-	-	-	40 000	-
O. Merkt	General Counsel & Chief Compliance Officer	10 000	27 370	28 842	8 821	45

The following table shows the shares and vested options held by Senior Management as at 31 December 2013:

NAME	CORPORATE RESPONSIBILITY	SGSOP	SGSMF	SGSKF	SGSWS	SHARES
C. Kirk	Chief Executive Officer	42 647	116 612	120 150	16 192	1 199
G. Matchett	Chief Financial Officer	-	25 284	41 055	23 794	-
O. Merkt	General Counsel & Chief Compliance Officer	11 000	22 614	27 370	14 421	45



SIGNIFICANT SHAREHOLDERS

As at 31 December 2014, Groupe Bruxelles Lambert acting through Serena Sàrl held 15.00% (2013: 15.00%), Mr. August von Finck and members of his family acting in concert held 14.97% (2013: 14.97%), the Bank of New York Mellon Corporation held 3.43% (2013: 3.18%) and Blackrock Inc held 3.0% of the share capital and voting rights of the Company.

At the same date, SGS Group held 1.88% of the share capital of the Company (2013: 2.19%).

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

<i>(CHF)</i>	2014	2013
Profit for the year	378 165 415	716 901 451
Balance brought forward from previous year	341 877 870	119 625 639
Dividend paid on own shares released into circulation in 2013 prior the Annual General Meeting on 19 March 2013	-	(1 650 158)
Dividend paid on own shares released into circulation in 2014 prior the Annual General Meeting on 13 March 2014	(1 645 215)	-
Reversal from the reserve for own shares	31 321 687	4 305 538
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	749 719 757	839 182 470
<i>Proposal of the Board of Directors:</i>		
Dividends ¹	(521 934 408)	(497 304 600)
BALANCE CARRIED FORWARD	227 785 349	341 877 870
Ordinary gross dividend per registered share	68.00	65.00

1. No dividend is paid on own shares held by SGS SA.

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of
SGS SA, GENEVA

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of SGS SA presented on pages 122 to 144, which comprise the balance sheet as at 31 December 2014, and the income statement and notes for the year then ended.

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 2014 comply with Swiss law and the company's articles of incorporation.

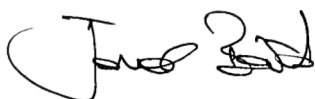
REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (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, 6 February 2015

DATA





DATA

SGS GROUP – FIVE YEAR STATISTICAL DATA CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	2014	2013	2012	2011	2010
REVENUES	5 883	5 830	5 569	4 797	4 757
Salaries and wages	(2 891)	(2 871)	(2 733)	(2 304)	(2 228)
Subcontractors' expenses	(361)	(357)	(338)	(331)	(313)
Depreciation, amortisation and impairment	(304)	(298)	(280)	(225)	(225)
Other operating expenses	(1 386)	(1 392)	(1 384)	(1 147)	(1 155)
OPERATING INCOME (EBIT)	941	912	834	790	836
Analysis of operating income					
Adjusted operating income	947	977	930	815	848
Restructuring costs	(11)	(33)	(68)	-	-
Amortisation of acquisition intangibles	(20)	(20)	(16)	(16)	(8)
Transaction and integration-related costs	(7)	(12)	(12)	(9)	(4)
Other non-recurring items	32	-	-	-	-
Operating income	941	912	834	790	836
Financial income/(expense)	(41)	(38)	(41)	(26)	(7)
PROFIT BEFORE TAXES	900	874	793	764	829
Taxes	(234)	(236)	(214)	(203)	(215)
PROFIT FOR THE YEAR	666	638	579	561	614
Profit attributable to:					
Equity holders of SGS SA	629	600	545	534	588
Non-controlling interests	37	38	34	27	26
ADJUSTED OPERATING INCOME MARGIN IN %	16.1	16.8	16.7	17.0	17.8
AVERAGE NUMBER OF EMPLOYEES	83 515	80 510	76 790	67 633	60 321

SGS GROUP – FIVE YEAR STATISTICAL DATA CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER

<i>(CHF million)</i>	2014	2013	2012	2011	2010
Land, buildings and equipment	1 043	1 029	1 015	888	756
Goodwill and other intangible assets	1 337	1 216	1 172	1 044	982
Investments in associated and other companies	24	18	17	1	2
Deferred tax and other non-current assets	244	215	266	247	235
TOTAL NON-CURRENT ASSETS	2 648	2 478	2 470	2 180	1 975
Unbilled revenues and inventories	330	330	302	257	217
Trade accounts and notes receivable	1 068	952	977	868	772
Other receivables and prepayments	371	306	255	244	202
Cash and marketable securities	1 350	973	987	1 211	815
TOTAL CURRENT ASSETS	3 119	2 561	2 521	2 580	2 006
TOTAL ASSETS	5 767	5 039	4 991	4 760	3 981
Share capital	8	8	8	8	8
Reserves	2 319	2 135	2 052	1 987	2 061
Equity attributable to equity holders of SGS SA	2 327	2 143	2 060	1 995	2 069
Non-controlling interests	76	69	58	50	39
TOTAL EQUITY	2 403	2 212	2 118	2 045	2 108
Loans and obligations under finance leases	1 672	1 293	1 305	1 299	553
Deferred tax liabilities	74	66	72	58	63
Provisions and retirement benefit obligations	273	190	273	275	254
TOTAL NON-CURRENT LIABILITIES	2 019	1 549	1 650	1 632	870
Loans and obligations under finance leases	18	15	17	6	3
Trade and other payables	511	502	492	447	401
Current tax liabilities	175	142	103	86	91
Provisions, other creditors and accruals	641	619	611	544	508
TOTAL CURRENT LIABILITIES	1 345	1 278	1 223	1 083	1 003
TOTAL LIABILITIES	3 364	2 827	2 873	2 715	1 873
TOTAL EQUITY AND LIABILITIES	5 767	5 039	4 991	4 760	3 981
CAPITAL EXPENDITURE					
Land, buildings and equipment	305	357	386	345	261

SGS GROUP – FIVE YEAR STATISTICAL SHARE DATA

(CHF unless indicated otherwise)

	2014	2013	2012	2011	2010
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	7 675 506	7 650 840	7 632 042	7 596 871	7 629 482
PRICE					
High	2 260	2 450	2 156	1 724	1 704
Low	1 802	1 952	1 559	1 255	1 332
Year-end	2 045	2 052	2 026	1 555	1 569
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	303.13	280.08	269.95	263.75	272.53
Basic earnings per share ¹	81.99	78.43	71.52	70.52	77.64
Dividend per share ordinary	68.00 ²	65.00	30.00	30.00	30.00
Dividend per share special	-	-	28.00	35.00	35.00
Total dividend per share	68.00	65.00	58.00	65.00	65.00
DIVIDENDS (CHF MILLIONS)					
Ordinary	522 ²	497	229	228	229
Special	-	-	214	266	267
Total	522	497	443	494	496

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 9, page 83.

2. As proposed by the Board of Directors.

SGS GROUP SHARE INFORMATION

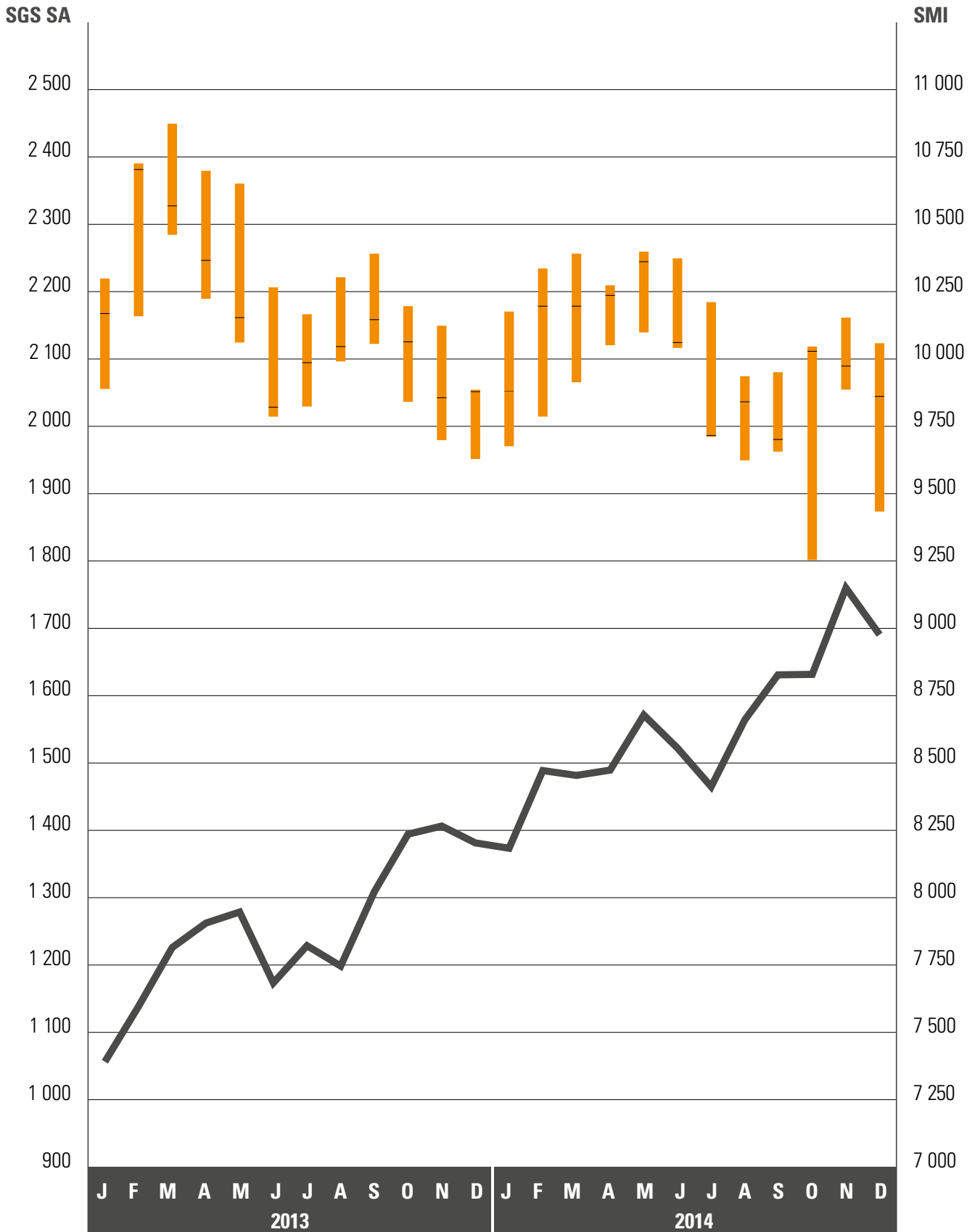
SHARE TRANSFER

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 2014, market capitalisation was approximately CHF 15 997 million (2013: CHF 16 052 million). Shares are quoted on the SIX Swiss Exchange.

CLOSING PRICES FOR SGS AND THE SMI 2013–2014



SGS SA
 HIGH PRICE
 CLOSE
 LOW PRICE

SWISS MARKET INDEX (MONTHLY CLOSE)

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	SGS 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	Société Générale de Surveillance Azeri, 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	2 151	100	I
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS do Brasil Ltda., São Paulo	BRL	68 009 486	100	D
Brazil	SGS Enger Engenharia Ltda, Barueri-SP	BRL	3 000 000	100	I
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	10 000	100	D
Burkina Faso	SGS Burkina S.A., Ouagadougou	XOF	10 000 000	100	D
Cambodge	SGS (Cambodia) Ltd., Phnom Penh	KHR	400 000 000	100	D
Cameroon	SGS Cameroun S.A., Douala	XAF	10 000 000	100	D
Canada	SGS Canada Inc., Mississauga	CAD	20 900 000	100	D
Chile	SGS Chile Limitada, Santiago de Chile	CLP	9 394 781 237	100	D
Chile	CIMM Tecnologías y Servicios S.A., Santiago de Chile	CLP	6 715 706 117	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 Técnicos S.A., (ETSA), Bogota	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 Hvidovre	DKK	700 000	100	I
Democratic Republic of Congo	SGS RDC SPRL, Kinshasa	USD	50 000	100	D
Dubai	<i>(see United Arab Emirates)</i>				

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
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
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
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
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 Saar 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	Compañía 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	518 000 000	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
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	15 617 540 000	100	D
Kuwait	SGS Kuwait W.L.L., Kuwait	KWD	50 000	49	D

DATA

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Latvia	SGS Latvija Limited, Riga	LVL	118 382	100	I
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., Windhof	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	SGS Mali Sàrlu, Kayes	XOF	2 500 000	100	D
Mauritania	SGS Mauritanie Sàrlau, Nouakchott	MRO	1 000 000	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	10 522 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	50	D
Norway	SGS Norge A/S, Austrheim	NOK	804 000	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	13 081 182	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	10 144 200	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

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
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	5 990 006	100	D
Spain	SGS Española de Control S.A., Madrid	EUR	240 000	100	I
Spain	SGS Tecnos, S.A., Sociedad Unipersonal, Madrid	EUR	92 072 034	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	I
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

SHAREHOLDER INFORMATION





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COMMON STOCK SYMBOLS

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ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders will be held on 12 March 2015 in Geneva.

PROJECT MANAGEMENT

Carole Streng

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WHEN YOU NEED TO BE SURE

