



With fuel inspection and marking, Alexander's customers can be confident about the quality of fuel for distribution.



SGS SA RESULTS



INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)

	NOTES	2018	2017
OPERATING INCOME			
Dividends from subsidiaries		480	606
Other income		17	1
TOTAL OPERATING INCOME		497	607
OPERATING EXPENSES			
Other operating and administrative expenses		(6)	(6)
Depreciation of fixed assets		-	-
Other expenses		(24)	(7)
TOTAL OPERATING EXPENSES		(30)	(13)
OPERATING RESULT		467	594
FINANCIAL INCOME			
Financial income	7	66	57
Exchange gain, net		4	16
TOTAL FINANCIAL INCOME		70	73
FINANCIAL EXPENSES			
Financial expenses	7	(54)	(47)
Liquidation of subsidiaries, net		(4)	-
TOTAL FINANCIAL EXPENSES		(58)	(47)
FINANCIAL RESULT		12	26
PROFIT BEFORE TAXES		479	620
Taxes		(7)	(2)
Withholding taxes		(7)	(9)
PROFIT FOR THE YEAR		465	609

BALANCE SHEET AT 31 DECEMBER

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

<i>(CHF million)</i>	NOTES	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		901	607
Other financial assets		52	46
Amounts due from subsidiaries		359	285
Accrued income and prepaid expenses		2	-
TOTAL CURRENT ASSETS		1 314	938
NON CURRENT ASSETS			
Financial assets			
Investments in subsidiaries	2	1 636	1 651
Loans to subsidiaries		1 236	1 266
Fixed assets			
Tangible fixed assets	3	-	2
TOTAL NON-CURRENT ASSETS		2 872	2 919
TOTAL ASSETS		4 186	3 857
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHORT TERM LIABILITIES			
Other creditors		23	1
Amounts due to subsidiaries		65	60
Corporate bonds (less than one year)	4	375	-
Deferred income and accrued expenses		53	58
Provisions		38	33
TOTAL SHORT-TERM LIABILITIES		554	152
LONG-TERM LIABILITIES/NON-CURRENT LIABILITIES			
Long-term liabilities – subsidiaries		666	499
Corporate bonds	4	2 100	2 075
TOTAL LONG-TERM LIABILITIES/NON-CURRENT LIABILITIES		2 766	2 574
CAPITAL AND RESERVE			
Share capital	5 to 6	8	8
Statutory capital reserve	5 to 6	34	34
Statutory retained earnings	5 to 6	947	992
Own shares for share buyback	5 to 6	(158)	-
Reserve for own shares held by a subsidiary	5 to 6	35	97
TOTAL CAPITAL AND RESERVE		866	1 131
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4 186	3 857

SGS SA ("the Company") is the ultimate parent company of the SGS Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The head office is located in Geneva, Switzerland.

The average number of employees during the year was less than ten.

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting principles required by Swiss law.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are valued individually 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. Unrealized gains and losses arising on foreign exchange transactions are included in the determination of the net profit, except long-term unrealized gains on long-term loans and related instruments, which are deferred.

DIVIDENDS FROM SUBSIDIARIES

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 recognized in income in the year in which they are received, on a cash basis.

BONDS

Bonds are recorded at nominal value.

2. SUBSIDIARIES

The list of principal Group subsidiaries appears in the Annual Report on pages 186-189.

3. TANGIBLE FIXED ASSETS

Last year the tangible fixed asset was a building located at 15, rue des Alpes in Geneva and was recorded at historical cost less accumulated depreciation. In 2018, SGS SA sold the building to the "Fondation de prévoyance SGS" for an amount of CHF 18.5 million, based on an external and independent valuation. The "Fondation de prévoyance SGS" is a foundation whose mission is to protect the employer's staff against the economic consequences of retirement, death and disability, by insuring defined benefits. The President of this foundation has full authority to represent the 'Fondation de prévoyance SGS' in all transactions.

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 %
08.03.2011	375	2.625	2019	100.832	100.000
27.05.2011	275	3.000	2021	100.480	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
08.05.2015	325	0.250	2023	100.079	100.000
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	225	0.750	2025	100.068	100.000
29.10.2018	175	1.250	2028	101.157	100.000

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

5. TOTAL EQUITY

(CHF million)

	SHARE CAPITAL	STATUTORY CAPITAL RESERVE	RESERVE FOR OWN SHARES HELD BY A SUBSIDIARY	OWN SHARES FOR SHARE BUYBACK	STATUTORY RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2017	8	34	115	(361)	1 254	1 049
Dividends paid	-	-	-	-	(528)	(528)
Decrease in the reserve for own shares	-	-	(18)	-	18	-
Cancellation of treasury shares	-	-	-	361	(361)	-
Profit for the year	-	-	-	-	609	609
BALANCE AT 31 DECEMBER 2017	8	34	97	(0)	992	1 131
Dividends paid	-	-	-	-	(572)	(572)
Decrease in the reserve for own shares	-	-	(62)	-	62	-
Purchase of shares for cancellation	-	-	-	(158)	-	(158)
Profit for the year	-	-	-	-	465	465
BALANCE AT 31 DECEMBER 2018	8	34	35	(158)	947	866

6. SHARE CAPITAL

	SHARES IN CIRCULATION	OWN SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF MILLION)
BALANCE AT 1 JANUARY 2017	7 538 507	283 929	7 822 436	8
Own shares released into circulation	30 996	(30 996)	-	-
Own shares purchased for future equity compensation plans	(18 095)	18 095	-	-
Capital reduction by cancellation of own shares	-	(188 704)	(188 704)	-
BALANCE AT 31 DECEMBER 2017	7 551 408	82 324	7 633 732	8
Own shares released into circulation	87 099	(87 099)	-	-
Own shares purchased for future equity compensation plans	(19 800)	19 800	-	-
Treasury shares purchased for cancellation	(68 000)	68 000	-	-
BALANCE AT 31 DECEMBER 2018	7 550 707	83 025	7 633 732	8

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 633 732 (2017: CHF 7 633 732) fully paid-in and divided into 7 633 732 (2017: 7 633 732) registered shares of a par value of CHF 1. In 2017, SGS SA proceed to a capital reduction of 188 704 shares. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

OWN SHARES

On 31 December 2018, SGS SA held indirectly 83 025 of its own shares. In 2017, SGS SA proceed to the cancellation of 188 704 of its own shares directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2018, 87 099 own shares were sold to cover the equity compensation plans and 19 800 were purchased for an average price of CHF 2 403.59.

In 2017, the Group initiated a share buyback program for a total of up to CHF 250 million. The program was completed on 19 December 2018. In total, 105 895 registered shares have been bought back for a total amount of approximately CHF 249.9 million, at an average purchase price of CHF 2 359.67 per share

7. FINANCIAL INCOME AND FINANCIAL EXPENSES

(CHF million)

	2018	2017
FINANCIAL INCOME:		
Interest income third party	4	1
Interest income Group	62	56
FINANCIAL INCOME	66	57
FINANCIAL EXPENSES:		
Interest expenses third party	(30)	(31)
Interest expenses Group	(5)	(3)
Other financial expenses	(19)	(13)
FINANCIAL EXPENSES	(54)	(47)

8. GUARANTEES AND COMFORT LETTERS

(CHF million)

	2018 ISSUED	2018 UTILIZED	2017 ISSUED	2017 UTILIZED
Guarantees	579	373	460	286
Performance bonds	51	51	44	44
TOTAL	630	424	504	330

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.

9. REMUNERATION

9.1. REMUNERATION POLICY AND PRINCIPLES

This section appears in the SGS Remuneration Report paragraph 2 in the Annual Report on pages 94-96.

9.2. REMUNERATION MODEL

This section appears in the SGS Remuneration Report paragraph 3 in the Annual Report on pages 95-105.

9.3. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

This section appears in the SGS Remuneration Report paragraph 4 in the Annual Report on page 105-106.

9.4. REMUNERATION AWARDED TO THE OPERATIONS COUNCIL MEMBER

This section appears in the SGS Remuneration Report paragraph 5 in the Annual Report on pages 107-114.

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 2018:

NAME	SGSBB (2015)	RESTRICTED SHARES	SHARES
A. von Finck	-	-	19 670
A. F. von Finck	-	-	786 255
C. Grupp	-	-	-
P. Kalantzis	-	-	150
S.R. du Pasquier	-	-	10
P. Desmarais	-	-	10
I. Galienne	-	-	1
G. Lamarche	-	-	25
C. Kirk	310 208	49	1 199

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2017:

NAME	SGSPF (2014)	SGSBB (2015)	RESTRICTED SHARES	SHARES
S. Marchionne	-	-	-	1 335
A. von Finck	-	-	-	19 670
A. F. von Finck	-	-	-	786 255
C. Grupp	-	-	-	-
P. Kalantzis	-	-	-	85
S.R. du Pasquier	-	-	-	10
P. Desmarais	-	-	-	-
I. Galienne	-	-	-	-
G. Lamarche	-	-	-	-
C. Kirk	222 818	206 806	46	1 199

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 2018:

NAME	CORPORATE RESPONSABILITY	SGSBB (2015)	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	70 000	509	1 950
C. De Geyseler	Chief Financial Officer	-	177	461
O. Merkt	General Counsel and Chief Compliance Officer	49 572	114	210

The following table shows the shares and vested options held by Senior Management as at 31 December 2017:

NAME	CORPORATE RESPONSABILITY	SGSBB (2015)	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	55 152	325	-
C. De Geyseler	Chief Financial Officer	8 831	134	-
O. Merkt	General Counsel and Chief Compliance Officer	33 048	78	45

Details of the various plans are explained in the Remuneration Report.

11. SIGNIFICANT SHAREHOLDERS

As at 31 December 2018, Group Bruxelles Lambert acting through Serena Sàrl and URDAC held 16.60% (2017: 16.60%), Mr. August von Finck and members of his family acting in concert held 15.52% (2017: 15.52%), Blackrock Inc held 4% (2017: 4.00%) and MFS Investment Management held 3.02% (2017: 3.02%) of the share capital and voting rights of the Company. At the same date, SGS Group held 1.09% of the share capital of the Company (2017: 1.08%)

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

(CHF)	2018	2017
Profit for the year	465 580 866	609 792 420
Balance brought forward from previous year	425 363 022	364 829 480
Dividend paid on own shares released into circulation in 2018 prior to the Annual General Meeting on 19 March 2018	(6 164 250)	-
Dividend paid on own shares released into circulation in 2017 prior to the Annual General Meeting on 21 March 2017	-	(351 442)
Capital reduction by cancellation of shares	-	188 704
Share buyback program	(157 616 100)	-
Reversal from the reserve for own shares	62 238 166	17 259 460
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	789 401 704	991 718 622
<i>Proposal of the Board of Directors:</i>		
Dividends ¹	(588 955 146)	(566 355 600)
BALANCE CARRIED FORWARD	200 446 558	425 363 022
Ordinary gross dividend per registered share	78.00	75.00

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

12. 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 authorized for issue by the Board of Directors on 07 February 2019, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 22 March 2019.

Statutory Auditor's Report

To the General Meeting of
SGS SA, Geneva

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SGS SA, which comprise the balance sheet as at 31 December 2018 and the income statement and notes for the year then ended, including the summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2018, presented on pages 170 to 176, comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investments in subsidiaries and related loans to subsidiaries

Key audit matter

How the scope of our audit responded to the key audit matter

The company holds investments in subsidiaries with a carrying value of CHF1'636 million as of 31 December 2018 (39.1% of total assets). The list of principal Group subsidiaries can be found in the Annual Report on pages 186 to 189. The valuation of these assets is dependent on the ability of these subsidiaries to generate positive cash flows in the future. The company also has loans to subsidiaries amounting to CHF1'236 million.

In accordance with Article 960 CO, these investment balances are valued by individual investment and the values are therefore tested annually for impairment. An impairment would need to be recorded if the recoverable values of individual investments were lower than the associated carrying values, or if loan balances were no longer considered recoverable from the associated entities.

The company uses the "income approach" for its impairment tests of investments, and prepares a discounted cash flow forecast for each significant balance. The inputs to the impairment testing model which have the most significant impact on the recoverable value include:

- Projected revenue growth, operating margins and operating cash-flows in the years 1-5;
- Stable long term growth rates in years 6-10 and in perpetuity; and
- Country and business specific discount rates (pre-tax).

The annual impairment testing is considered to be a risk area for the Board of Directors and a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the statutory financial statements as a whole.

Refer to note 2 to the financial statements.

We tested the adequate implementation of accounting policies and the design and implementation of key controls regarding the valuation of investments in subsidiaries and related loans.

We challenged the impairment testing conducted by the company. We tested the valuations and amounts of investments on a sample basis by critically assessing the methodology applied and assessing the reasonableness of the underlying assumptions and judgements.

Together with our valuation specialists, we performed the following procedures:

- checking the mathematical accuracy of the impairment models and the accuracy of extraction of inputs from source documents;
- challenging the significant inputs and assumptions used in the impairment testing models for investments, specifically the discount rates and the five year projected revenues and margins.

We challenged the recoverability of loans to subsidiaries and tested balances on a sample basis with reference to the financial position of the subsidiaries.

We evaluated the appropriateness and completeness of the related disclosures in the financial statements.

Based on the audit procedures performed above, we consider management's estimates in the assessment of the recoverable value of investments in, and loans to, subsidiaries along with related financial statement disclosures to be appropriate.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse:

<http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the 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



Matthew Sheerin
Licensed Audit Expert
Auditor in Charge



Joëlle Herbette
Licensed Audit Expert

Geneva, 7 February 2019