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AFRICA@SGS

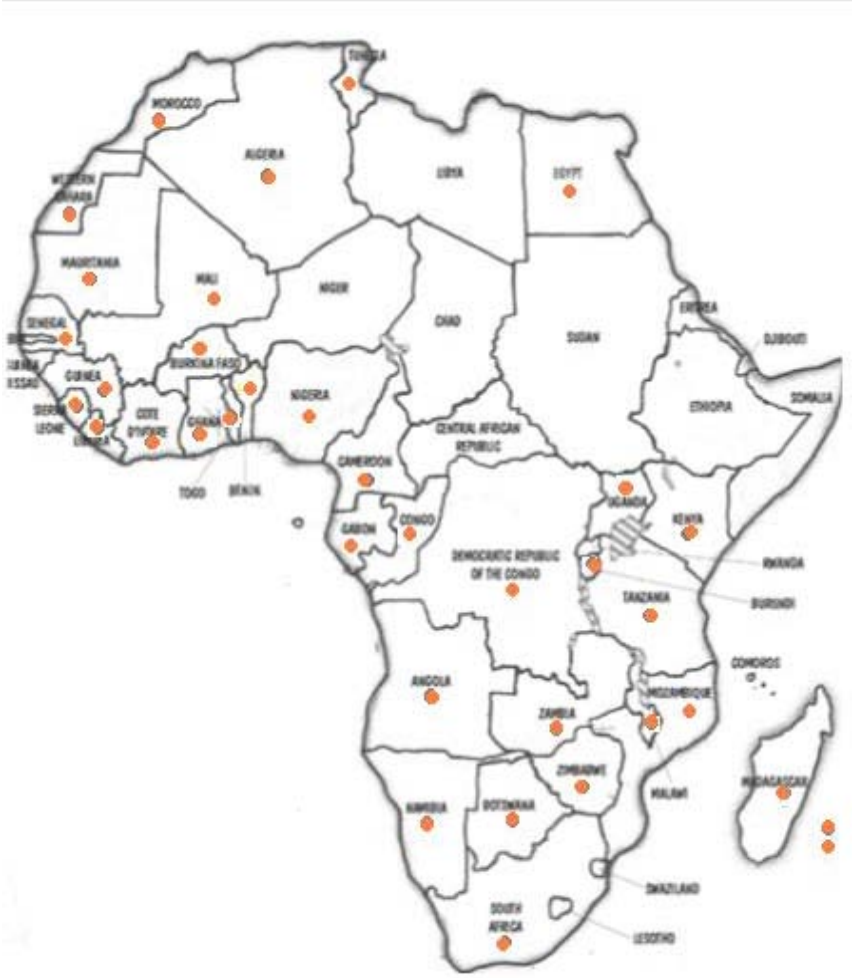
Fred Herren – COO Africa

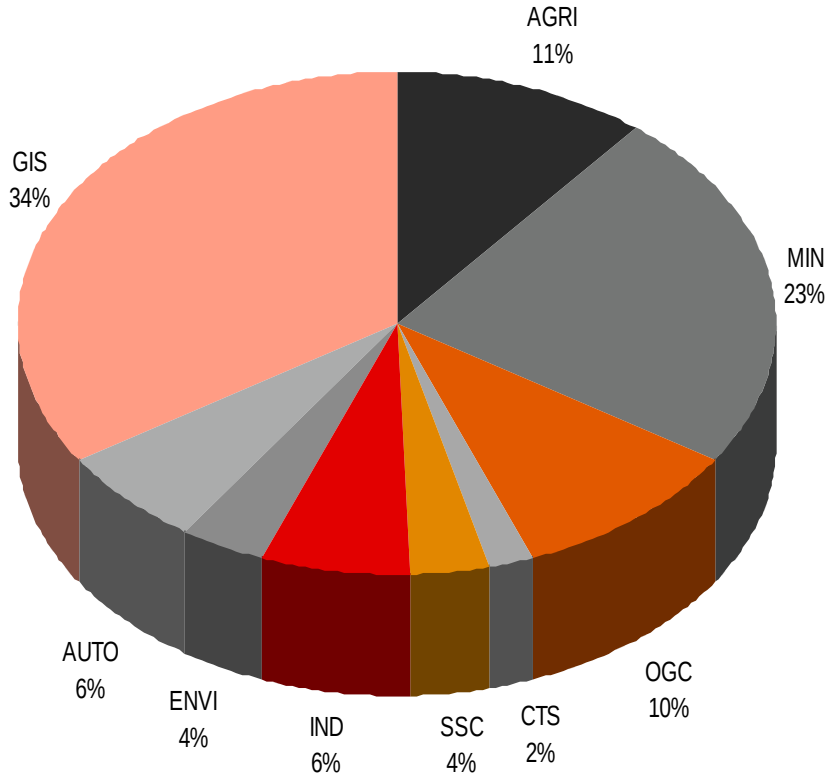
September 2010

WHEN YOU NEED TO BE SURE

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SGS IN AFRICA





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SGS IN AFRICA

- Active in 33 countries
- Over 6’250 employees
- More than 50 laboratories
- Major countries
  - South Africa
  - Egypt
  - Ivory Coast
  - Tanzania
  - Kenya
  - Algeria

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AGRICULTURE

- Traditional commodities inspections, Cocoa, Sugar, Rice, Cereals, Relief food monitoring (WFP, NGO's), Collateral Management Services
- Innovation, pesticide residue testing, fumigations services

MINERALS

- Network of 40 Mineral Laboratories, on-site and commercial
- Metallurgical services, In-plant services, Trade minerals services, Analytical services
- Innovation: Geology and Energy Minerals upstream

OIL & GAS

- Traditional inspection services (quantity surveys), Laboratory services
- Oil condition monitoring (oil scan), Blending, collateral, stock management & loss control, Static & Dynamic metering & calibration
- Innovation: fuel marking programs and on-site production fluids testing

AUTOMOTIVE

- Ivory Coast, Algeria, Morocco, new wins in the making
- Monitoring importation of second hand vehicles
- Innovation: on-road testing of tourism transport vehicles, weighbridges

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- **INDUSTRIAL**
  - Non destructive testing (NDT), Supply chain services, Integrity management, Mechanical testing
  - Innovation: Project finance supervision; Infrastructure (material testing), wind and solar energies
- **GOVERNMENTS AND INSTITUTIONS**
  - TradeNet, Scanning and Forestry
  - Expansion of PCA programs, protection of consumers
  - Changing Pre-shipment inspection programs
  - Innovation: Tracking, E-Government
- **CONSUMER TESTING, SYSTEMS & SERVICES CERTIFICATION, ENVIRONMENT AND LIFE SCIENCE**
  - Extremely limited within a few countries and to basic services
  - Room for expansion

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THE MARKET

- OVER 1 BILLION PEOPLE
- MACRO ECONOMIC CLIMATE
  - Between 2000-2008 GDP average growth 5%
    - only 24% of this is coming from commodities
  - Privatisation of State owned companies, search for efficiency
  - Large amount of foreign investments mainly in natural resources (represents 24% of Africa GDP) and related infrastructure projects
  - Reduction of political conflicts makes economy more attractive
- LIKELY EVOLUTION TO 2014
  - Continued investment in natural resources, related industries and big infrastructure project with increased financing from Chinese, Asian & Gulf countries
  - Rise of African middle class consumers
    - 106 million with more than 5KUSD p.a. (McKinsey)
  - Growth of both industrial and service base
  - More demand for quality and efficiency

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GOING FORWARD

- PURSUE EFFORTS TO RETAIN LEADERSHIP IN KEY SECTORS AND COUNTRIES
  - Africa mining growth will continue and require us to pursue our expansion in line with the demand
  - Fast changing business environment requires us to adapt our services offering
- ADJUST THE ORGANISATION TO THE NEW OPPORTUNITIES
  - Africa has 60% of the world's total amount of uncultivated arable land with investments from public and private sector
    → Soil analysis, seeds services, financing, biofuel services, precision farming.
  - Increased investments in infrastructure (telecommunication, electricity generation, oil & gas, water & transport) by donors, governments and private sector
    → Industrial & Financial Services
  - By 2015, 13% of global oil production will take place in Africa. Continued investments mainly by Chinese and American investors interested in diversifying their source of production
    → Industrial services and OGC upstream
  - Demand for SSC, CTS and ENVI will increase with development of middle class and industrial base
    → centres of excellence and sales
- LEADERSHIP
  - Strong team of leaders and attract talent

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RISKS

- Many countries remain unstable and subject to political and civil instability
- Entry and development of competitors, including local ones in key markets may lead to price pressure
  - Move up
- Cyclical aspect of Minerals and Oil industries can affect demand for our services
  - On site services
- New industry players (Chinese and Junior companies) might in-source certain services
  - Sales
- Reversal of foreign investment and privatisation policies (for example Algeria)

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A FEW MORE FACTS (SOURCE MCKINSEY)

- Real GDP rose by 4.9 percent a year from 2000 through 2008, more than twice its pace in the 1980s and ’90s. Telecommunications, banking, and retailing are flourishing. Construction is booming. Private-investment inflows are surging
- African governments increasingly adopted policies to energise markets. They privatised state-owned enterprises, increased the openness of trade, lowered corporate taxes, strengthened regulatory and legal systems, and provided critical physical and social infrastructure. Nigeria privatised more than 116 enterprises between 1999 and 2006, for example, and Morocco and Egypt struck free-trade agreements
- Africa’s long-term growth will increasingly reflect interrelated social and demographic changes creating new domestic engines of growth. Key among these will be urbanisation, an expanding labour force, and the rise of the middle-class African consumer
- Africa already has more middle-class households (defined as those with incomes of $20,000 or above) than India
- Africa’s rising consumption will create more demand for local products, sparking a cycle of increasing domestic growth
- Demography, lack of wealth redistribution and food crisis related to climate change can all contribute to high instability

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2014 FOR THE COMPLETE PICTURE

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