

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 2018, market capitalization was approximately CHF 16 871 million (2017: CHF 19 397 million). None of the companies under the direct or indirect control of SGS SA have listed shares or other securities on any stock exchange. The principal legal entities consolidated within the Group are listed on pages 186-189 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 2018 are provided in note 3 of the consolidated financial statements included in the section SGS Group Results (pages 128-129) of this Annual Report.

The operations of the Group are divided into eight 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 2018, geographic operations were organized as follows:



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

At 31 December 2018, the business lines are organized as follows:

- Agriculture, Food and Life
- Minerals
- Oil, Gas and Chemicals
- Consumer and Retail
- Certification and Business Enhancement
- Industrial
- Environmental, Health and Safety
- Transportation
- Governments and 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 2018, Groupe Bruxelles Lambert (acting through Serena SARL 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 4.0% (2017: 4.0%) and MFS Investment Management held 3.02% (2017: 3.02%) of the share capital and voting rights of the company.

At the same date, the SGS Group held 1.09% of the share capital of the company (2017: 1.08%)

During 2018, 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: www.six-swiss-exchange.com/shares/companies.

1.3. CROSS-SHAREHOLDINGS

Neither SGS SA nor its direct and indirect subsidiaries have 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 7 633 732 as of 31 December 2018 and comprises 7 633 732 fully, paid-in, registered shares of a par value of CHF 1. On 31 December 2018, SGS SA held 83 025 treasury shares (2017: 82 234). The shares related to the shares buyback program are directly held by SGS SA, the shares to cover the equity compensation plan are held by a subsidiary company.

In 2018, 87 099 treasury 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 two-year share buyback program for a total of up to CHF 250 million. The program was completed on 19 December 2018. Under the program, SGS SA repurchased a total of 105 895 registered shares for a total amount of approximately CHF 249.9 million, at an average purchase price of CHF 2 359.67 per share, as follows:

- 37 895 registered shares on the ordinary trading line, for a total amount of CHF 92.3 million
- 68 000 registered shares on the second trading line, for a total amount of CHF 157.6 million

SGS SA intends to request shareholders to approve the cancellation of the 68 000 registered shares purchased on the second trading line at its 2019 Annual General Meeting. The balance of registered shares repurchased via the ordinary trading line are to be used for SGS's employee participation plans.

2.2. AUTHORIZED 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 authorized 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 authorized 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 21 March 2019.

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 authorized 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 authorized 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 ten years from the date of issuance of the equity-linked instruments.

2.3. CHANGES IN CAPITAL

At the Company's Annual General Meeting in 2017, the Shareholders approved a reduction of the share capital, by cancellation of 188 704 shares which were purchased as part of a previous share buyback program. Consequently, the share capital of the Company was reduced from CHF 7 822 436 to CHF 7 633 732 in 2017. No other changes in the share capital of the Company were made in the course of the last three 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. DIVIDEND-RIGHT CERTIFICATES

The Company has not issued any dividend-right 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, the Company's shares can be registered in the name of a nominee acting in a fiduciary capacity for an undisclosed principal, provided however that shares registered in the names of nominees or fiduciaries may