



EUROLAB Briefing

Special Business Briefing

Global Testing, Inspection and Certification (TIC) market overview

- **Time period:** First half of 2013
- **General trends:** Growth of 8% (in average)
- **Fast growing zones:** Latin America, Eastern Europe, the Middles East, Africa, Pacific and Asia ex. Japan.
- **Growing sectors:** Consumer Testing Services, In-service Inspection & Verification, Sustainable development services, Oil, Gas and Chemicals services.

Key factors for growth:

The general trends show that despite the slowdown in Europe thanks to the fast growing zones the financial half year result for 2013 reports a solid growth of 8%. Most of the non-European operations performed well due to the expansion of non-trade related services in fast-growing geographies. High-level attention was given to the provision of sustainable development services and to the implementation of sector specific schemes and initiatives. Thus, there was an overall organic revenue growth which was determined by strong results in: consumer products and testing, technical inspection & verification, toy testing (benefitting from the EU Toy Safety Directive). Other sectors that registered important levels of growth are: governments and institutions services, softline testing, oil, gas and chemicals.

Downturn and key challenges:

The market conditions in Europe remained challenging in terms of revenue growth. The European weak economy resulted in very limited growth and pressure on prices, consequently the market performance was disappointing. However some European countries succeeded to grow revenues in specific sectors, such as:

- Industrial services: Germany, Belgium
- Environmental Services: Italy, Belgium, Germany, Netherlands
- In-service Inspection and verification: Eastern Europe

The mineral services were considerably affected and declined sharper than expected due to the downturn in the mining sector. Systems and services certification also experienced a slowdown in Europe during the first semester of 2013.

As an overall trend one can notice that there was a high demand for more complex analytical services and increasing interest in laboratory activities.

Sector Specific Approach – The Global Food Safety Testing market

- **Time period:** 2012-2016
- **General trends:** Growth at a compound annual growth rate (CAGR) of 7.01%

Key factors for growth:

One of the key factors contributing to this market growth is the increasing adoption of stringent regulations and quality standards. The Global Food Safety Testing market has also been witnessing the increasing use of rapid testing methods to detect pathogens. However, the lack of compliance to food safety regulations and standards could pose a challenge to the growth of this market.

The Global Food Safety Testing market is witnessing increased adoption of the rapid testing methods. These methods are cost-effective and take less time to yield results than the traditional testing methods. They use highly technically-advanced biosensors and immunoassays to test for food pathogens such as Salmonella, E-coli, Listeria, Campylobacters, and others. PCR-based and immunoassay-based methods were highly popular in 2012 and they accounted for more than 25 percent of the total microbiology tests conducted.

According to the report *Global Food Safety Testing market 2012-2016*, issued by *Research and Markets*, one of the major drivers is the increasing number of food poisoning cases. The recent food poisoning cases in Europe and the US have forced consumers to accept only inspected, tested, verified, and certified food products.

Key Challenges:

Further, the report states that one of the major challenges is the increased vendor competition. The market for food safety testing services is promising due to the urgent need to test food products. This is attracting several global and local vendors to the market, thereby fragmenting the market. This decreases the global vendors' shares and revenue in the market.

The full report can be bought at: http://www.researchandmarkets.com/research/jczk73/global_food

ANNEXES: Financial half year report 2013: SGS, Bureau Veritas, Intertek

SGS

General Outlook

- first half of 2013
- revenue of EUR 2,342 million
- growth of 7.2%
- despite this economic backdrop, SGS expects to deliver solid top and bottom line growth in 2013
- most of our non-European operations performed well capitalising on the growth initiatives put in place to achieve the medium term plan
- overall organic revenue growth for the period was sustained by strong results in Consumer Testing, Oil, Gas & Chemicals, Automotive and Governments & Institutions Services, all of which delivered either double-digit or high single-digit organic growth
- downturn in the mining sector on Minerals Services revenues, as well as its effects on related Environmental and Industrial activities

Fields: SGS

Growth

1. Oil, Gas & Chemicals Services:

- delivered strong comparable revenue growth of 11.1% for the period
- the main growth coming from the expansion of non-trade related services across geographies
- high growth, gradually expanding in North and South America, Europe and Asia

2. Life Science Services:

- delivered significantly improved results with a revenue growth of 6.5%
- laboratory activities achieved strong results across most geographies

3. Consumer Testing Services:

- consumer testing services delivered strong comparable revenue growth of 13.1%
- solid growth in Asia and South America in all activities
- the strongest growth was delivered in Softline testing, investments made to increase laboratory capacity in several key countries, Electrical & Electronics
- revenue growth in excess of 50% following capacity expansions in China and India
- market conditions in Europe remained challenging both in terms of growth and margins, however this was mostly offset by sustained profitable growth in Asia and South America

4. Automotive Services:

- delivered good comparable revenue growth of 8.8%
- strong results from statutory inspection activities (in Western Europe where the large networks in France and Spain maintained revenues despite the economic conditions)
- operations in Africa also performed well, with new centres being opened in Morocco
- in South America, revenues remain in line with expectations despite high inflation in Argentina

Downturn

5. Mineral Services:

- experienced a difficult semester as the cyclical downturn in the mining sector continued to impact volumes

6. Systems & Services Certification:

- systems & services certification experienced a difficult first semester
- performance across Europe remained disappointing as the generally weak economy resulted in very limited growth and pressure on prices

Growth outside Europe / Downturn Europe

7. Industrial Services:

- industrial services delivered comparable revenue growth of 8.8%
- marked slowdown in Europe, while conditions in Spain and Italy remained very difficult, project delays and margin pressure increased mainly in Germany and Belgium
- in other regions, industrial services had a good semester, with double-digit organic growth in North America, Asia and Africa

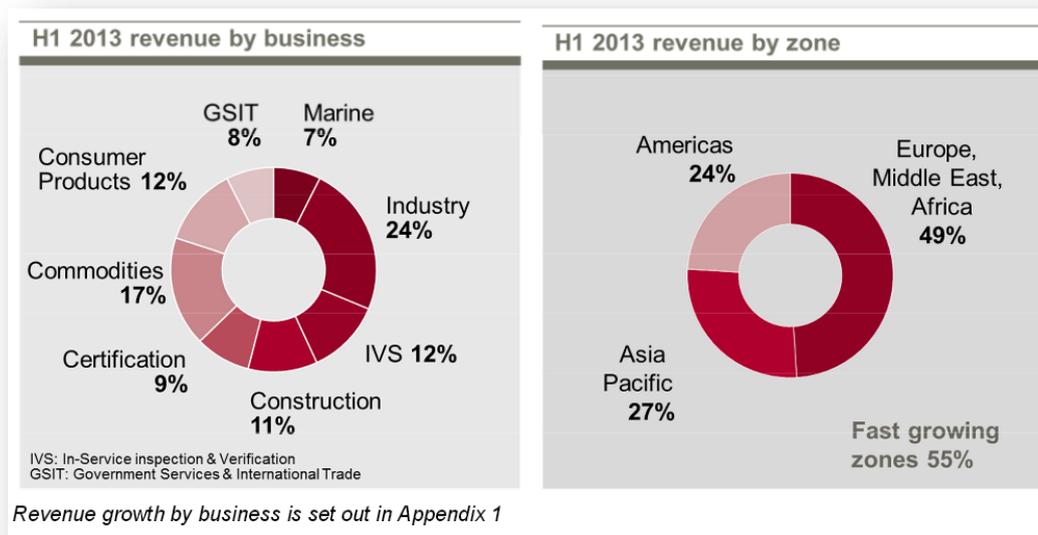
8. Environmental Services:

- environmental services delivered comparable revenue growth of 4.7%
- solid growth and margin improvement were achieved in Asia, South America and Australia where environmental services developed at a fast pace across all industrial sectors
- volumes in Spain, France, Italy and Belgium declined, and only Germany and the Netherlands succeeded to grow revenues

Bureau Veritas

General Outlook

- first half of 2013
- revenue of EUR 1,958 million
- growth of 7.5%
- **the Group confirms the 2012-2015 financial targets** set out in the
- "BV2015: Moving forward with confidence" strategic plan: Revenue growth: +9-12% on average per year, on a constant-currency basis
- **fast growing zones 55%**: Latin America, Eastern Europe, the Middle East, Africa, Pacific and Asia ex. Japan
- **growth was more modest in activities highly exposed to Europe**, especially In Service Inspection & Verification and Certification
- Construction business returned to growth on the back of increased exposure to Asia, whereas the Marine business remained in decline
- Industry, Consumer Products and Government Services & International Trade businesses continued to drive growth



Source: Bureau Veritas Press Release, 2013 first half results, <http://www.bureauveritas.com>

Fields : Bureau Veritas

Growth

- 1. Consumer Products:**
 - revenue growth of 17.7% broke down into organic growth of 10.6%
 - textiles & softlines segment posted sharp growth primarily from testing activities in northern China and South-East Asia as well as **inspections and social audits**
 - electrical & electronics segment (30% of revenue) also generated high revenue growth
 - revenue from the **Toys & Hardlines** segment also increased, thereby confirming a stabilization in the **toys testing activity**

Growth outside Europe / Downturn Europe

2. In-Service Inspection & Verification:

- **business in Europe** (82% of H1 2013 revenue in the business) **resisted the economic crisis, except in Spain**
- development in **fast-growing** geographies (Latin America, Eastern Europe, the Middle East, Africa, Pacific and Asia ex. Japan) continued, especially in the **Middle East** (new activities in elevators), in **Latin America** (inspection of lifting equipment) and in **Bangladesh**

3. Certification

- **business slowed in Europe**
- **fast-growing geographies continued to grow at a healthy pace** but were affected by the end to carbon certificates required by the Kyoto protocol program
- over the rest of 2013, **the business should benefit from a recovery in organic growth**, prompted especially by the development of major contracts, sustainable development services and sector schemes (agri-food, aviation and timber supply chain)

Intertek:

General Outlook

- First half of 2013
- Revenue of EUR 1,289 million
- Growth of 9.5%
- Market Strength: China, technical inspection services, cargo and analytical (US), Softlines (Asia), electric vehicles
- Market Weakness: minerals, Europe, particularly Chemicals and Electrical



Fields: Intertek

Growth

1. Industry & Assurance

- continued high demand globally for technical inspection
- systems certification medium growth
- food services growing strongly

Technical Inspection:

- conventional energy sector strong, alternative slowing
- increasing the opex part, NDT

Food:

- high demand for complex analytical services

2. Commodities:

- minerals (18% of business), decline sharper than expected, especially gold

3. Consumer goods:

- strong growth in Softlines testing across China, India and Turkey
- good growth in Toy testing benefitting from EU Toy Safety Directive
- continued growth in Social Compliance auditing

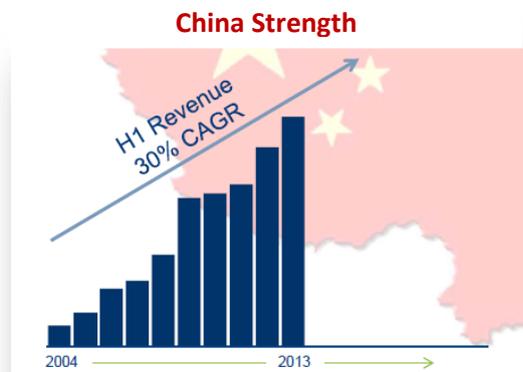
Growth outside Europe / Downturn Europe

4. Commercial & Electrical:

- good growth in China
- strong growth in LED and electric vehicles
- weak growth in Europe and renewables

5. Chemicals & Pharma:

- performance
- oil performance lab in US growing well
- high demand for analytics in biologics
- challenging market conditions in European chemicals industry



Source : www.intertek.com

For more information please contact: info@ceoc.com or visit:

- Bureau Veritas: http://www.bureauveritas.com/wps/wcm/connect/bv_com/group/home/news/corporate-news/28082013_finance
- SGS: <http://www.sgs.com/en/Our-Company/News-and-Media-Center/News-and-Press-Releases/2013/07/SGS-2013-Half-Year-Results.aspx>
- Intertek: <http://www.intertek.com/investors/presentations/>
- Research and Markets: http://www.researchandmarkets.com/research/jczk73/global_food