

# SGS GROUP RESULTS

## FIRST HALF 2002

WHEN YOU NEED TO BE SURE

**SGS**

# FINANCIAL HIGHLIGHTS

CHF million

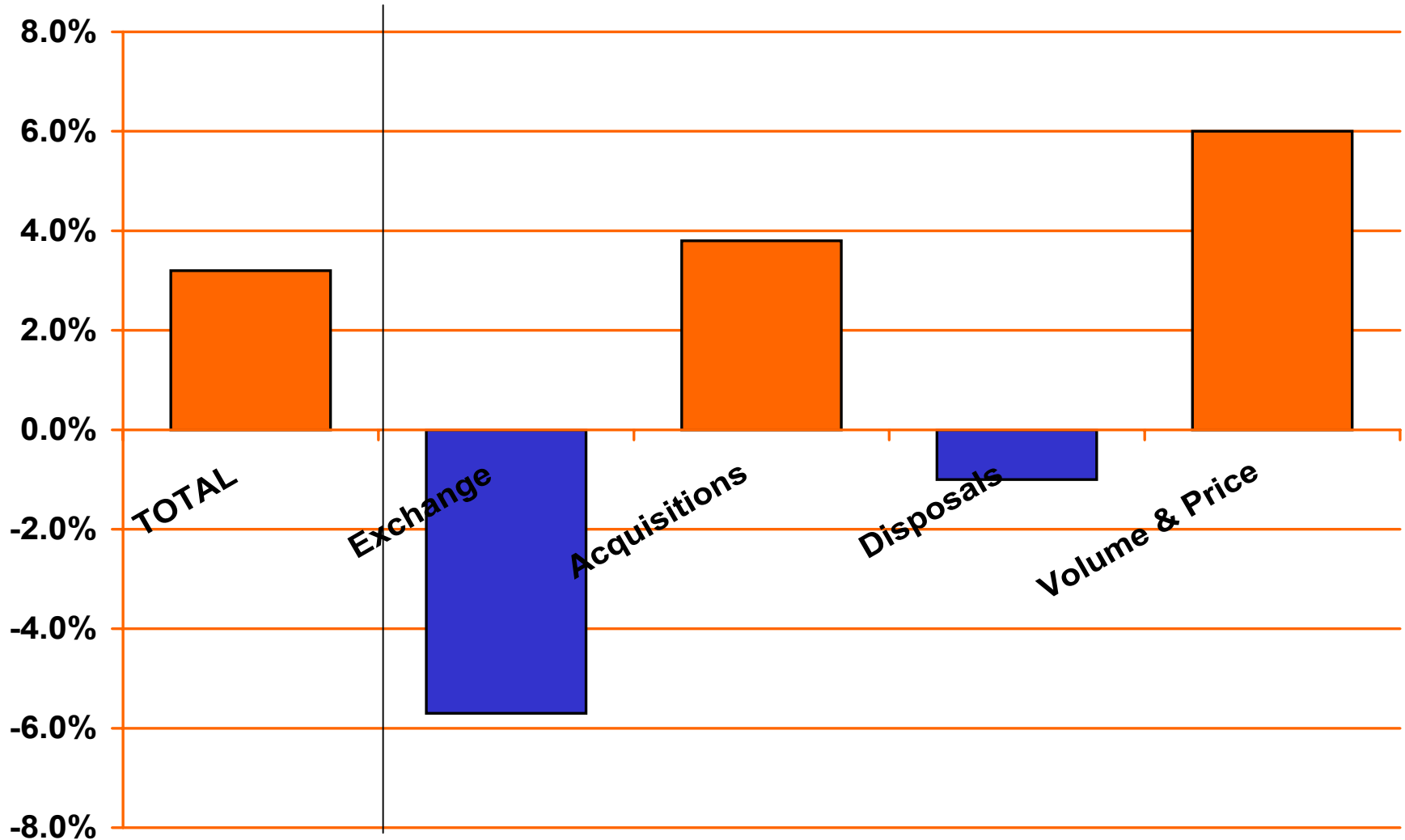
	First Half 2001	First Half 2002	Change YoY
<b>Revenue</b>	1'164	<b>1'201</b>	3.2%
<b>EBITDA</b>	111	<b>145</b>	30.6%
<i>EBITDA Margin</i>	9.5%	12.1%	
<b>Operating Income Group</b>	61	<b>97</b>	59.0%
<i>Operating Margin Group</i>	5.2%	8.1%	
<b>Net Income before exceptionals</b>	44	<b>68</b>	54.5%
Exceptionals after tax	-	<b>-2</b>	
<b>Net income after exceptionals</b>	44	<b>66</b>	50.0%
<b>CHF Earnings / Share bef. exceptionals</b>	5.62	<b>8.69</b>	54.8%
<b>CHF Earnings / Share aft. exceptionals</b>	5.62	<b>8.44</b>	50.3%
<b>Average number of employees</b>	30'712	<b>32'339</b>	5.3%

# REVENUE ANALYSIS

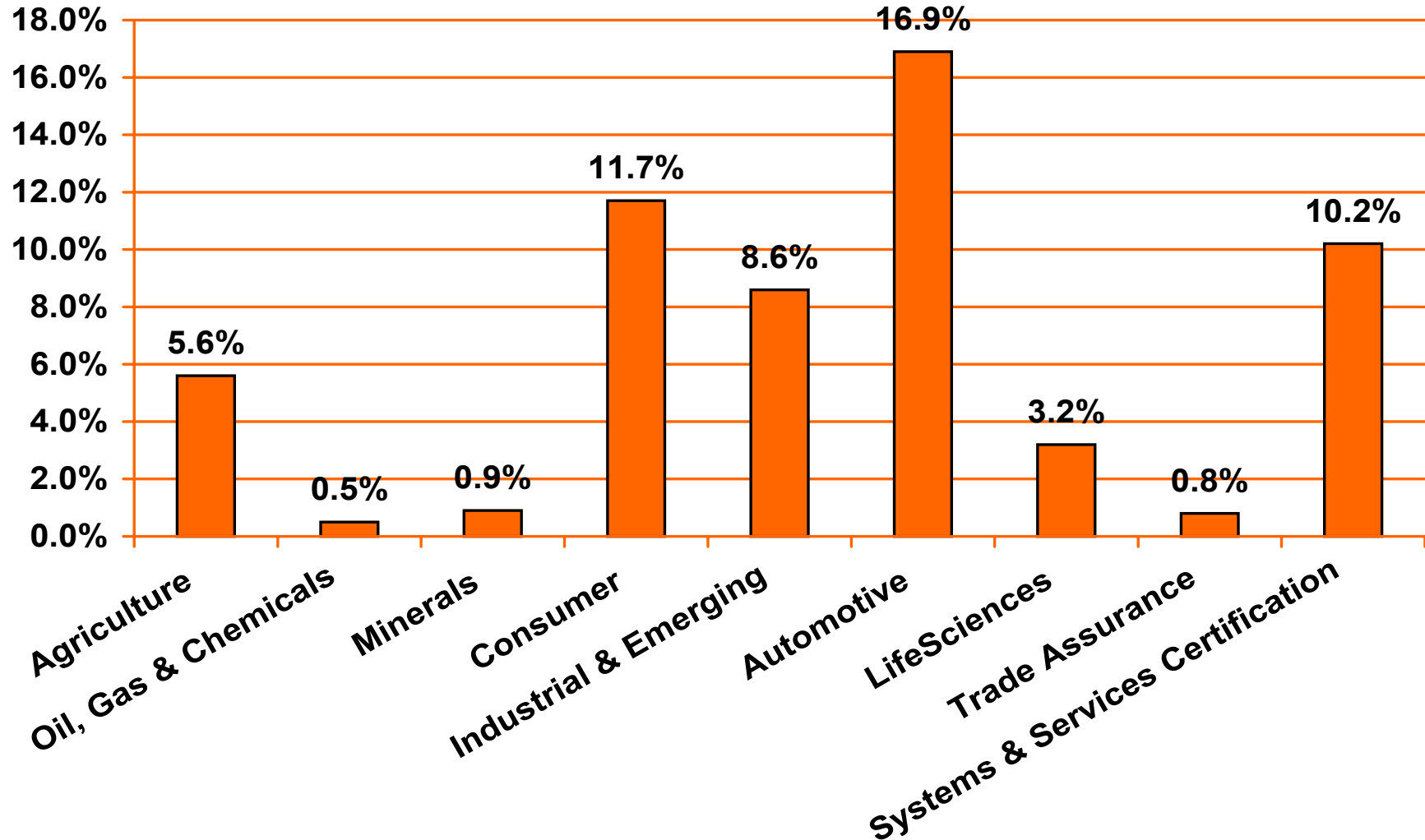
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## REVENUE GROWTH COMPOSITION

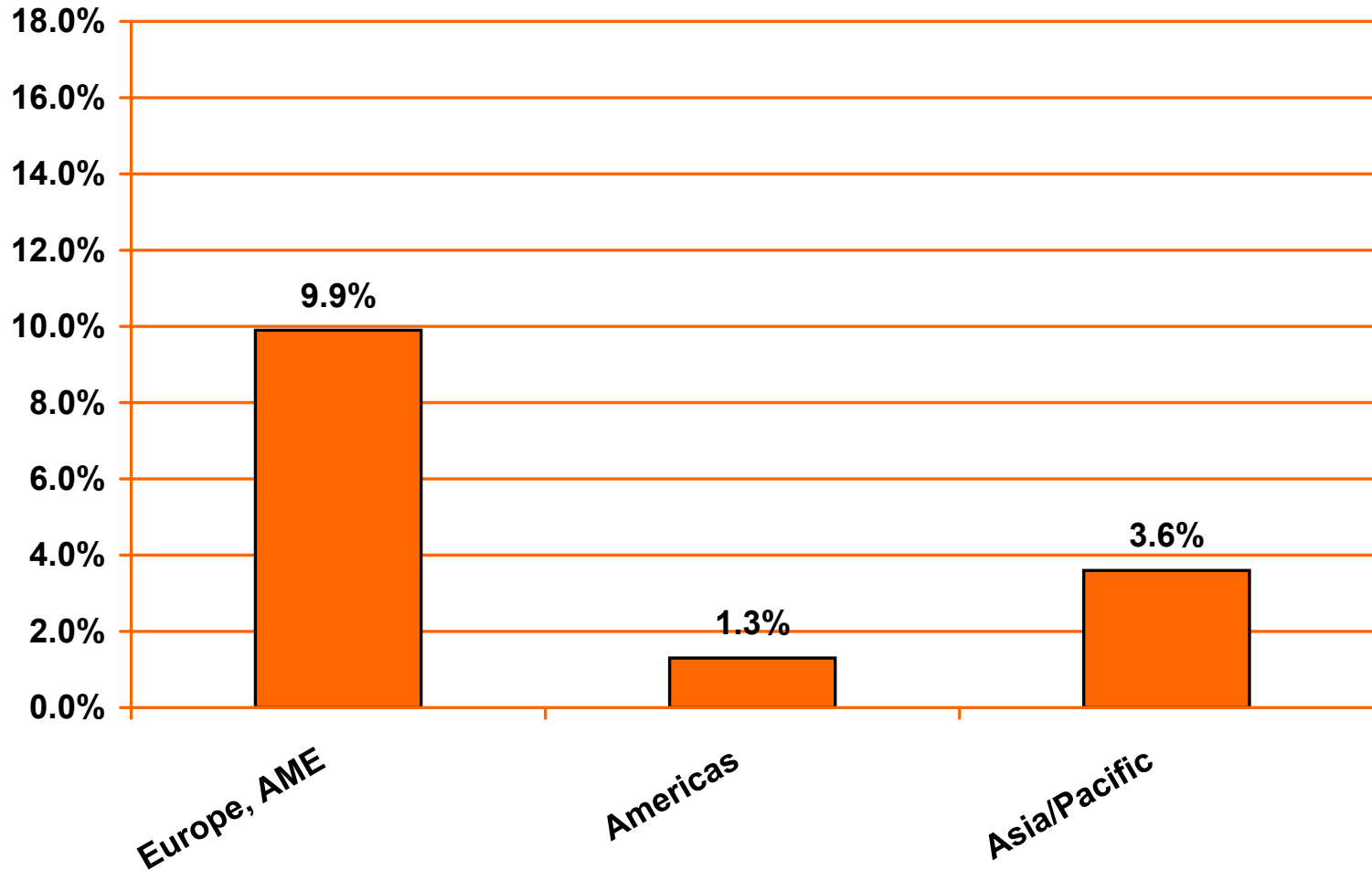


# COMPARABLE GROWTH BY BUSINESS <sup>\*</sup>



\*Local Currency growth net of acquisitions and disposals

## COMPARABLE GROWTH BY AREA\*



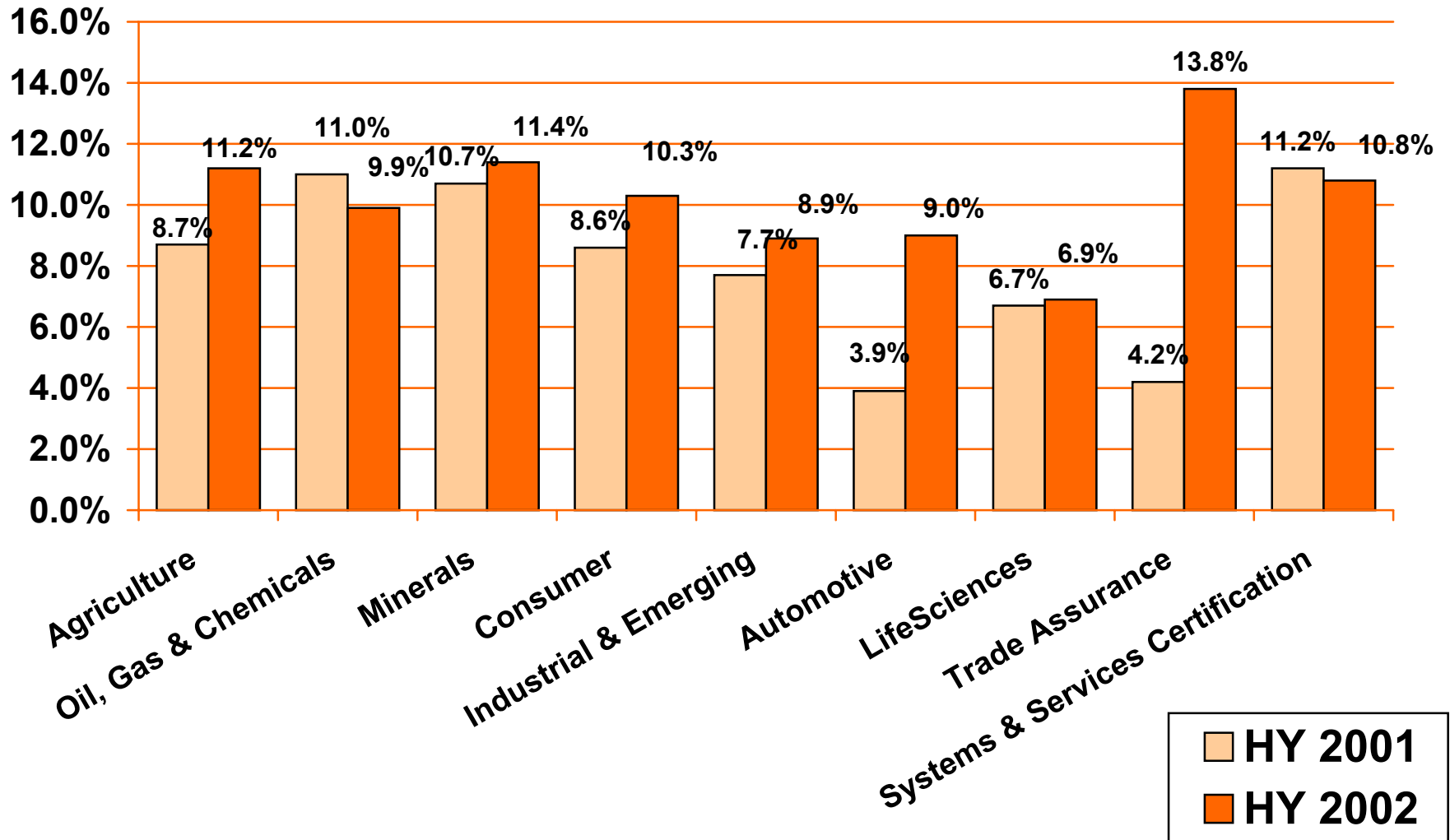
\* Local Currency growth net of acquisitions and disposals

# OPERATING INCOME ANALYSIS

WHEN YOU NEED TO BE SURE



## OPERATING MARGIN BY BUSINESS





# GROUP OPERATING INCOME RECONCILIATION HY '01 TO HY '02

CHF Millions	June 30, 2001	June 30, 2002	Change
<b>Group Operating Income</b>	61.0	<b>96.9</b>	<b>35.9</b>
<b>Comparable Business Movements</b>			<b>24.9</b>
Corporate Overheads reduction		5.7	
E-business development		4.5	
<b>Reduction in Corporate Overheads</b>			<b>10.2</b>
<b>Acquisitions</b>			<b>6.5</b>
<b>Disposals</b>			<b>(0.2)</b>
<b>Currency Translation Effect</b>			<b>(5.5)</b>
<b>Increase in operating Income</b>			<b>35.9</b>

CHF million	First Half 2001	First Half 2002
<b>TAS Terminated Contracts</b>	0.0	<b>21.5</b>
<b>Reorganisation Costs</b>	0.0	<b>(25.4)</b> *
<b>Total Exceptional Items</b>	0.0	<b>(3.9)</b>
Tax thereon	0.0	2.1
<b>Exceptional Items after tax</b>	0.0	<b>(1.8)</b>

\* : 60% relates to permanent corporate cost reductions



# REORGANISATION COSTS - FIRST HALF

	<b>CHF Millions</b>
<b>Europe</b>	<b>(15.2)</b>
<b>Americas</b>	<b>(3.2)</b>
<b>Asia Pacific</b>	<b>(7.0)</b>
<b>Total Reorganisation Costs</b>	<b>(25.4)</b>

# GROUP CASH FLOW STATEMENT

CHF million	30.06.01	30.06.02
Net cash at start of year	488	446
Net cash at end of period	451	386
<b>Decrease in net cash</b>	<b>-37</b>	<b>-60</b>
<i>Expalined by:</i>		
EBIT	55	89
Adjustment for non cash items	62	32
(Increase) / Decrease in working capital	-97	6
<b>Cash from operations</b>	<b>20</b>	<b>127</b>
Net purchase of fixed assets	-54	-53
Taxes	-17	-20
Net financial income / other	46	-15
<b>Free Cash Flow</b>	<b>-5</b>	<b>39</b>
Dividend paid	-45	-47
Net cash acquisitions / disposals	13	-52
<b>Decrease in net cash</b>	<b>-37</b>	<b>-60</b>

# HEADCOUNT GROWTH ANALYSIS

Changes in Average Headcount H1 2002 Vs H1 2001

	Avg H1 2001	Avg H1 2002	Growth	Revenue Growth excl. currency
<b>Continuing Businesses</b>	30'588	31'192	2.0%	7.2%
<b>Disposals</b>	124	N/A		
<b>SSL</b>	N/A	711		
<b>Lakefield</b>	N/A	208		
<b>Small Acquisitions</b>	N/A	228		
<b>Total Group</b>	30'712	32'339	5.3%	9.5%

# BUSINESS OVERVIEW

WHEN YOU NEED TO BE SURE

**SGS**

CHF million

	First Half 2001	First Half 2002
<b>Sales</b>	127	125
<b>Change in %</b>		-1.6%
<b>Change due to</b>		
<b>Volumes &amp; Prices</b>		6
<b>Currency Translation</b>		(9)
<b>Acquisitions/(Disposal)</b>		1
<b>Op. Income</b>	11	14
<b>Margin</b>	8.7%	11.2%

- Strong Revenue Growth
  - Eastern Europe
  - North America
  
- Weak Revenues in Western Europe, South America and Asia
  - Fishing Ban Peru
  - Low exports from W Europe
  - Trading conditions Asia
  
- Good improvement in margins driven by growth and cost containment measures

CHF million

	First Half 2001	First Half 2002
<b>Sales</b>	103	<b>132</b>
<b>Change in %</b>		<b>28.2%</b>
<b>Change due to</b>		
<b>Volumes &amp; Prices</b>		1
<b>Currency Translation</b>		(6)
<b>Acquisitions/(Disposal)</b>		34
<b>Op. Income</b>	11	<b>15</b>
<b>Margin</b>	10.7%	<b>11.4%</b>

- Strong growth driven by acquisitions
- SSL acquisition above expectations
  - significant synergies achieved
- Steel industry problems affected growth in Eastern Europe and Asia
- Oversupply of steam coal impacted volumes in Africa and America
- Operational efficiencies and acquisitions lifted margins
- Lakefield integration well underway

CHF million	First Half 2001	First Half 2002
<b>Sales</b>	209	<b>203</b>
<b>Change in %</b>		<b>-2.9%</b>
<b>Change due to</b>		
<b>Volumes &amp; Prices</b>		1
<b>Currency Translation</b>		(12)
<b>Acquisitions/(Disposal)</b>		5
<b>Op. Income</b>	23	<b>20</b>
<b>Margin</b>	11.0%	<b>9.9%</b>

- Aggressive competition, particularly in developing markets
- Strong Growth in Eastern Europe, South America and East Asia
- New Global contracts secured
- Fossil fuel burning in California power crisis not repeated
- Restructuring in USA to limit impacts on margins

CHF million

	First Half 2001	First Half 2002
<b>Sales</b>	139	146
<b>Change in %</b>		5.0%
<b>Change due to Volumes &amp; Prices</b>		15
<b>Currency Translation</b>		(8)
<b>Acquisitions/(Disposal)</b>		-
<b>Op. Income</b>	12	15
<b>Margin</b>	8.6%	10.3%

- Good revenue growth driven by North America and Asia
- Pushes into Electric, Electronic and Mechanical testing going well
- Overall margins continue to rise, but profitability in France and USA remains an issue
  - to be addressed in next 12 months

CHF million	First Half 2001	First Half 2002
<b>Sales</b>	98	102
<b>Change in %</b>		4.1%
<b>Change due to</b>		
<b>Volumes &amp; Prices</b>		9
<b>Currency Translation</b>		(5)
<b>Acquisitions/(Disposal)</b>		-
<b>Op. Income</b>	11	11
<b>Margin</b>	11.2%	10.8%

- High Revenue growth in Western Europe, China and South America
- ISO 9000 continues to drive growth
- Newer products growing strongly
  - environment ISO 14001
  - health & safety ISO 18001
- Margins impacted by issues in Greece and Japan
  - actions being implemented

CHF million	First Half 2001	First Half 2002
<b>Sales</b>	103	111
<b>Change in %</b>		7.8%
<b>Change due to</b>		
<b>Volumes &amp; Prices</b>		16
<b>Currency Translation</b>		(8)
<b>Acquisitions/(Disposal)</b>		-
<b>Op. Income</b>	4	10
<b>Margin</b>	3.9%	9.0%

- GMAC pull ahead program contributed significantly to the results of SGS Automotive Services Inc. (in US)
- Software development in US near completion with the guidance of project management by EDS.
- Irish turnaround contributed significantly to the positive results.

CHF million

	First Half 2001	First Half 2002
<b>Sales</b>	235	<b>237</b>
<b>Change in %</b>		<b>0.9%</b>
<b>Change due to Volumes &amp; Prices</b>		19
<b>Currency Translation</b>		(10)
<b>Acquisitions/(Disposal)</b>		(7)
<b>Op. Income</b>	18	<b>21</b>
<b>Margin</b>	7.7%	<b>8.9%</b>

- Comp growth +8.6% (excl. Spain, +5.5%). Growth trend improving v. 2000/2001
- Good growth; Spain, Belgium, Taiwan, Iran
- Margins improved as a result of volume gains

CHF million	First Half 2001	First Half 2002
<b>Sales</b>	30	29
<b>Change in %</b>		-3.3%
<b>Change due to Volumes &amp; Prices</b>		-
<b>Currency Translation</b>		(1)
<b>Acquisitions/(Disposal)</b>		-
<b>Op. Income</b>	2	2
<b>Margin</b>	6.7%	6.9%

- Strong growth (double digit) in France, Belgium and Canada
- USA in decline, Peru & Spain flat
- Margins improving everywhere except USA and Peru
- USA being restructured
- Review under way to optimise opportunities
- Strategic growth remains key objective

CHF million

	First Half 2001	First Half 2002
<b>Sales</b>	120	116
<b>Change in %</b>		-3.3%
<b>Change due to</b>		
<b>Volumes &amp; Prices</b>		1
<b>Currency Translation</b>		(5)
<b>Acquisitions/(Disposal)</b>		
<b>Op. Income</b>	5	16
<b>Margin</b>	4.2%	13.8%

- Revenues held up even with contract losses
  - Additional revenues from Nigeria and Moldova
  - Contract terminations in Angola, Argentina, Senegal and Kenya
  
- Operating Income improvement of is mainly due to restructuring efforts

# OUTLOOK

WHEN YOU NEED TO BE SURE

**SGS**

- Improvement over 2001 level of CHF 102 mio before exceptionals
- Corporate Cost reduction of ~CHF 50 mio on an annualised basis well underway
- Gross restructuring charge ~CHF 75 -100 mio is still within the range
- Cash receipt from TAS (former GTS) exceptional recoveries will slow in second half
- Share re-purchase scheme of CHF 250 mio not intended to retire capital