

For the 5<sup>th</sup> consecutive semester, SGS has improved performance, delivering a net income before exceptionals for the year of CHF 224 million, an increase of 50% on a constant currency basis (41% on a reported basis). The top line grew in local currencies by 7.1% (2.6% as reported), with nearly all businesses improving sales over the prior year. Margins have now reached 12.2%, with the second half of the year at 12.7%. The Board of Directors will propose a dividend of CHF 9.00 per share, 50% higher than the regular 2002 dividend. The Group confirms its targets for 2005 at CHF 45 earnings per share.

FINANCIAL HIGHLIGHTS		
CHF million	2002	2003
<b>Revenues</b>	2 392	<b>2 454</b>
Change in %		2.6
<b>EBITDA</b>	311	<b>396</b>
Change in %		27.3
<b>Operating income</b>	216	<b>300</b>
Change in %		38.9
<b>Operating margin in %</b>	9.0	<b>12.2</b>
<b>Profit before tax</b>	140	<b>303</b>
Change in %		116.4
<b>Net profit</b>	109	<b>227</b>
Change in %		108.3
<b>Net profit before exceptionals</b>	159	<b>224</b>
Change in %		40.9
<b>Free cash flow</b>	121	<b>168</b>
Change in %		38.8
<b>Net cash</b>	402	<b>493</b>
<b>Average number of shares (000's)</b>	7 773	<b>7 662</b>
<b>Earnings per share (CHF) before exceptionals</b>	20.46	<b>29.24</b>
Change in %		42.9
<b>Earnings per share (CHF) after exceptionals</b>	14.02	<b>29.63</b>
Change in %		111.3
<b>Period end number of employees</b>	32 008	<b>33 006</b>
Change in %		3.1

## Overview

Revenue for the Group improved to CHF 2,454 million, up 163 million on the same period last year in local currency terms (62 million on a reported basis) in an uneven trading environment, caused in the main by unusual geopolitical events and climatic conditions.

Strong revenue growth was achieved in Consumer Testing, Oil Gas & Chemicals and Systems & Services Certification with all these businesses delivering more than +10% growth.

Operating income improved by CHF 96 million or 47% to CHF 300 million at constant currencies (CHF 84 million on a reported basis). Operating margins in all businesses continued to improve with the most significant upward shifts being achieved by Consumer Testing, Systems and Services Certification, Life Sciences and Trade Assurance Services.

Net financial income of CHF 10 million was below that of the same period last year by CHF 3 million, reflecting the continued global reduction in yields. The tax rate of 22% is at the low end of the range the Group expects for the medium term.

Net profit before exceptionals increased from CHF 159 million to CHF 224 million. Exceptionals, which reduced 2002 net income by 50 million, were positive for 2003, with CHF 3 million being collected on discontinued government receivables.

Cash from operations improved by over CHF 74 million to CHF 325 million on the back of the earnings improvement. This inflow of cash was used to fund net investment in fixed assets of CHF 146 million and the payment of the dividend of CHF 56 million. Group net cash increased from CHF 402 million at the end of 2002 to CHF 493 million at the year end.

## Acquisitions and Disposals

In December the Group announced the acquisition of Medisearch International in Belgium, a leading Clinical Research organization, with annual turnover of nearly €13 million. In the first half of 2003, SGS concluded the sale of small laboratory activities in France and Spain due to their sub-optimal size. Their combined turnover was less than CHF 20 million.

## Proposed Dividend

The Board of Directors will recommend to the Annual General Meeting on 23 March 2004 the approval of a dividend of CHF 9.00 per share, which represents a significant increase over 2002 levels of CHF 7.25 (of which CHF 1.25 was a special dividend on occasion of the Group's 125<sup>th</sup> anniversary). This payout ratio is in line with the Group's policy of distributing in the range of 25-33% of consolidated Group income.

## Significant Shareholders

At 31 December 2003, Mr August von Finck and his family held 23.7% of the capital and voting rights of the Company. Worms & Cie held 23.8%.

## Capital Structure and Vision

At an Extraordinary Shareholders' Meeting held on 9 December 2003, the Directors received approval for the issuance of 1,000,000 shares of conditional, and 500,000 shares of authorized capital. This initiative provides the Group with sufficient resources to engage in meaningful acquisition activity in support of its newly outlined vision.

Having made significant progress in improving executional efficiency, we have now set our sights on becoming the most competitive and the most productive service organisation in the world. The core competencies in testing, inspection, verification and certification will continue to be improved in order to achieve best in class status. And our portfolio of businesses will be widened to leverage these core competencies, since our skills have application in a variety of contexts, especially where the attributes of independence and integrity are the key element at play.

## Outlook

The Group expects to continue to significantly improve operating performance in 2004, determined to achieve the 2005 targets of CHF 45 earnings per share. This is notwithstanding the recent weakness in the US dollar and currencies which trade in tandem. Although we are of the view that this weakness will persist and perhaps even accentuate over the short term, the medium to long term view is that a more balanced exchange rate will ultimately be established.



Georges Muller  
Chairman



Sergio Marchionne  
Chief Executive

15 January 2004

## CONSOLIDATED PROFIT & LOSS

CHF million	2002	2003
Revenues	2 392	2 454
<b>Operating income</b>	216	300
Exceptionals	(80)	3
<b>Goodwill</b>	(9)	(10)
<b>EBIT</b>	127	293
Net financial income	13	10
<b>Profit before taxes and minority interests</b>	140	303
Taxes	(27)	(68)
<b>Profit after taxes</b>	113	235
Minority interest	(4)	(8)
<b>Net profit</b>	109	227
<b>Net profit before exceptionals (net of tax)</b>	159	224

## CHANGES IN SHAREHOLDERS' EQUITY

CHF million	2002	2003
<b>As at 1 January</b>	982	897
Dividend	(47)	(56)
Purchase of Treasury shares	(63)	0
Translation	(84)	4
Net profit	109	227
<b>As at 31 December</b>	897	1 072

## CONSOLIDATED CASH FLOW

CHF million	2002	2003
EBIT	127	293
Adjustment for non cash items (increase)/decrease in net working capital	92	103
Changes in other provisions	0	(36)
Taxes paid	57	4
	(25)	(39)
<b>Cash from operations</b>	251	325
Net sale/(purchase) of fixed assets	(111)	(146)
Other	(19)	(11)
<b>Free cash flow</b>	121	168
Financing	14	10
Dividend paid	(47)	(56)
Net cash (used in) acquisitions/disposals	(54)	(18)
Purchase of treasury shares	(63)	0
Exchange on opening balances	(62)	(6)
Translation differences on flows	47	(7)
<b>Increase/(decrease) in net cash</b>	(44)	91

## CONSOLIDATED BALANCE SHEET

CHF million	2002	2003
<b>Non-current asset</b>		
Land building and equipment	374	415
Other long-term assets	88	120
Goodwill and other intangible assets	107	147
<b>Total non-current asset</b>	569	682
<b>Current asset</b>		
Trade accounts and notes receivables	495	571
Other current assets	254	243
Cash and short term investments	532	526
<b>Total current asset</b>	1 281	1 340
<b>Total assets</b>	1 850	2 022
<b>Shareholders' equity</b>	897	1 072
<b>Minority interests</b>	18	18
<b>Non-current liabilities</b>		
Long term loans	48	11
Provisions and other liabilities	272	281
<b>Total non-current liabilities</b>	320	292
<b>Current liabilities</b>		
Trade and other payables	260	299
Other current liabilities	355	341
<b>Total current liabilities</b>	615	640
<b>Total liabilities and shareholders' equity</b>	1 850	2 022

## Accounting Principles

The audited financial statements are prepared in accordance with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with the Standing Interpretations issued by the Standing Interpretation Committee of the IASB.

These condensed consolidated accounts are based on the accounts of the individual subsidiaries at 31 December, which have been drawn up according to uniform Group accounting principles.

2002 business segment information was adjusted to reflect the new organisational structure.

## EXCHANGE RATES

			Balance Sheet		Profit & Loss account	
			end of period rate CHF		Year to date	
			Dec. 02	Dec. 03	average rate CHF	
					2002	2003
<b>Australia</b>	AUD	100	78.65	93.24	84.55	87.65
<b>EU</b>	EUR	100	145.48	156.06	146.70	152.09
<b>Great Britain</b>	GBP	100	223.78	221.55	233.43	219.86
<b>USA</b>	USD	100	139.56	124.86	155.68	134.57

AGRICULTURAL SERVICES		
CHF million	2002	2003
<b>Revenues</b>	250.4	<b>241.8</b>
Change in %		(3.4)
<b>Change due to</b>		
Volume and Prices		--
Currency Translation		(8.6)
Acquisitions/(Disposals)		--
<b>Operating Income</b>	24.6	<b>24.3</b>
Change in %		(1.2)
<b>Operating Margin %</b>	9.8	<b>10.0</b>

### Agricultural Services

Comparable revenues in Agricultural Services were flat at CHF 242 million in 2003 (reported decline of 3.4%), due to unusually dry weather conditions across Europe – from France to the Black Sea region - and Australasia. Margins improved from 9.8% to 10.0% as a result of cost savings measures and a slight improvement in the business mix.

Against this backdrop of low crop yields in the major trading areas, the increased emphasis on newer products and geographies has started to deliver benefits. South America has progressed well, particularly Brazil, thanks to GMO traceability and new business development in the Matogrosso region. Collateral Management and Guaranteed Business Solutions products continue to deliver revenue growth.

Asia showed a slight decline in revenue mainly due to India where the excellent business made last year in rice export has not been repeated this year, though this was partially offset by market share gains in other commodities.

MINERALS SERVICES		
CHF million	2002	2003
<b>Revenues</b>	268.4	<b>279.9</b>
Change in %		4.3
<b>Change due to</b>		
Volume and Prices		13.0
Currency Translation		(15.1)
Acquisitions/(Disposals)		13.6
<b>Operating Income</b>	26.7	<b>35.5</b>
Change in %		33.0
<b>Operating Margin %</b>	9.9	<b>12.7</b>

### Minerals Services

The Minerals business grew by 5.1% on a comparable basis during the period (4.3% on a reported basis). With the synergies associated with the integration of the acquisitions concluded in 2002, margins grew to 12.7% from 9.9%.

Exploration activity is expanding at an accelerated pace, especially in gold and platinum, sustained by higher prices and availability of funding. The combination of these factors has positively impacted the outsourced, on-site geochemistry laboratories as well as the off-site commercial exploration laboratories with a number of new contracts signed for mine-site laboratories in South America, Africa, Canada and Asia.

The coal business in the USA remained relatively flat after a particularly slow start to the year, the result of earlier stockpiling. This was partially offset by gains in the Chinese coke market where further development and investment showed positive results, though this has been recently impacted by export restrictions. In Russia the Group capitalised on the further expansion and rationalisation in the industry becoming the leading provider of services to that industry.

The expansion into the non-ferrous and precious metals markets began to show positive results. Four centres of excellence were established offering laboratory services to supplement our non-ferrous inspection business.



OIL, GAS & CHEMICALS SERVICES		
CHF million	2002	2003
<b>Revenues</b>	398.7	<b>439.1</b>
Change in %		10.1
<b>Change due to</b>		
Volume and Prices		62.8
Currency Translation		(25.2)
Acquisitions/(Disposals)		2.8
<b>Operating Income</b>	32.0	<b>47.9</b>
Change in %		49.7
<b>Operating Margin %</b>	8.0	<b>10.9</b>

### Oil, Gas & Chemicals Services

Despite an erratic oil market and a less than exciting development in chemicals, the Business has delivered comparable revenue growth of 16.8% (reported 10.1%). The continuing reinforcement of the international sales and development teams resulted in market share gains across all regions.

In addition to the top line growth, the full year impact of last year's streamlining and the successful turnaround of less profitable affiliates allowed the margins to improve to 10.9% from 8.0%.

Growth momentum is being maintained. The Americas and Europe continue to perform strongly, capitalising on the solid network of field operations and laboratories. Sizeable outsourcing contracts in the UK, Netherlands, Germany and elsewhere in Europe have also boosted sales.

Investment in on-site laboratories at key locations is spurring the development in the FSU and Asia, especially China. These investments will place SGS in a lead position to reap the benefits of the expected growth of these markets.

LIFE SCIENCE SERVICES		
CHF million	2002	2003
<b>Revenues</b>	61.6	<b>59.1</b>
Change in %		(4.1)
<b>Change due to</b>		
Volume and Prices		(2.8)
Currency Translation		0.3
Acquisitions/(Disposals)		--
<b>Operating Income</b>	3.3	<b>5.9</b>
Change in %		78.8
<b>Operating Margin %</b>	5.4	<b>10.0</b>

### Life Science Services

Life Science's comparable revenues declined by 4.5% (4.1% on a reported basis) though margins increased significantly to 10.0% from 5.4% through restructuring and operational improvements.

The new leadership is now in place and has created a strong foundation on which to implement the strategy for the business and to drive future growth.

Clinical research volumes are slightly down due to delays with customer projects, although profitability has improved through operational efficiency gains. The opening of a new research unit at the Antwerp University Hospital and the recent acquisition of Medisearch International in Belgium will strengthen the scope and improve the capacity of the clinical research services in Europe. The acquisition also establishes a presence in North America and enables SGS to offer local clinical research expertise to existing and future clients.

The quality control business has performed well in Canada and Europe, with the exception of Germany. The business in the USA has now been restructured and returned to profitability after the poor performance in the earlier part of the year.

CONSUMER TESTING SERVICES		
CHF million	2002	2003
<b>Revenues</b>	268.4	<b>272.3</b>
Change in %		1.5
<b>Change due to</b>		
Volume and Prices		33.6
Currency Translation		(13.1)
Acquisitions/(Disposals)		(16.6)
<b>Operating Income</b>	25.1	<b>39.4</b>
Change in %		57.0
<b>Operating Margin %</b>	9.4	<b>14.5</b>

### Consumer Testing Services

With comparable revenues of CHF 272 million, our Consumer Testing Services business grew by 14.2% in 2003 (reported 1.5%). The very strong performances in East Asia, South East Asia and Latin America were the main drivers of this growth. The ongoing investments in E&E (Electrical and Electronic) labs in Asia continue to deliver top line growth.

Operating margins are now 14.5% compared to 9.4% in 2002. This strong increase is mainly due to the impact of increased volumes on existing infrastructure and the rapid growth in Softlines and Hardlines, which are traditionally more profitable than Food and E&E, with the latter being burdened by the depreciation of the significant capital commitments it has received.

Testing is now close to 65% of the Business and remains the main focus of the business. Although SGS retained global leadership in inspection, SGS is determined to keep investing strategically in new lab locations and lab expansions in Latin America, East Europe and especially in Asia. Our Hong Kong and Shanghai textile labs are now working 24 hours, 7 days a week, and similar capacity utilizations are being targeted in other parts of the network.

The business is also paying close attention to the growing Auditing business, be it Code of Conduct, Factory Quality audits, Food safety and Health, Private label support etc.

The strengthening of the international sales teams in the main importing countries for the large retailers, importers and speciality shops, combined with a dedicated sales team for the local manufacturers, vendors and exporters, has produced good results and will be further enhanced in 2004. These initiatives are designed to establish SGS as the pre-eminent supplier of testing services for consumer products.

SYSTEMS & SERVICES CERTIFICATION		
CHF million	2002	2003
<b>Revenues</b>	212.7	<b>229.7</b>
Change in %		8.0
<b>Change due to</b>		
Volume and Prices		28.2
Currency Translation		(11.2)
Acquisitions/(Disposals)		--
<b>Operating Income</b>	24.2	<b>34.7</b>
Change in %		43.4
<b>Operating Margin %</b>	11.4	<b>15.1</b>

### Systems & Services Certification

Systems & Services Certification revenues of CHF 230 million were 14.0% up on 2002 (8.0% on a reported basis). Operating margin rose to 15.1% from 11.4%, a result of increased volumes and the initiatives taken over the last 18 months to reduce cost and improve processes.

During the second half-year, revenues have been positively impacted by the clients' need to be certified according to the 2000 version of the ISO 9000 standard before year end.

Growth was mostly driven by ISO 9000 market segment with strong performance in Asia and more particularly in China and Japan. In Western Europe, the traditional ISO 9000 market is maturing and accordingly new products and services are being developed to decrease the dependence on this market. A new certification service tailored to the need of small businesses has been developed and introduced in 25 key countries.

ISO 14001 (environment) and OHSAS 18001 (health and safety) are still growing strongly. Service certification programs are actively developed in Western Europe. In France, for the first time last year, this activity was larger and more profitable than the traditional 3<sup>rd</sup> party certification activity.

Several global contracts have been signed, mainly for integrated certification audits (combining quality, environment and safety) and in the field of service audits with car dealers and catering activities.

INDUSTRIAL SERVICES		
CHF million	2002	2003
<b>Revenues</b>	320.6	<b>330.1</b>
Change in %		3.0
<b>Change due to</b>		
Volume and Prices		11.0
Currency Translation		(3.9)
Acquisitions/(Disposals)		2.4
<b>Operating Income</b>	33.5	<b>34.9</b>
Change in %		4.2
<b>Operating Margin %</b>	10.4	<b>10.6</b>

### Industrial Services

Comparable revenues grew by 3.5% for Industrial Services (reported 3.0%). Operating margins have improved slightly to 10.6% from 10.4%.

The regulatory inspection business is growing well and producing good margins, particularly within the construction sector. Spain continues to account for a large portion of this growth although margins are now coming under pressure. Volumes are increasing in the construction testing laboratories in the Far East and investments in new laboratories in China are driving further growth as this market starts to open up to non-governmental construction service companies.

The oil, gas and energy sector is performing well, partly due to the global contracts signed earlier in the year and the increase in the supply of technical support staff to projects in Africa, the Middle and Far East. Recent contract wins in Africa and Europe for inspection services to the liquid natural gas sector confirm the Group's strategy to focus on this sector.

After a slow start to the year, the non-destructive testing market is showing signs of recovery with some large contracts having been won in Western Europe, Africa and the Middle East. The recent investment in new technologies is already generating new business with new clients.

ENVIRONMENTAL SERVICES		
CHF million	2002	2003
<b>Revenues</b>	162.6	172.0
Change in %		5.8
<b>Change due to</b>		
Volume and Prices		10.0
Currency Translation		(2.3)
Acquisitions/(Disposals)		1.7
<b>Operating Income</b>	9.5	11.2
Change in %		17.9
<b>Operating Margin %</b>	5.8	6.5

### Environmental Services

The Environmental Services business sector experienced a mixed year in its analytical and field services segments due to competitive pricing pressures, overcapacity and prolonged winter weather in its larger and more mature markets encompassing the US, Benelux and Germany. Key restructuring actions were undertaken in these markets to position the businesses for growth in 2004.

Revenues grew by 6.2% on a comparable basis (5.8% reported) and further improved operating margin to 6.5%. Revenue growth was driven by Spain, Italy, Finland, Taiwan, Australia, Canada and Chile, with good operating margin performances in East Asia, South America, and South East and East Europe.

2003 has seen the business focus on developing transnational relationships with major customers. The business expanded its geographic network by entering new markets in Europe, the Middle East and Asia to strengthen its service capabilities geared to international clients.

The business entered the laboratory outsourcing and environmental data management segments with significant projects awarded in the Netherlands, Italy and Taiwan.

AUTOMOTIVE SERVICES		
CHF million	2002	2003
<b>Revenues</b>	238.9	211.0
Change in %		(11.7)
<b>Change due to</b>		
Volume and Prices		(7.9)
Currency Translation		(20.0)
Acquisitions/(Disposals)		--
<b>Operating Income</b>	13.7	20.8
Change in %		51.8
<b>Operating Margin %</b>	5.7	9.9

### Automotive Services

Automotives Services comparable revenues declined by 3.6% versus prior year (11.7% down on a reported basis). Margins however improved to 9.9% in 2003 from 5.7% in 2002.

The US car market remained depressed and generous incentives offered last year for early return of leased vehicles resulted in the number of cars requiring inspection decreasing significantly. The impact of this volume shortfall was more than offset by operational efficiencies, resulting in better margins.

Good overall performance in both revenue growth and margin improvements has been delivered in the statutory inspection markets (Ireland, Argentina, Uruguay and Ivory Coast).

New business that will come on stream in 2004 includes two new vehicle data management contracts awarded in the USA, the inspection of private hire vehicles in London (UK) and the offering of comprehensive inspections to accompany auctioned cars on Ebay, the first time that automotive inspections have been offered directly to the consumer.



TRADE ASSURANCE SERVICES		
CHF million	2002	2003
<b>Revenues</b>	209.7	<b>219.5</b>
Change in %		4.7
<b>Change due to</b>		
Volume and Prices		11.5
Currency Translation		(1.7)
Acquisitions/(Disposals)		--
<b>Operating Income</b>	23.0	<b>45.1</b>
Change in %		96.1
<b>Operating Margin %</b>	11.0	<b>20.5</b>

## Trade Assurance Services

Revenues of Trade Assurance Services increased by 5.6% on a comparable basis (4.7% reported) mainly due to the start-up of the contracts with the government of Haiti, Indonesia, Madagascar, Mexico, and Venezuela partially offset by the terminated contract with the government of Angola.

Margins improved significantly to 20.5%. This improvement was achieved through gains in productivity, restructuring measures, and increasing import volumes in Africa.

During 2003, Trade Assurance Services successfully extended or renewed contracts with the Governments of Cambodia, Cameroon, and Ecuador. Contracts with the Governments of Bolivia, Central African Republic, Malawi and Mali were terminated during the year. New Forestry contracts were signed in Cambodia, Congo Brazzaville, and Indonesia.

Two new services were introduced during 2003: TradeNet Ghana and ValuNet Mexico. TradeNet Ghana has been very successful in reducing customs clearance times and increasing revenues. ValuNet Mexico started in August 2003 and supports Mexican customs in investigating declared customs values for high-risk transactions and has enabled Mexican Customs to capture additional revenues far in excess of the cost of the program.

Further developments in products' enhancement included the deployment of the SGS proprietary risk management system (SGS Profiler) in existing and new programs, as well as the rolling out of the SGS Climate Change Program and the SGS Rating for NGOs.

English version is binding

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### 2004 HALF YEAR RESULTS

Tuesday, 13 July 2004

### ANNUAL GENERAL MEETING OF SHAREHOLDERS

Tuesday, 23 March 2004

### STOCK EXCHANGE LISTING

SWX Swiss Exchange, SGSN

### STOCK EXCHANGE TRADING

virt-x

### COMMON STOCK SYMBOLS

Bloomberg: Registered Share: SGSN  
Reuters: Registered Share: SGSZn.S  
Telekurs: Registered Share: SGSN  
ISIN: Registered Share: CH0002497458

### CORPORATE COMMUNICATIONS & INVESTOR RELATIONS

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