

SGS GROUP RESULTS

FIRST HALF 2003

WHEN YOU NEED TO BE SURE





Highlights

- Net Income up 47% on prior year - 62% at constant currencies
- Top line growth of 5.7% at constant currencies, -2.2% historical
- Operating margin of 11.7%
- All businesses improved performance
- Six-sigma projects commenced to help drive next stage of development
- Confident about remainder of the year
- Operations Council now complete for Businesses and Operations
- New objectives for 2005
 - Sales of CHF 3 billion (10% growth rate)
 - Operating margins of 16%
 - EPS of ~CHF 45



Financial Highlights

CHF million

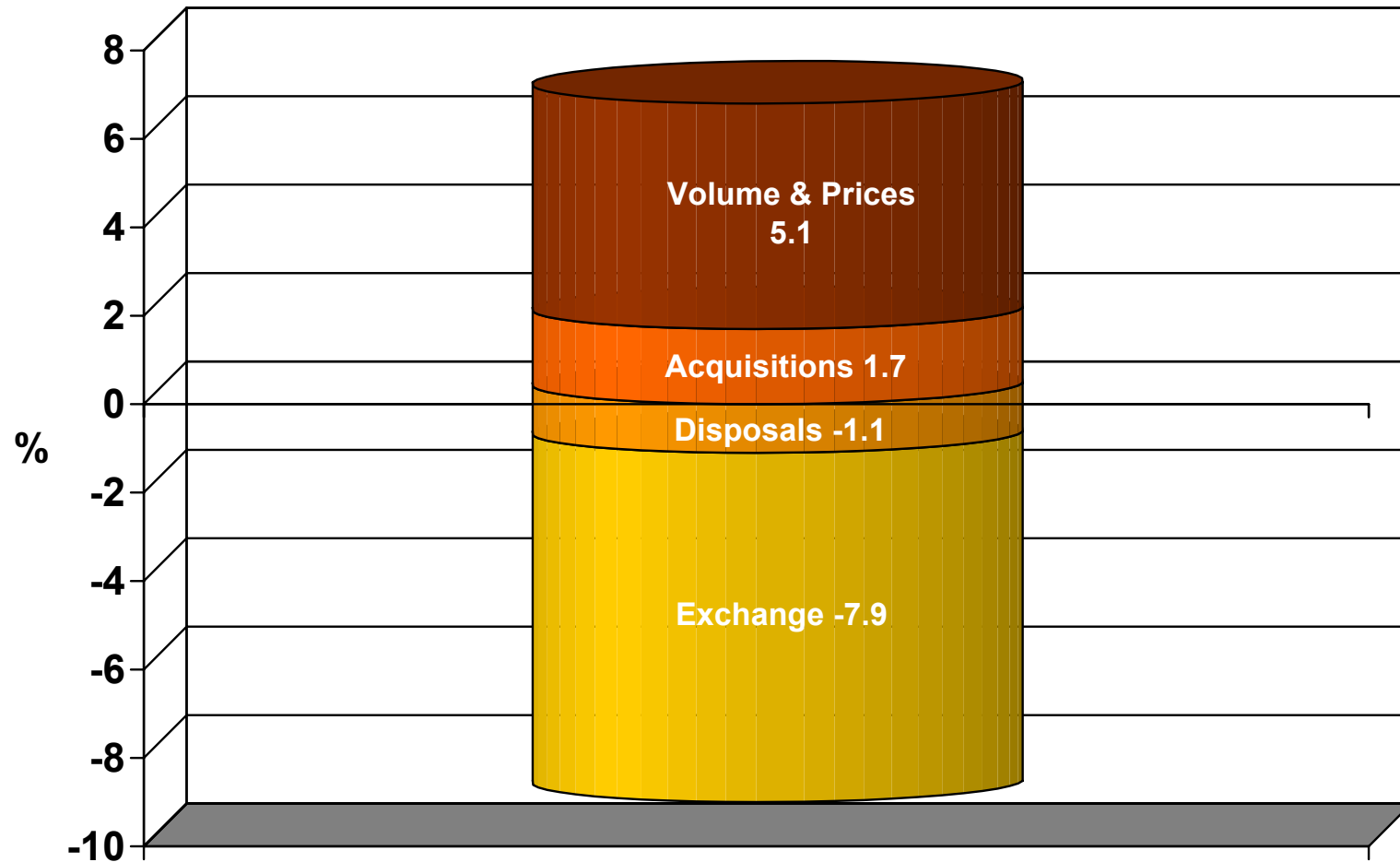
	H1 2002	H1 2003	Change YoY
Revenue - historical rates	1'201	1'174	(2.2%)
- constant rates	1'111	1'174	5.7%
EBITDA	145	184	27%
<i>EBITDA Margin</i>	12.1%	15.7%	
Operating Income Group	97	137	41%
<i>Operating Margin Group</i>	8.1%	11.7%	
Net Income before exceptionals	68	100	47%
Exceptionals after tax	-2	0	
Net income after exceptionals	66	100	52%
CHF Earnings / Share bef. exceptionals	8.69	13.06	50%
CHF Earnings / Share aft. exceptionals	8.44	13.06	55%
Avg no. of employees (incl acquisitions)	32'339	32'114	(0.7%)

REVENUE ANALYSIS

WHEN YOU NEED TO BE SURE

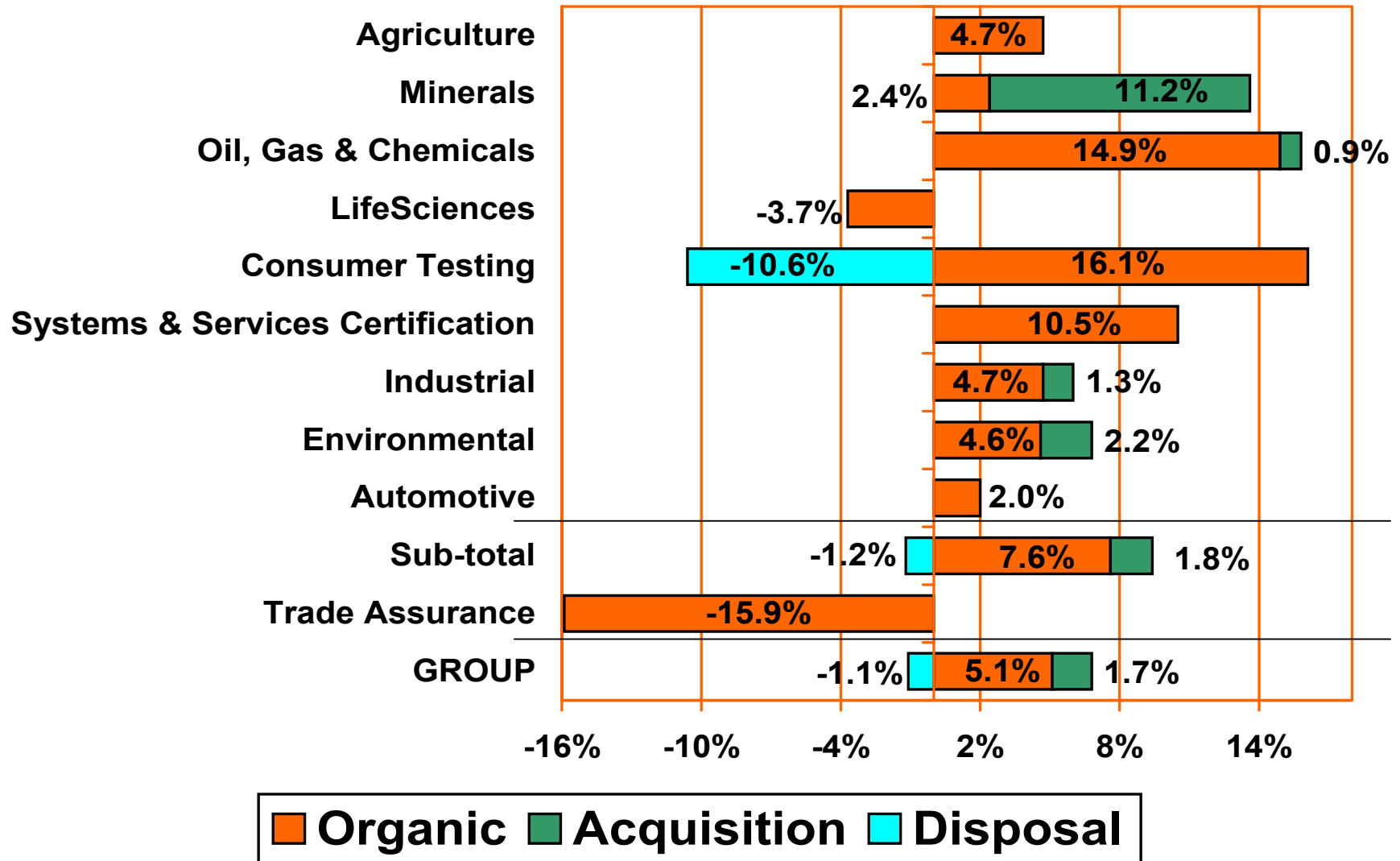
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Revenue Growth Composition



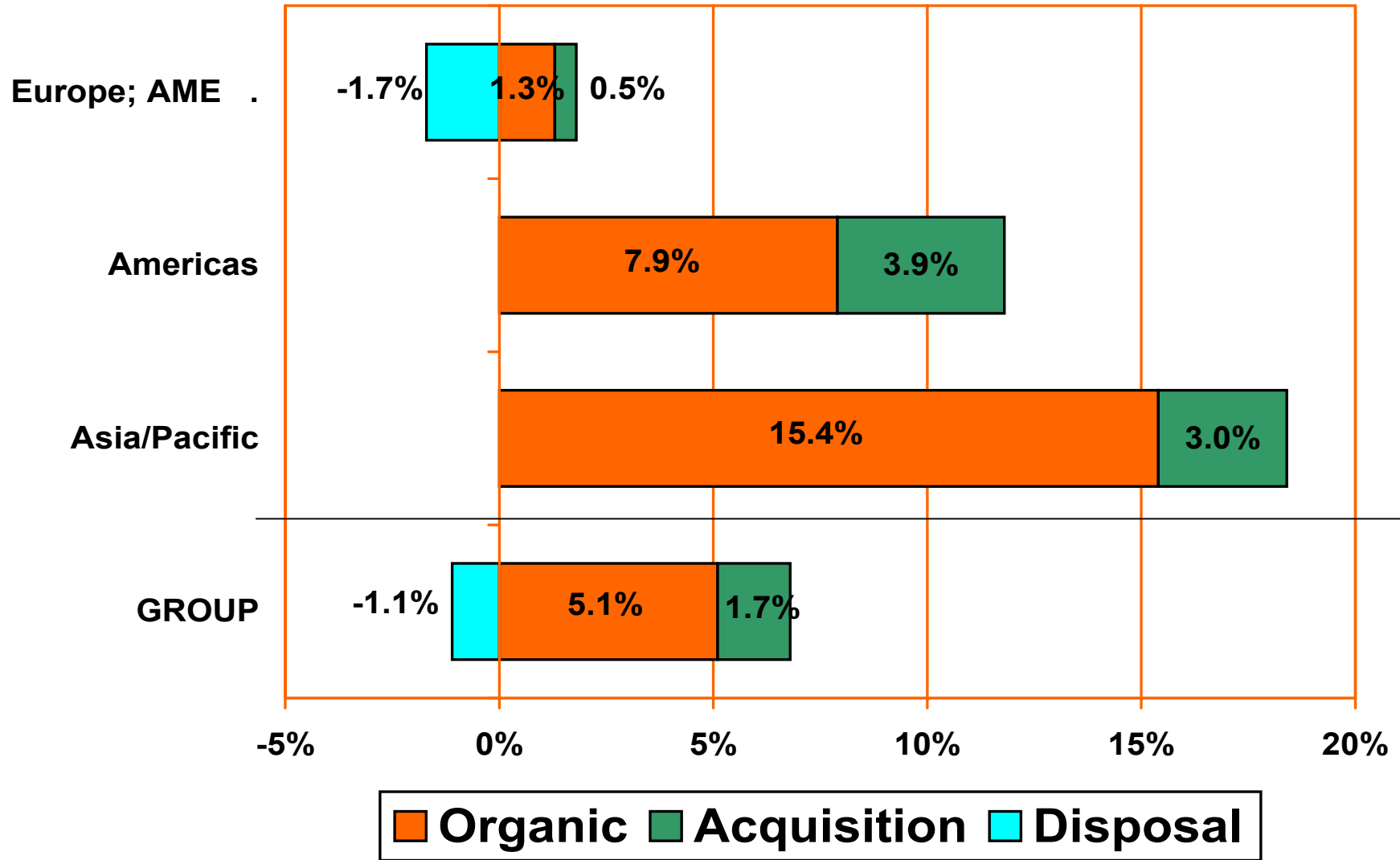


Local Currency Growth By Business





Local Currency Growth By Area



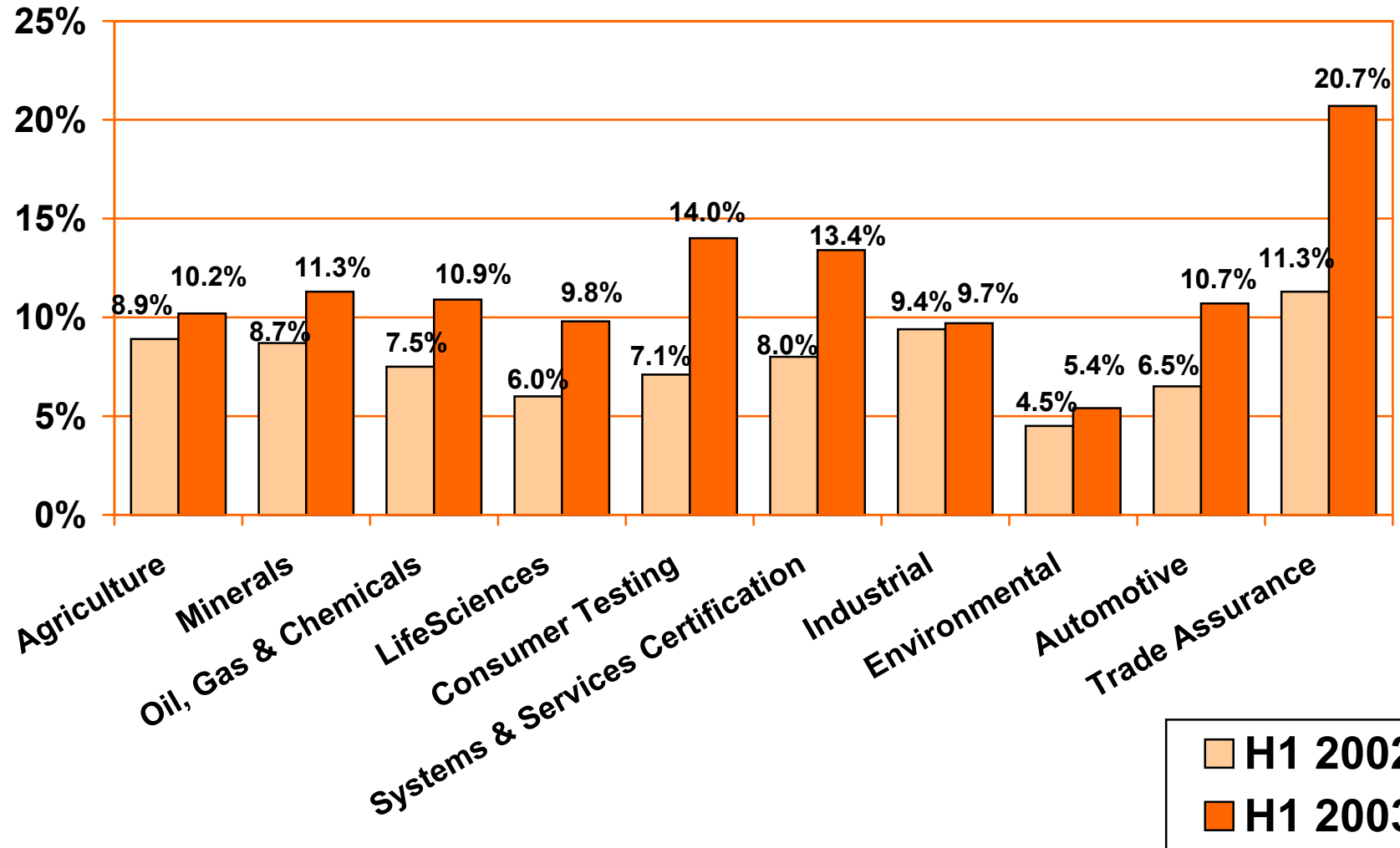
OPERATING INCOME ANALYSIS

WHEN YOU NEED TO BE SURE





Operating Margin By Business





Group Operating Income Reconciliation HY 2002 to HY 2003

	CHF Mios
Group Operating Income June 2002	97
Business Volume & Efficiency Gains	32
Reduction in Central Costs	12
Total Operational Improvements	44
Acquisitions	4
Disposals	(0)
Currency Translation Effect	(8)
Group Operating Income June 2003	137

**Improvement of
CHF 40 Million**



Exceptional Items

CHF million

	H1 2002	H1 2003
TAS Terminated Contracts	21	0
Reorganisation Costs	-25	0
Total Exceptional Items	-4	0
Tax thereon	2	0
Exceptional Items after tax	-2	0

- Timing and success rate of collection activities is hard to predict
- Approximately CHF 2 million collected in early July



Headcount Reconciliation Dec '02 to June '03

Changes in End of Period Headcount

	Dec 31, 2002	Jun 30, 2003	Change
Group Headcount	32'008	32'347	339
Organic Business Growth			889
Acquisitions			30
Disposals			(210)
Restructuring			(370)*
Increase in Group Headcount			339

See next slide

* Charged in 2002, left in 2003



Analysis of Organic Headcount Increase

	Headcount Increase	As %	% Revenue Growth
Asia Pacific	669	8.3%	15.4%
Americas	131	1.8%	7.9%
Europe, Africa, Middle East	89	0.6%	1.3%
Organic Increase in Heads	889	2.8%	5.1%



Group Cash Flow Statement

CHF million

30.06.02

30.06.03

Net cash at start of year	446	402
Net cash at end of period	386	424
(Decrease) / Increase in net cash	-60	22
<i>Explained by:</i>		
EBIT	89	132
Adjustment for non cash items	66	51
(Increase) / Decrease in working capital	-18	-40
Cash from operations	137	143
Net purchase of fixed assets	-52	-57
Taxes	-20	-17
Net financial income / other	5	3
Free Cash Flow	70	72
Dividend paid	-47	-56
Net cash acquisitions / disposals	-51	-2
Financing / Translation	-32	8
(Decrease) / Increase in net cash	-60	22

BUSINESS OVERVIEW

WHEN YOU NEED TO BE SURE





Agricultural Services – H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	125.2	122.0
Change in %		-2.6%
Change due to		
Volumes & Prices		5.5
Currency Translation		(8.7)
Acquisitions/(Disposal)		-
Op. Income	11.2	12.4
<i>Margin</i>	8.9%	10.2%

- Significant revenue growth in South America at the ports being supplemented by operations inland
- New guarantee and insurance products have boosted growth in Asia
 - Trade Finance Support
 - Full Out-turn Guarantees
- Poor crops in Eastern Europe, Australia and India and unrest in Ivory Coast are having an impact on volumes
- Benefits of reorganisation, particularly in Europe, are now visible
- Development of business linked to production to limit the impact of the trade cycle
 - SGS Grading on Site



Minerals Services - H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	131.6	132.5
Change in %		0.7%
Change due to		
Volumes & Prices		2.7
Currency Translation		(14.9)
Acquisitions/(Disposal)		13.1
Op. Income	11.5	15.0
<i>Margin</i>	8.7%	11.3%

- New on-site sampling and laboratory contracts drove growth in South America and India
- Stable prices for precious metals drove exploration activity providing growth for the geochemical laboratories and new contract wins
- Recovery of market share in China and a return to normal coal trade activities in the US lifted growth
- Changing trade patterns and low priced competitive activity adversely impacted Eastern Europe
- Structural improvements and laboratory consolidation improved the bottom line



Oil, Gas & Chemicals Services - H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	203.1	212.0
Change in %		4.4%
Change due to		
Volumes & Prices		27.3
Currency Translation		(20.0)
Acquisitions/(Disposal)		1.6
Op. Income	15.2	23.2
Margin	7.5%	10.9%

- Strong performance and growth led by Americas and Europe
- Recapture of market share, particularly in Asia, made up for the flat business environment
- Continued investment in strategic locations to drive future growth
- Launched new operations breaking into markets formally monopolized by the competition
- Formed Emoyeni, one of the first black empowerment companies in South Africa, to align with the expected development of the market



Life Sciences Services - H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	31.5	29.6
Change in %		-6.0%
Change due to		
Volumes & Prices		(1.1)
Currency Translation		(0.8)
Acquisitions/(Disposal)		-
Op. Income	1.9	2.9
Margin	6.0%	9.8%

- Clinical Research demand is slowing with companies delaying projects
- European operations consolidated under single leadership
- North American got off to a slow start, should benefit from unified management
- Business leadership now in place and growth strategy to be formulated over next 6 to 9 months



Consumer Testing Services - H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	131.3	126.4
Change in %		-3.7%
Change due to		
Volumes & Prices		17.5
Currency Translation		(10.8)
Acquisitions/(Disposal)		(11.6)
Op. Income	9.3	17.7
Margin	7.1%	14.0%

- Testing now amounts for 60% of turnover, with textile labs in Hong Kong and Shanghai now working 24/7 and others on two shift systems
- Asia is now the main profit driver, supported by sales in the US and Europe as well as Asia Pacific
- Continued investment in key locations across the strategic business units
- Focus on testing continues to lift margins, allowing more effective use of the facilities
- Disposal of private label food labs as the business is refocused on supplier audits and food chain custody



Systems & Services Certification H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	104.4	105.4
Change in %		1.0%
Change due to		
Volumes & Prices		10.0
Currency Translation		(9.0)
Acquisitions/(Disposal)		-
Op. Income	8.4	14.1
Margin	8.0%	13.4%

- Good revenue growth, driven by Asia and Americas
- Penetration of products in service industry with new developments in compliance audits for car dealers across Europe
- Several global contracts signed for integrated certification audits (quality, environment and safety)
- Significant profit increase as a result of reorganisation of non-performing operations



Industrial Services - H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	155.4	158.7
Change in %		2.1%
Change due to		
Volumes & Prices		7.1
Currency Translation		(5.7)
Acquisitions/(Disposal)		1.9
Op. Income	14.6	15.4
<i>Margin</i>	9.4%	9.7%

- Focus on services to Oil, Gas and Power projects showing early successes with global framework contracts with major engineering companies being signed
- Continued strong growth in Spain and the Far East
- Investments in capability in key areas for future growth, eg Brazil, Russia and China
- Western European markets have been negatively impacted by economic downturn



Environmental Services - H1 2003

CHF million	First Half 2002	First Half 2003
Sales	77.3	78.5
Change in %		1.6%
Change due to		
Volumes & Prices		3.4
Currency Translation		(3.8)
Acquisitions/(Disposal)		1.6
Op. Income	3.5	4.2
Margin	4.5%	5.4%

- Good revenue growth has been delivered in established markets in Spain, Italy, Netherlands and Taiwan
- Extension of the network coverage into Finland and Thailand with good results
- Launch of Indoor Environmental Quality product has enhanced growth opportunities, with SARS increasing interest in the product
- Focus on developing a pipeline of lab outsourcing and projects with multi-national clients is beginning to bear fruit



Automotive Services - H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	125.1	111.9
Change in %		-10.6%
Change due to		
Volumes & Prices		2.1
Currency Translation		(15.3)
Acquisitions/(Disposal)		-
Op. Income	8.1	12.0
Margin	6.5%	10.7%

- High off-lease volumes in the USA, a turnaround in the rental car industry and efficiency improvements helped drive the result
- Automotive Ireland continued its strong performance with increased volumes and continued efficient execution
- Seven year contract won in UK for inspection and licensing of private hire vehicles in London, commencing January 2004



Trade Assurance Services - H1 2003

CHF million

	First Half 2002	First Half 2003
Sales	116.3	96.7
Change in %		-16.9%
Change due to		
Volumes & Prices		(18.3)
Currency Translation		(1.3)
Acquisitions/(Disposal)		-
Op. Income	13.2	20.0
<i>Margin</i>	11.3%	20.7%

- Terminated contract in Angola and reduced volumes in South America lowered the revenue
- New contracts signed for
 - Mexico – ValuNet
 - Zimbabwe – Forex
 - Madagascar – import verification
 - Haiti – import verification
 - Indonesia – textile monitoring
 - Cameroon – forestry
 - Indonesia – forestry
- TradeNet operation in Ghana now live and profitable



Trade Assurance Services

Collections

- Current receivables at less than 4 months billings
- Activity on significant terminated contracts from the past:
 - Philippines: on-going arbitration
 - Pakistan: legal proceedings
 - Angola: settlement looks possible
 - Ivory Coast: ongoing discussions – settlement possible
 - Paraguay: legal issues resolved, efforts continue

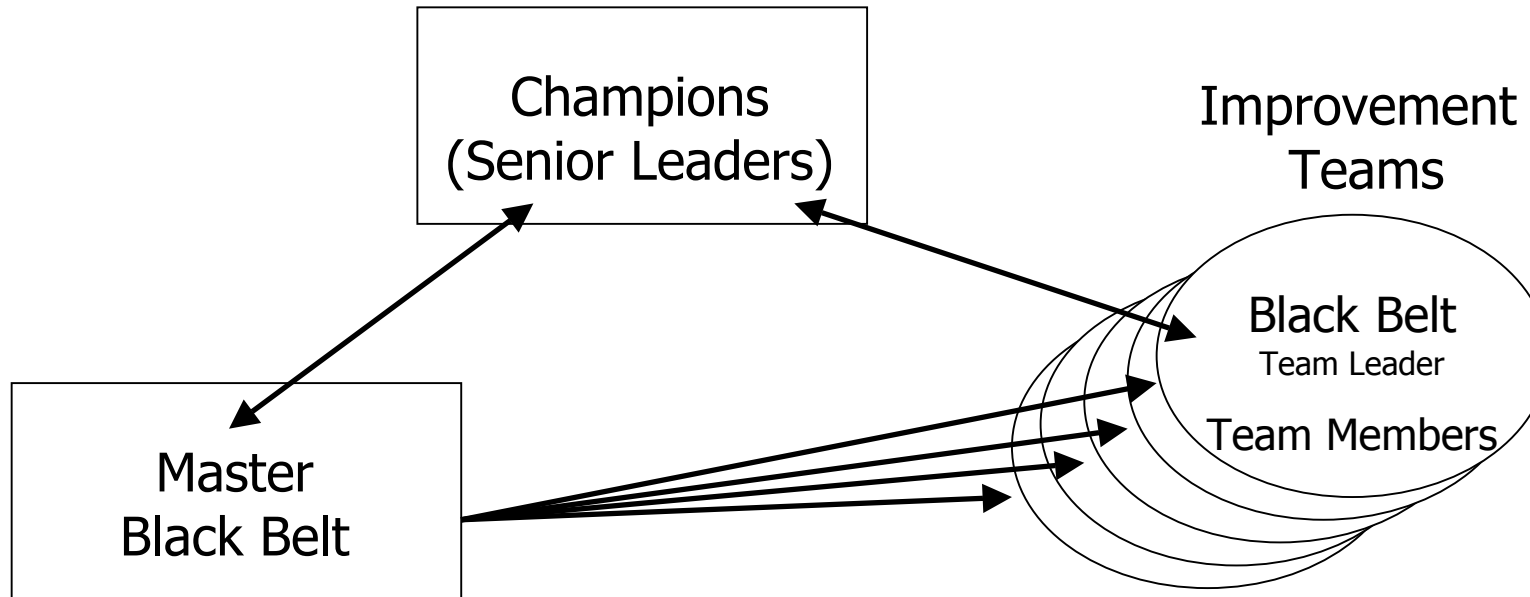


> 6 SIGMA

WHEN YOU NEED TO BE SURE



Improvement Team Infrastructure



- **First targets**
 - European Lab Network
 - Business Processes
 - TAS backoffice operations
- **Master Black Belt in house**
- **17 Black Belts in place by end '03**

OUTLOOK

WHEN YOU NEED TO BE SURE





Group Outlook 2003

- Solid improvement over 2002 net income level of CHF 159 million expected
- Focus on top line growth is now key initiative
 - More than 10% of 2003 Operating Income designated to fund growth initiatives
 - Improvements in customer focus will be helped by newly launched six-sigma initiatives
- Focus on operational excellence
 - six-sigma
- Additional cash receipt from TAS exceptional recoveries expected during 2003 but quantum unknown

NEW 2005 OBJECTIVES

WHEN YOU NEED TO BE SURE





Objectives

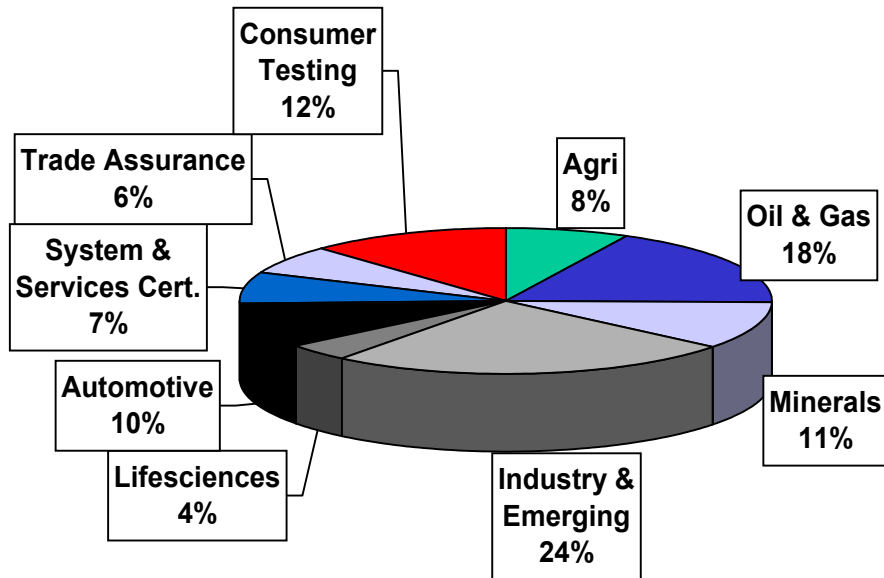
THREE YEAR CYCLE STARTING H2 '02

- Sales of CHF 3.2 billion
 - Restated using H1 '03 rates : CHF 3.04 billion
- Operating margins of 12%
- Earnings per share of CHF 38

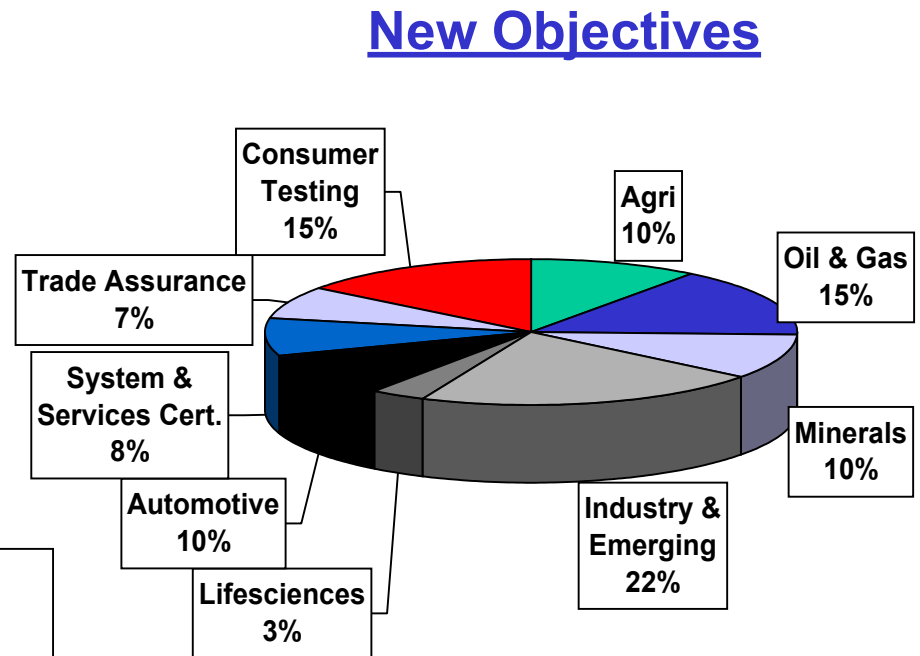
REVISED 2005 OBJECTIVES

- Sales of CHF 3.0 billion
- Operating margins of 16%
- Earnings per share of ~CHF 45

Comparison of the Old with the New Revenue Objectives



Old Objectives



New Objectives

Difference in sales target due solely to currency differences



Margin Targets By Business

