

SGS records 4th consecutive semester earnings increase, with net profit for the first half of 2003 up 47% to CHF 100 million (62% in constant currencies). Operating margins moved up to 11.7% from 8.1%, with all businesses contributing to the Group's performance improvement. This was accomplished notwithstanding a drop in reported sales of 2.2% caused by the strength of the Swiss franc (up 5.7% in constant currencies). SGS has now broken the 20% return on equity threshold and has set new targets for 2005 of 16% operating margins.

FINANCIAL HIGHLIGHTS		
CHF million	June 02	June 03
Revenue	1 201	1 174
Change in %		(2.2)
EBITDA	145	184
Change in %		26.9
Operating income	97	137
Change in %		41.2
Operating margin in %	8.1	11.7
Profit before tax	96	137
Change in %		42.7
Net profit	66	100
Change in %		51.5
Net profit before exceptionals	68	100
Change in %		47.1
Free cash flow	70	72
Change in %		2.9
Net cash	386	424
No. of shares (000's) registered equivalent	7 822	7 661
Earnings per share (CHF) before exceptionals	8.69	13.06
Change in %		50.3
Earnings per share (CHF) after exceptionals	8.44	13.06
Change in %		54.7
Period end number of employees	32 756	32 347
Change in %		(1.2)

Overview

Revenue for the Group improved to CHF 1 174 million, up +5.7% on the same period last year in local currency terms (2.2% down on a reported basis) in what can best be characterized as a difficult global trading environment.

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

Operating income improved by CHF 48 million or 54% to CHF 137 million at constant currencies (CHF 40 million on a reported basis). Operating margins in all businesses continued to improve with the most significant gains being achieved by Consumer Testing, Systems and Services Certification, Life Sciences and Trade Assurance Services.

Net financial income has reduced to CHF 5 million reflecting the continued global reduction in yields. The tax rate for the first half at 24% is in the range that the Group expects for the medium term.

Net profit before exceptionals increased by CHF 32 million to CHF 100 million (CHF 38 million at constant currencies). Including exceptional items (in 2002, CHF 2 million representing the net of restructuring costs and collections of discontinued government contracts receivables), the bottom line improved by CHF 34 million.

Cashflow from operations remained strong at CHF 143 million, which was used in part to fund our investment in improved and expanded operating infrastructure and to meet the increased dividend payment. Group net cash increased from CHF 402 million at the end of 2002 to CHF 424 million at 30 June 2003.

Six Sigma

In the first half of 2003, SGS launched its six sigma program with the first 17 black belts now in training and the first wave of projects started. The initial focus is on the lab organisation in Europe and in streamlining processes by business line.

Business Portfolio and Organisational Changes

The Group has completed a review of its business portfolio and has concluded that no major divestitures are required. It has therefore identified Environmental Services as a strategic business. Furthermore the remaining "Emerging Businesses" have been absorbed into the mainstream activities of Automotive and Life Sciences Services.

The business leadership at Operations Council level is now complete. Helge Bastian has been appointed as the EVP for Life Sciences Services joining SGS with a long and well-established biotechnology background. Chris Kirk has moved to become the EVP for Minerals and Christian Jilch has taken over the role of COO for South East Asia. Friedrich Hecker has taken on responsibilities for the Industrial Services Businesses. His position as COO for Central Europe has been filled by Bernhard Paul. Abdelkrim Belhia will be assuming responsibility for Eastern Europe. The Automotive EVP is Fred Herren.

Outlook and Change in Group Targets

The Group will continue to improve operating performance in the remainder of 2003 and as a result expects to comfortably exceed the 2002 reported net profit before exceptionals.

Legal proceedings and other collection efforts continue in order to collect the full amounts outstanding on pre-2002 terminated Trade Assurance contracts. Approximately CHF 2 million has been collected at the beginning of the second semester. It remains difficult to forecast the pace and rate of success of these collection activities.

In view of the improvement in performance achieved in the last eighteen months, the Group now feels comfortable in moving targets to be at least equal to best in class performance. Taking into account the realignment in foreign exchange rates in the last 12 months, SGS has set a revenue objective of CHF 3 billion with operating margins of 16% by 2005. This represents a 10% compound growth rate over 2001 baseline revenues. The new targets confirm and improve the objectives announced in 2002.



Georges Muller
Chairman



Sergio Marchionne
Chief Executive

17 July 2003

CONSOLIDATED PROFIT & LOSS FIRST HALF YEAR		
CHF million	June 02	June 03
Revenue	1 201	1 174
Operating income	97	137
Exceptionals	(4)	--
Goodwill	(4)	(5)
EBIT	89	132
Net financial income	7	5
Profit before taxes and minority interests	96	137
Taxes	(28)	(34)
Profit after taxes	68	103
Minority interest	(2)	(3)
Net profit	66	100
Net profit before exceptionals (net of tax)	68	100

CHANGES IN SHAREHOLDERS' EQUITY		
CHF million	2002	2003
As at 1 January	982	897
Dividend	(47)	(56)
Translation	(66)	27
Net profit	66	100
As at 30 June	935	968

CONSOLIDATED CASH FLOW FIRST HALF YEAR		
CHF million	June 02	June 03
EBIT	89	132
Adjustment for non cash items (increase)/decrease in working capital	66	51
Cash from operations	137	143
Tax paid	(20)	(17)
Net purchase of fixed assets	(52)	(57)
Other	5	3
Free cash flow	70	72
Dividend paid	(47)	(56)
Net cash (used in) acquisitions/disposals	(51)	(2)
Financing and translation differences	(32)	8
Increase/(decrease) in net cash	(60)	22

Accounting Principles

The condensed consolidated financial statements are prepared in accordance with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) and the incorporated International Accounting Standards 34 Interim Financial Reporting (IAS 34), issued by the International Accounting Standards Board (IASB).

These condensed consolidated accounts are based on the accounts of the individual subsidiaries at 30 June, which have been drawn up according to uniform Group accounting principles consistent with those reflected in the consolidated financial statements for the year ended 31 December 2002 of SGS Group.

First half 2002 business segment information has been adjusted to reflect the new organisational structure and to reflect a full allocation of overheads to the businesses.

CONSOLIDATED BALANCE SHEET		
CHF million	Dec. 02	June 03
Non-current asset		
Land building and equipment	374	394
Other long-term assets	89	97
Goodwill and other intangible assets	107	120
Total non-current asset	570	611
Current asset		
Trade accounts and notes receivables	495	523
Other current assets	254	285
Cash and short term investments	531	471
Total current asset	1 280	1 279
Total assets	1 850	1 890
Shareholders' equity	897	968
Minority interests	18	19
Non-current liabilities		
Long term loans	48	11
Provisions and other liabilities	272	269
Total non-current liabilities	320	280
Current liabilities		
Trade and other payables	260	309
Other current liabilities	355	314
Total current liabilities	615	623
Total liabilities and shareholder's equity	1 850	1 890

EXCHANGE RATES						
			Balance Sheet		Profit & Loss account	
			end of period rate CHF		First half year	
			Dec. 02	June 03	average rate CHF	
					2002	2003
Australia	AUD	100	78.65	90.47	87.49	83.29
EU	EUR	100	145.48	155.42	146.88	149.17
Great Britain	GBP	100	223.78	224.00	236.4	217.75
USA	USD	100	139.55	135.69	163.75	135.19

AGRICULTURAL SERVICES		
CHF million	June 02	June 03
Revenue	125.2	122.0
Change in %		(2.6)
Change due to		
Volume and Prices	5.5	
Currency Translation		(8.7)
Acquisitions/(Disposals)		--
Operating Income	11.2	12.4
Change in %		10.7
Operating Margin %	8.9	10.2

Agricultural Services

Comparable revenues in Agricultural Services grew by 4.7% (2.6% decline on a reported basis) and improved operating margins from 8.9% to 10.2%.

South America delivered much improved revenues, growing 25% in the first half of 2003, driven by strong growth in Brazil. Development of the full value chain services (fumigation, trade finance support and full-outturn-guarantees) continues strong, with the rollout of these new offerings into the network helping to drive revenues forward.

Good growth in China was partially offset by a difficult market in India and almost no export from Australia (drought conditions) and Eastern Europe (lack of exportable products). Western Europe, on the other hand, has shown a good level of activity.

Amplification of our service offerings along the whole value chain should maintain revenue growth rates.

MINERALS SERVICES		
CHF million	June 02	June 03
Revenue	131.6	132.5
Change in %		0.7
Change due to		
Volume and Prices	2.7	
Currency Translation		(14.9)
Acquisitions/(Disposals)		13.1
Operating Income	11.5	15.0
Change in %		30.4
Operating Margin %	8.7	11.3

Minerals Services

The Minerals business grew revenues by 2.4% on a comparable basis (13.6% including acquisitions and +0.7% on a reported basis). Operating margins improved as well to 11.3% compared to 8.7% last year.

The continued stable world price levels for gold and platinum drove mine exploration activity in Australia, Africa and South America. This provided revenue growth for the group's off-site geochemical laboratories as well as new on-site laboratory contracts with major and junior mining companies.

The group capitalised on the steady world steel market by establishing new contracts for finished and semi-finished product inspections with integrated steel producers.

Against a background of weak demand in the US for steam coal and market shifts in Russia, the group's coal related activities ended the period with positive revenue growth due to market share improvement in China and new on-site testing operations in India.

Revenue was further enhanced by a significant new global contract for fertilizer inspections and additional analytical business related to the non-ferrous minerals trade.

Operating income improvement was led by geochemical laboratory operations in South America and Africa, the integration of acquired operations in Australia, South Africa, Brazil and Canada plus structural changes and consolidation of laboratory assets in Europe.

OIL, GAS & CHEMICALS SERVICES		
CHF million	June 02	June 03
Revenue	203.1	212.0
Change in %		4.4
Change due to		
Volume and Prices		27.3
Currency Translation		(20.0)
Acquisitions/(Disposals)		1.6
Operating Income	15.2	23.2
Change in %		52.6
Operating Margin %	7.5	10.9

Oil, Gas & Chemicals Services

Good comparable revenue growth of 14.9% (+4.4% on a reported basis) was achieved in the first half of 2003, notwithstanding an erratic oil market. Market share gains were realized in several areas. A number of significant projects were secured as a result of the strategy to offer comprehensive solutions for the full range of peripheral activities around the refineries, plants and terminals.

The upsurge in margin from 7.5% to 10.9% reflects the overall streamlining of operations since last year. This restructuring coupled with the new integrated global sales and development organization accelerated profit as well as growth.

In the Americas and Europe, there was good growth, capitalizing on the solid network of field operations and laboratories. The cold winter and increase in seasonal gasoline movements in the USA made it also possible to compensate for the temporary stoppage of Venezuelan petroleum exports and downturn at the related offshore refining and transit points. Sizeable outsourcing contracts in the UK, Netherlands and elsewhere in Europe also boosted results.

The turnaround in Asia was achieved by the recapture of market share in crucial areas, especially Singapore.

Development in Eastern Europe was spurred on by the investment in on-site laboratories at key locations. In support of the strategic plan, the international development team has been reinforced in several areas.

LIFE SCIENCE SERVICES		
CHF million	June 02	June 03
Revenue	31.5	29.6
Change in %		(6.0)
Change due to		
Volume and Prices		(1.1)
Currency Translation		(0.8)
Acquisitions/(Disposals)		--
Operating Income	1.9	2.9
Change in %		52.6
Operating Margin %	6.0	9.8

Life Science Services

Life Sciences' comparable revenues declined by 3.7% in the first half of 2003 (reported -6.0%) but margins improved from 6.0% to 9.8%.

The two main branches of activity, Quality Control Testing and Clinical Research Testing showed different results as a consequence of the economic impact on the two markets.

Healthy revenue growth and profits were seen in Quality Control Testing for the Canadian, Belgian and French operations, though tempered by weaker performance in the USA.

In Clinical Research Testing growth was held back by the weak market with many customers cancelling or delaying projects.

The recent appointment of the leadership for this business will allow the strategy to be developed and openly articulated over the next months allowing the selection of the growth options and initiatives that will drive this business forwards.

CONSUMER TESTING SERVICES		
CHF million	June 02	June 03
Revenue	131.3	126.4
Change in %		(3.7)
Change due to		
Volume and Prices		17.5
Currency Translation		(10.8)
Acquisitions/(Disposals)		(11.6)
Operating Income	9.3	17.7
Change in %		90.3
Operating Margin %	7.1	14.0

Consumer Testing Services

Comparable sales increased 16.1% to CHF 126 million (reported -3.7%). These results can be attributed in the main to the continued very strong performance in Asia. Operating margins jumped from 7.1% to 14.0% mostly driven by strong growth in testing in softlines, hardlines and electrical & electronics (E&E).

The international sales team has been reinforced in the USA, EU and Asia Pacific in order to drive growth and provide better loadings in our global lab network.

Testing is expanding rapidly and is now around 60% of the CTS business. This growth was delivered without neglecting the still very important inspection and auditing services within CTS. The Hong Kong and Shanghai textile labs are now working 24 hours/ 7 days a week and capacity will be further expanded this year.

Further laboratory investments are in hand in China, Korea, Guatemala and Japan covering GSM, Bluetooth, Softlines and E&E Green testing.

Some smaller scale private label food testing labs in France and Spain were divested because of sub-optimal size in the market.

SYSTEMS & SERVICES CERTIFICATION		
CHF million	June 02	June 03
Revenue	104.4	105.4
Change in %		1.0
Change due to		
Volume and Prices		10.0
Currency Translation		(9.0)
Acquisitions/(Disposals)		--
Operating Income	8.4	14.1
Change in %		67.9
Operating Margin %	8.0	13.4

Systems & Services Certification

With revenues of CHF 105 million, 10.5% up on 2002 on comparable basis (+1.0% on a reported basis), the Systems & Services Certification business achieved a good performance despite the postponements of audits to the second half of the year, due to the transition to the 2000 version of ISO 9000.

Growth was still driven by ISO 9000 market segment, but with a strong push from ISO 14001 (environment) and OHSAS (safety) with 20%+ growth in South Western & Eastern Europe, South America and Asia.

Operating margin have grown substantially from 8.0% to 13.4%. This is the result of actions taken last year aiming at reducing costs and standardizing operating processes.

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

New products aiming at differentiating our product offerings in the ISO 9000 market segment have been designed. Roll out is planned in September this year.

INDUSTRIAL SERVICES		
CHF million	June 02	June 03
Revenue	155.4	158.7
Change in %		2.1
Change due to		
Volume and Prices		7.1
Currency Translation		(5.7)
Acquisitions/(Disposals)		1.9
Operating Income	14.6	15.4
Change in %		5.5
Operating Margin %	9.4	9.7

Industrial Services

Comparable revenues grew for the Industrial Services business by 4.7% (reported 2.1%). Operating margins improved to 9.7%, compared to 9.4% in the prior period.

The good growth trend in the construction sector in Spain and the Far East continued with recent contract wins underpinning the trend for the remainder of the year.

The focus on the Oil, Gas and Power project sector has led to some initial successes with global framework contracts with major engineering companies being signed during the first half of 2003, and others in an advanced stage of negotiation. Investments are being made in Brazil, Russia and China to enhance the Group's capability in these key areas for future growth.

The Western European markets have proved difficult, particularly in the non-destructive testing market, as customer activity has slowed down as a response to the economic cycle. Investment in new technologies is designed to rejuvenate the revenue stream.

ENVIRONMENTAL SERVICES		
CHF million	June 02	June 03
Revenue	77.3	78.5
Change in %		1.6
Change due to		
Volume and Prices		3.4
Currency Translation		(3.8)
Acquisitions/(Disposals)		1.6
Operating Income	3.5	4.2
Change in %		20.0
Operating Margin %	4.5	5.4

Environmental Services

The Environmental Services business has delivered comparable revenue growth of 4.6% (reported +1.6%) with margins only improving slightly to 5.4%. The long winters in our key US markets yields a pronounced difference between the first and second semester. A significant rebound in performance is expected for the remainder of the year.

Healthy revenue growth has been fuelled by good performances in Spain, the Netherlands and Taiwan. In addition, good revenue growth has been enhanced by the turnaround of operations in Chile and Hong Kong, including the addition of new businesses in Thailand and Finland. Restructuring activities in France, Belgium and Germany have positioned these businesses to have strong second half growth and profit contributions.

The Environmental business has launched three new global products (Indoor Environmental Quality, Material Safety Data Sheet (MSDS) management and an automated inspection/audit tool) which will boost second half performance. The business is also taking advantage of cross-selling opportunities with the other SGS businesses to penetrate new markets, and has a healthy pipeline of environmental lab outsourcing and multi-national, corporate projects. All of these are driven by a renewed emphasis on the transfer of best practice within our global network.

AUTOMOTIVE SERVICES		
CHF million	June 02	June 03
Revenue	125.1	111.9
Change in %		(10.6)
Change due to		
Volume and Prices		2.1
Currency Translation		(15.3)
Acquisitions/(Disposals)		--
Operating Income	8.1	12.0
Change in %		48.1
Operating Margin %	6.5	10.7

Automotive Services

Automotive Services comparable revenues grew by 2.0% (-10.6% on a reported basis). Margins continued to improve with a first half of 10.7% compared to 6.5% for the first half 2002.

In the US the auto manufacturers again provided incentives for returning cars off lease early keeping the revenues buoyant. Increased emphasis on operating efficiency, coupled with the newly established stability of our information technology infrastructure, helped boost profitability.

The Irish Vehicle Inspection scheme volumes continued to grow throughout the first half maintaining the good performance seen last year. Elsewhere the volumes and margins improved in Argentina, Uruguay and the Ivory Coast.

The Automotive Services business recently won a seven year contract to carry out the inspection and licensing of private hire vehicles for Transport for London (TfL), starting in January 2004.

TRADE ASSURANCE SERVICES		
CHF million	June 02	June 03
Revenue	116.3	96.7
Change in %		(16.9)
Change due to		
Volume and Prices		(18.3)
Currency Translation		(1.3)
Acquisitions/(Disposals)		--
Operating Income	13.2	20.0
Change in %		51.5
Operating Margin %	11.3	20.7

Trade Assurance Services

Revenues of Trade Assurance Services of CHF 97 million have decreased by 15.9% on a comparable basis (-16.9% reported) compared to first half 2002 mainly due to the terminated contract with the government of Angola, the temporary suspension of our contract with the government of Moldova and reduced volumes in Latin America's contracts.

The operating margin has progressed significantly to 20.7% up from 11.3% last year, as a result of improved operating processes.

During the first half of 2003, Trade Assurance signed a contract with the customs of Mexico for its newly launched Valunet service; a service, which while not interfering in the normal customs clearance process, provides maximum benefit through reliable and verified transaction-based valuation information. Also as part of its product diversification strategy, a contract for reconciliation of foreign exchange was signed with the Central Bank of Zimbabwe.

During the same period, Trade Assurance further signed new and innovative import verification contracts with the Governments of Madagascar and Haiti while the government of Malawi decided not to renew its contract with SGS and the PSI programme in Bolivia is now being phased out. In Indonesia, in addition to steel, a new monitoring program has been introduced for textiles.

Trade Assurance continues to expand its portfolio in natural resource and aid monitoring with projects in the forestry sector signed in Cameroon and Indonesia, and a mandate to carry out primary checks of procurement documents in more than 30 countries.

English version is binding

CORPORATE OFFICE

1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 91 11
f +41 (0)22 739 98 86
e enquiries@sgs.com
www.sgs.com

2003 FULL YEAR RESULTS

Thursday, 15 January 2004

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Wednesday, 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: CH0002497466

CORPORATE COMMUNICATIONS & INVESTOR RELATIONS

Jean-Luc de Buman
SGS Société Générale de Surveillance
Holding SA
1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 93 31
f +41 (0)22 739 98 61
www.sgs.com