

SGS GROUP RESULTS 2003

Presentation to Financial Community

Geneva, 15 January 2004

WHEN YOU NEED TO BE SURE





Highlights

- Net Income up 50% on prior year at constant currencies
 - 41% on a reported basis
- Top line growth of 7.1% at constant currencies, 2.6% historical
- Operating margin of 12.2%
 - Achieved 12.7% margin in second half
- All businesses improved operating performance
- Regular dividend up 50% to CHF 9 per share
- First wave of six-sigma projects completed, second wave being launched, to help drive next stage of efficiency and growth programs
 - CHF 10 million spent on development programs
 - CHF 25 million planned for 2004
- Targets for 2005 at CHF 45 eps confirmed



Financial Highlights

CHF million

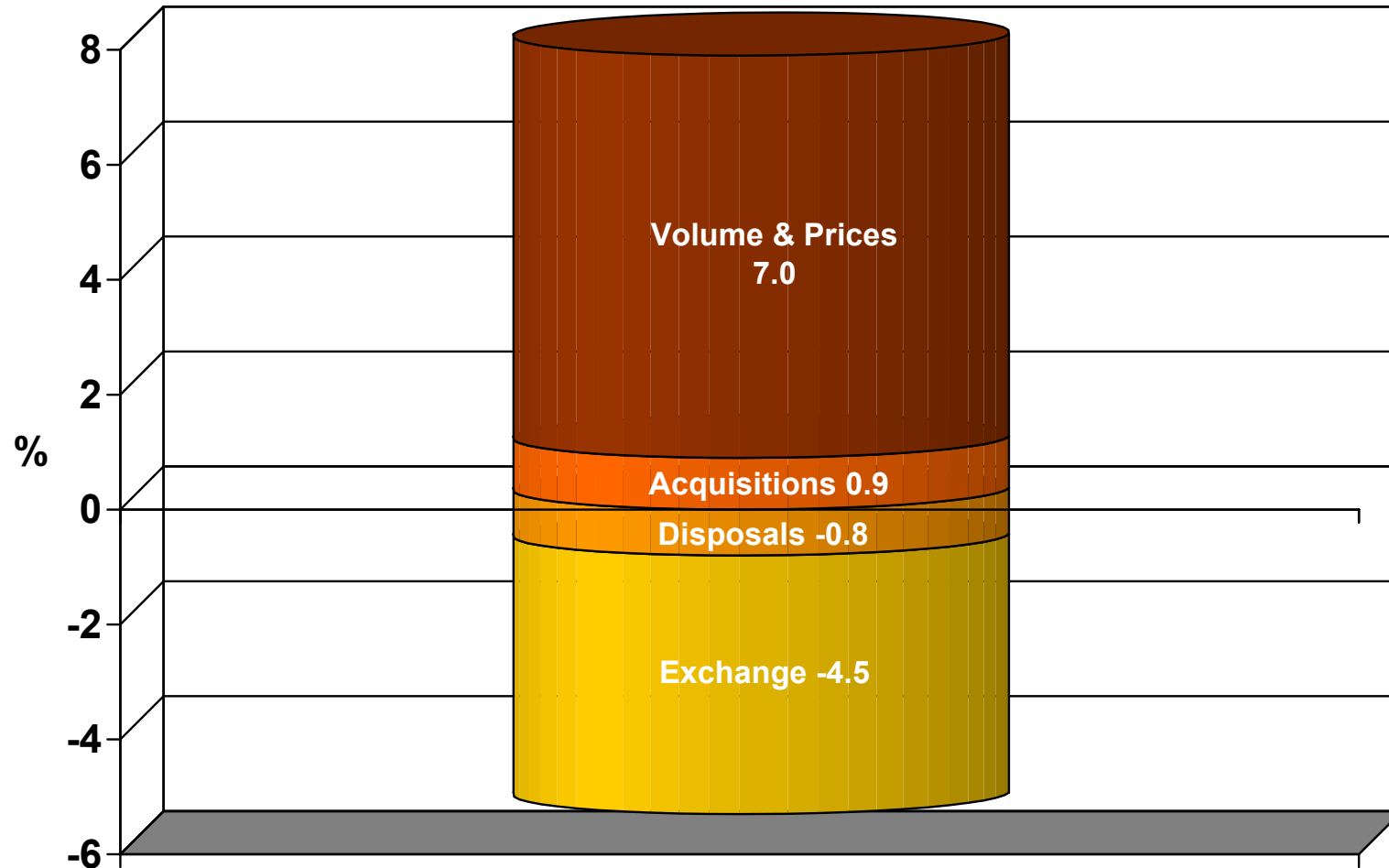
	2002	2003	Change YoY
Revenue - historical rates	2'392	2'454	2.6%
- constant rates	2'291	2'454	7.1%
EBITDA	311	396	27%
<i>EBITDA Margin</i>	13.0%	16.1%	
Operating Income Group	216	300	39%
<i>Operating Margin Group</i>	9.0%	12.2%	
Net Income before exceptionals	159	224	41%
Exceptionals after tax	-50	3	
Net income after exceptionals	109	227	108%
CHF Earnings / Share bef. exceptionals	20.46	29.24	43%
CHF Earnings / Share aft. exceptionals	14.02	29.63	111%
Period end no. of employees (incl acquisitions)	32'008	33'006	3.1%

REVENUE ANALYSIS

WHEN YOU NEED TO BE SURE

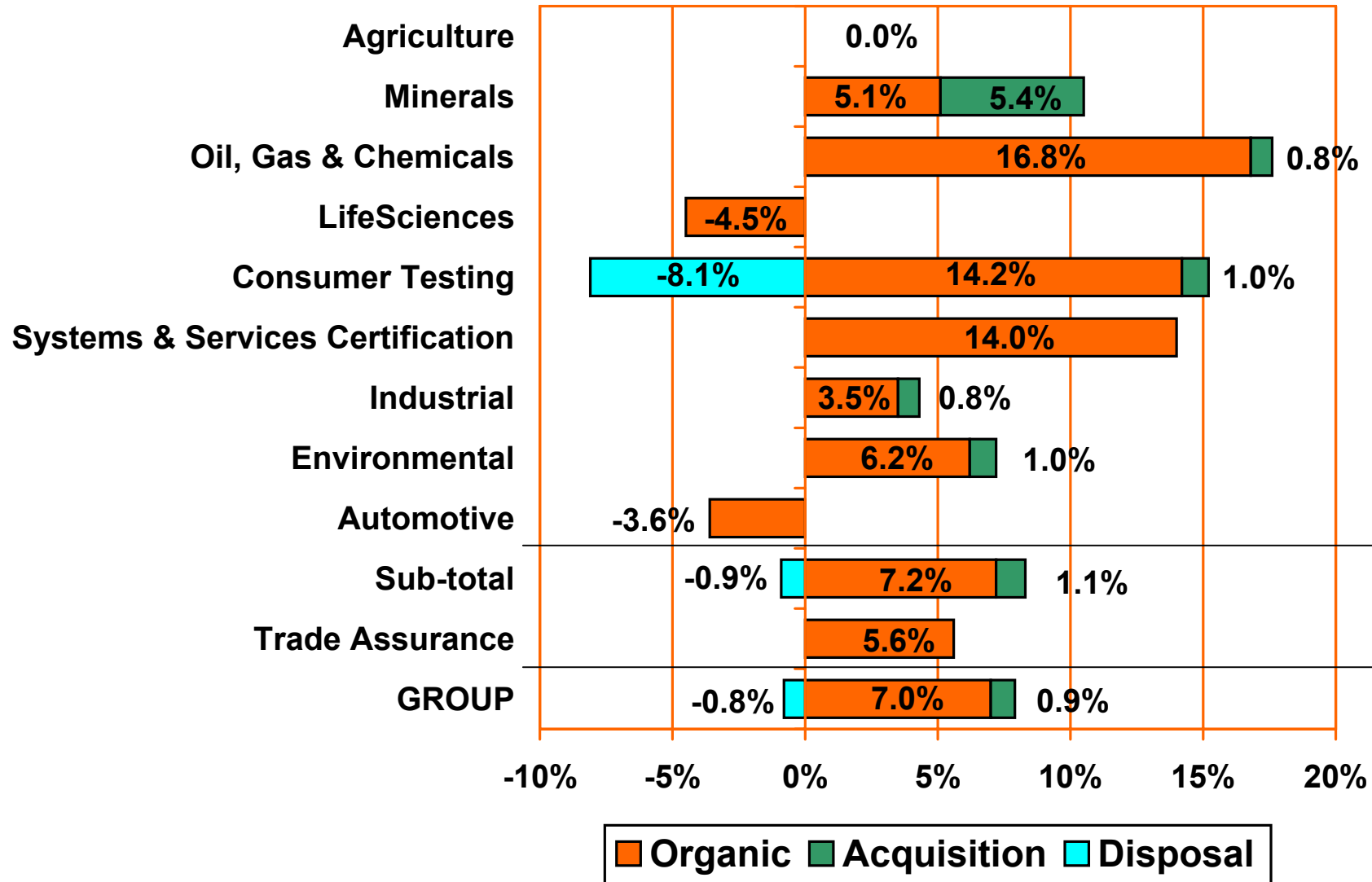
SGS

Revenue Growth Composition



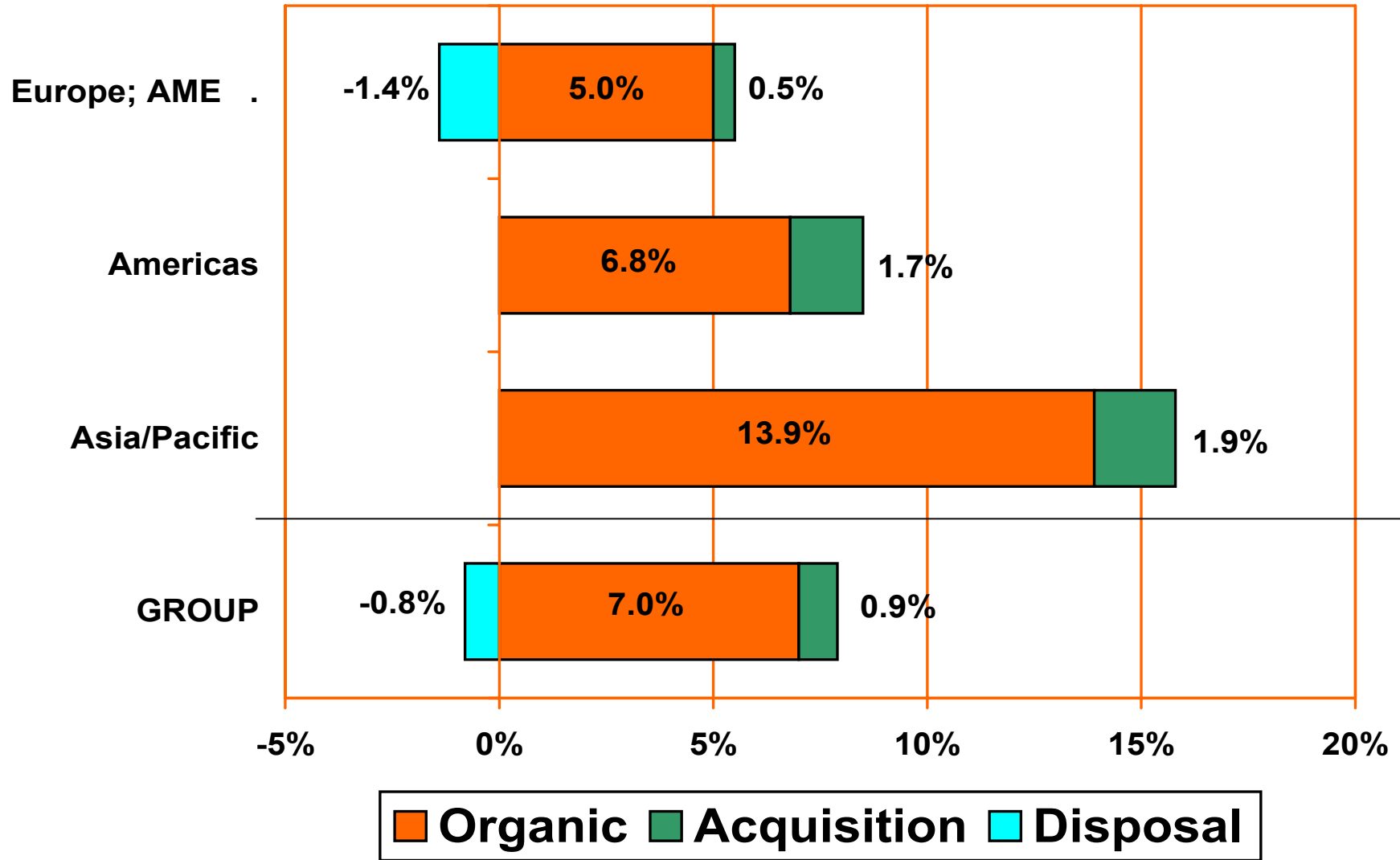


Local Currency Growth By Business





Local Currency Growth By Area



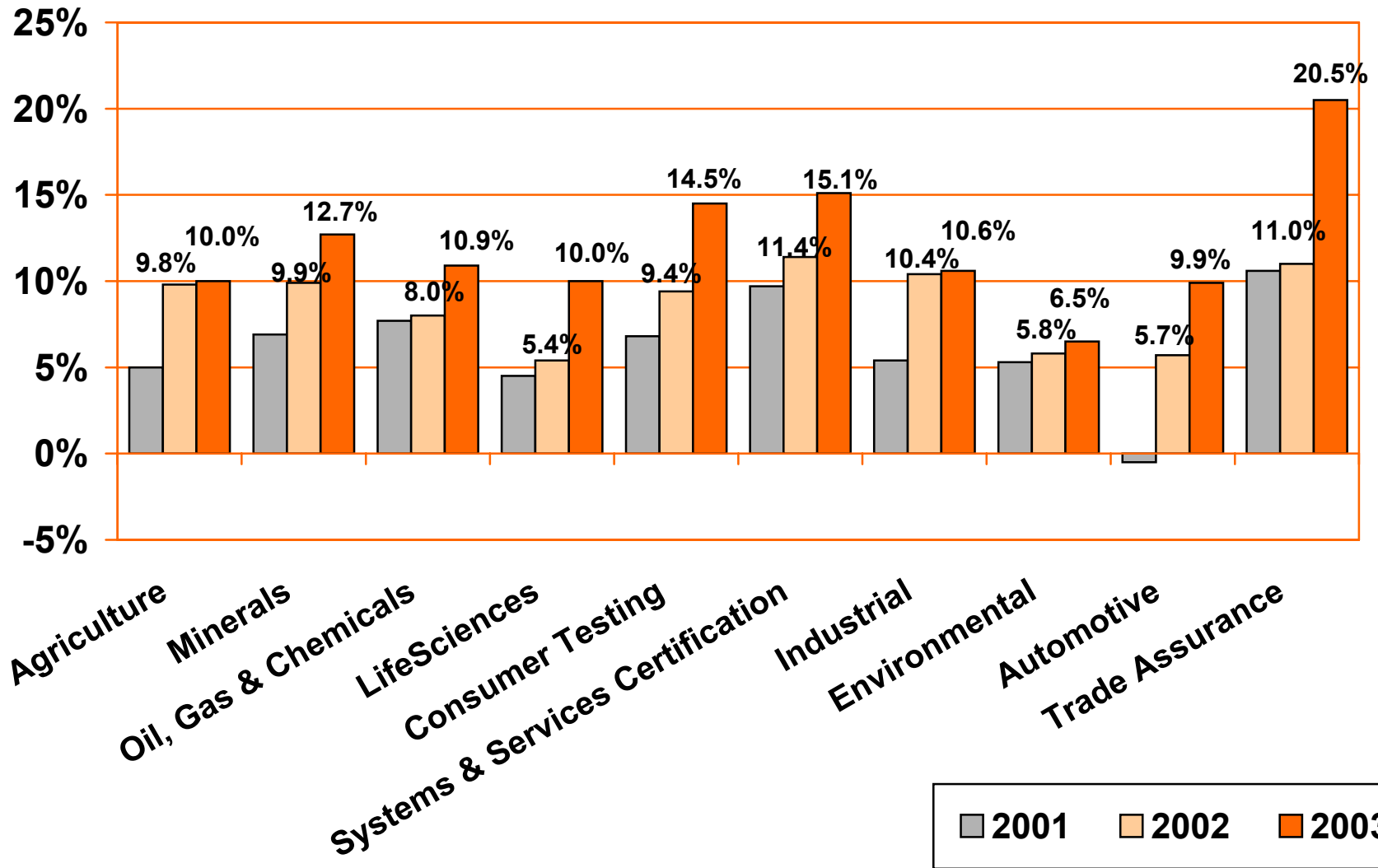
OPERATING INCOME ANALYSIS

WHEN YOU NEED TO BE SURE





Operating Margin By Business





Group Operating Income Reconciliation 2002 to 2003

	CHF Mios
Group Operating Income December 2002	216
Business Volume & Efficiency Gains	66
Reduction in Central Costs	26
Total Operational Improvements	92
Acquisitions	3
Disposals	1
Currency Translation Effect	(12)
Group Operating Income December 2003	300

**Improvement of
CHF 84 Million**



Exceptional Items

CHF million

	2002	2003
TAS Terminated Contracts	25	3
Reorganisation Costs	-105	0
Total Exceptional Items	-80	3
Tax thereon	30	0
Exceptional Items after tax	-50	3

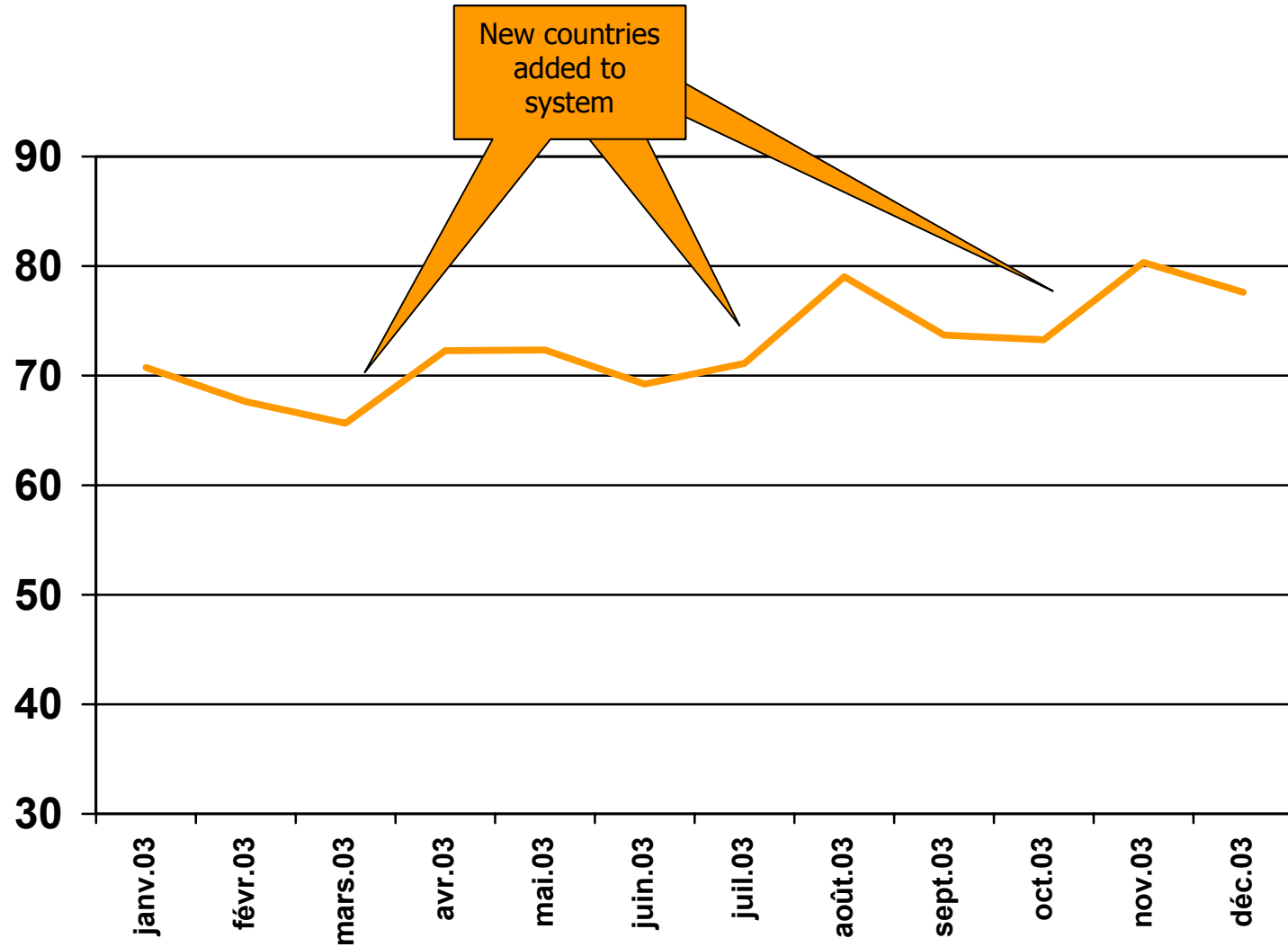
- Timing and success rate of collection activities is hard to predict

Group Cash Flow Statement

CHF million	31.12.02	31.12.03
EBIT	127	293
Adjustment for non cash items	92	103
(Increase) / Decrease in net working capital	0	-36
Changes in other provisions	57	4
Taxes	-25	-39
Cash from operations	251	325
Net sale / (purchase) of fixed assets	-111	-146
Other	-19	-11
Free Cash Flow	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
(Decrease) / Increase in net cash	-44	91

Increase due to implementation of new business software (delayed billing by 30 day)

DSO in countries with new business software





Foreign Currency Impacts on Translation

Impact on Revenues in CHF millions

	If exchange rate to CHF was:		
	1.40	1.50	1.60
EURO Avg Rate 2003 1.52	(70)	(10)	45
	1.10	1.25	1.40
USD (and pegs) Avg Rate 2003 1.34	(125)	(50)	25

Impact on Net Income in CHF millions

	If exchange rate to CHF was:		
	1.40	1.50	1.60
EURO Avg Rate 2003 1.52	(10)	(2)	7
	1.10	1.25	1.40
USD (and pegs) Avg Rate 2003 1.34	(20)	(8)	7

USD Reporting and Pegs

- Eastern Europe
- Russia
- Gulf Region
- Malay Peninsula
- China, Taiwan
- Hong Kong
- Southern America

SECOND HALF 2003

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SGS



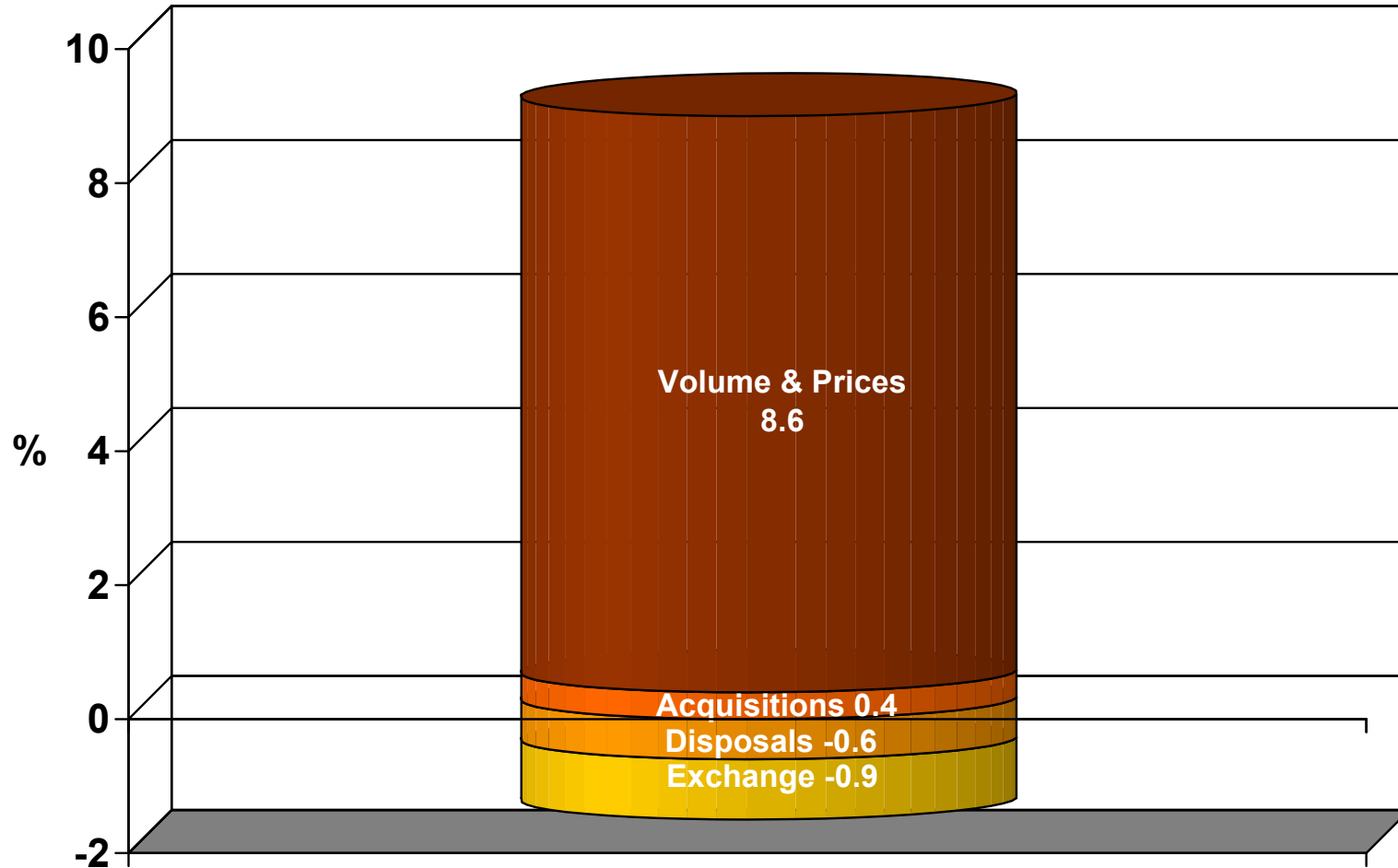
Financial Highlights – Second Half

CHF million

	H2 2002	H2 2003	Change YoY
Revenue - historical rates	1'191	1'280	7.5%
- constant rates	1'181	1'280	8.4%
EBITDA	166	212	28%
<i>EBITDA Margin</i>	13.9%	16.6%	
Operating Income Group	119	163	37%
<i>Operating Margin Group</i>	10.0%	12.7%	
Net Income before exceptionals	91	124	36%
Exceptionals after tax	-48	3	
Net income after exceptionals	43	127	195%
CHF Earnings / Share bef. exceptionals	11.77	16.18	37%
CHF Earnings / Share aft. exceptionals	5.58	16.57	197%

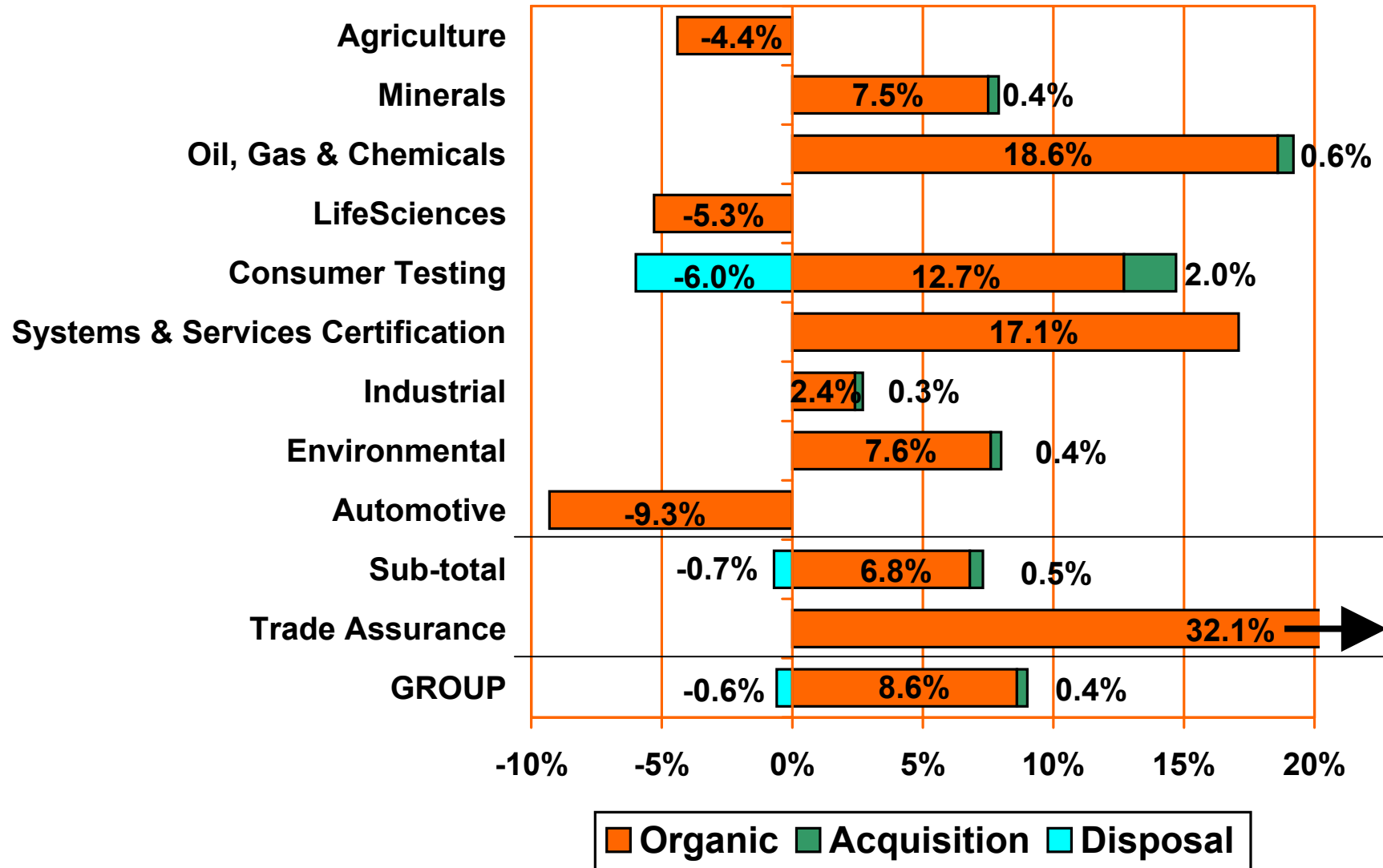


Revenue Growth Composition Second Half



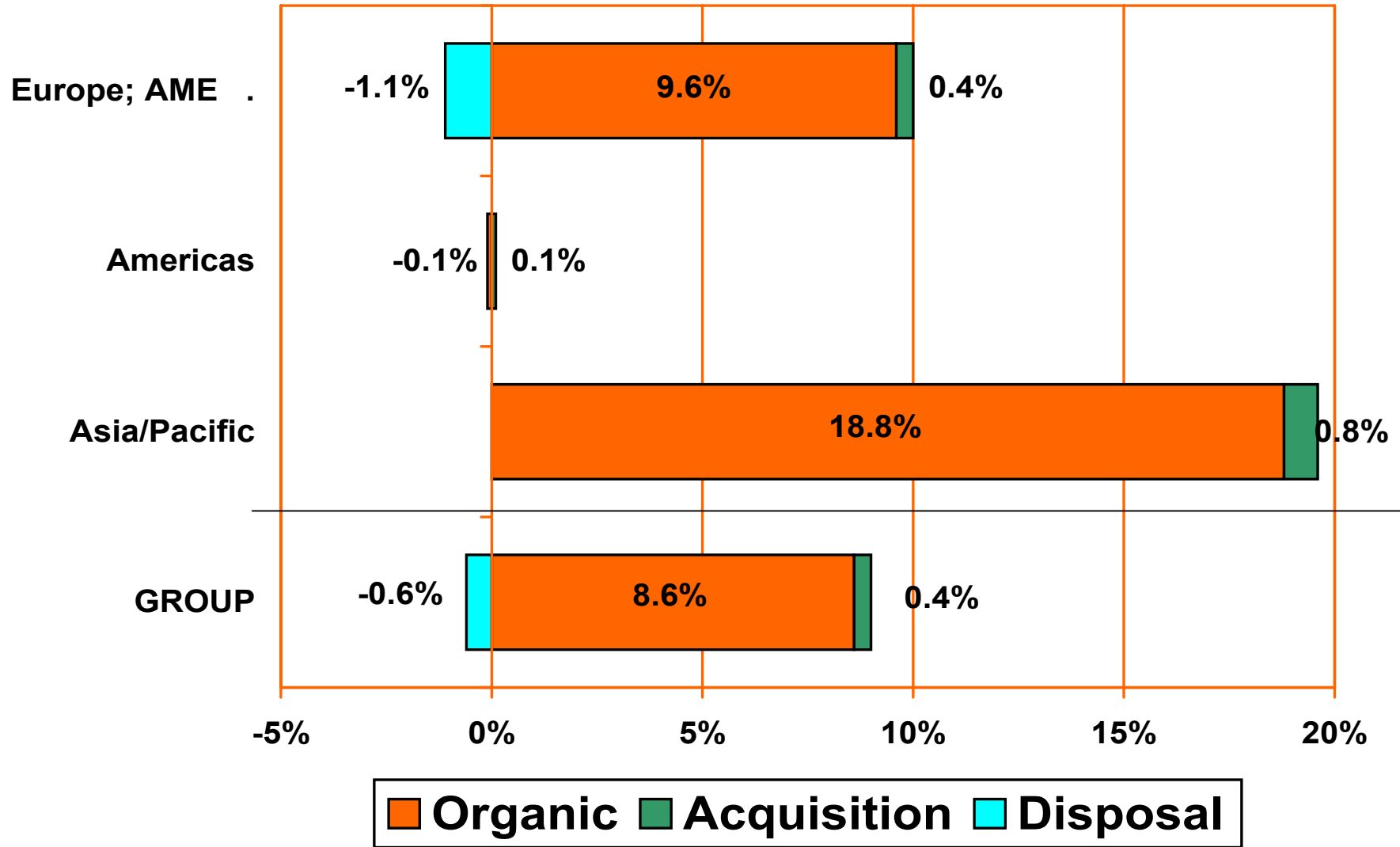


Local Currency Growth By Business Second Half



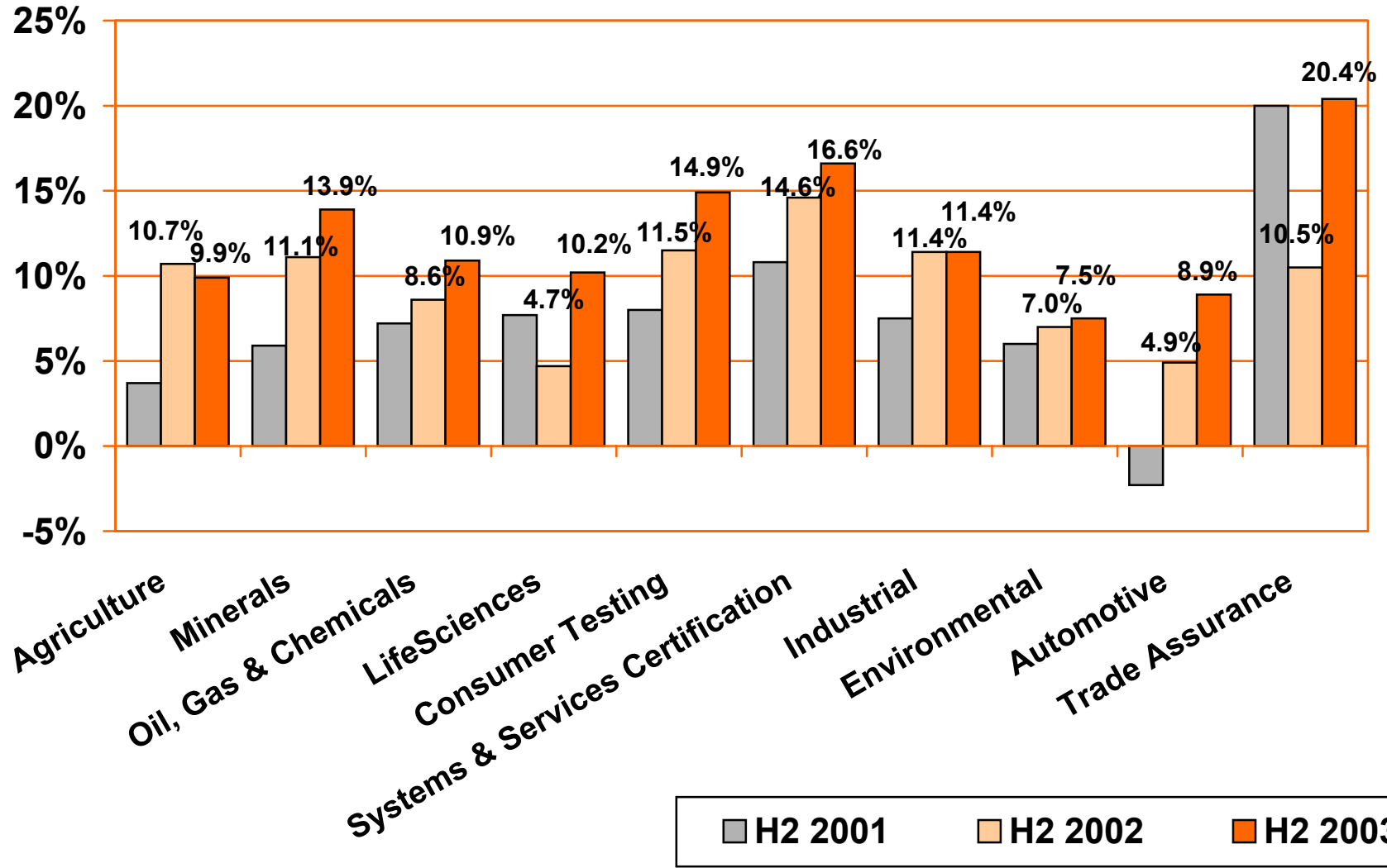


Local Currency Growth By Area Second Half





Operating Margin By Business Second Half



HEADCOUNT

WHEN YOU NEED TO BE SURE





Headcount Reconciliation Dec '02 to Dec '03

Changes in End of Period Headcount

	Dec 31, 2002	Dec 31, 2003	Change
Group Headcount	32'008	33'006	998
Organic Business Growth			1643
Acquisitions			57
Disposals			(212)
Restructuring			(490)*
Increase in Group Headcount			998

See next chart for breakdown

* Charged in 2002, left in 2003



Analysis of Organic Headcount Increase

	Headcount Increase	As %	% Revenue Growth
Asia Pacific	815	10.0%	13.9%
Americas	97	0.1%	6.8%
Europe, Africa, Middle East	731	4.6%	5.0%
Organic Increase in Headcount	1'643	5.2%	7.0%

BUSINESS OVERVIEW

WHEN YOU NEED TO BE SURE



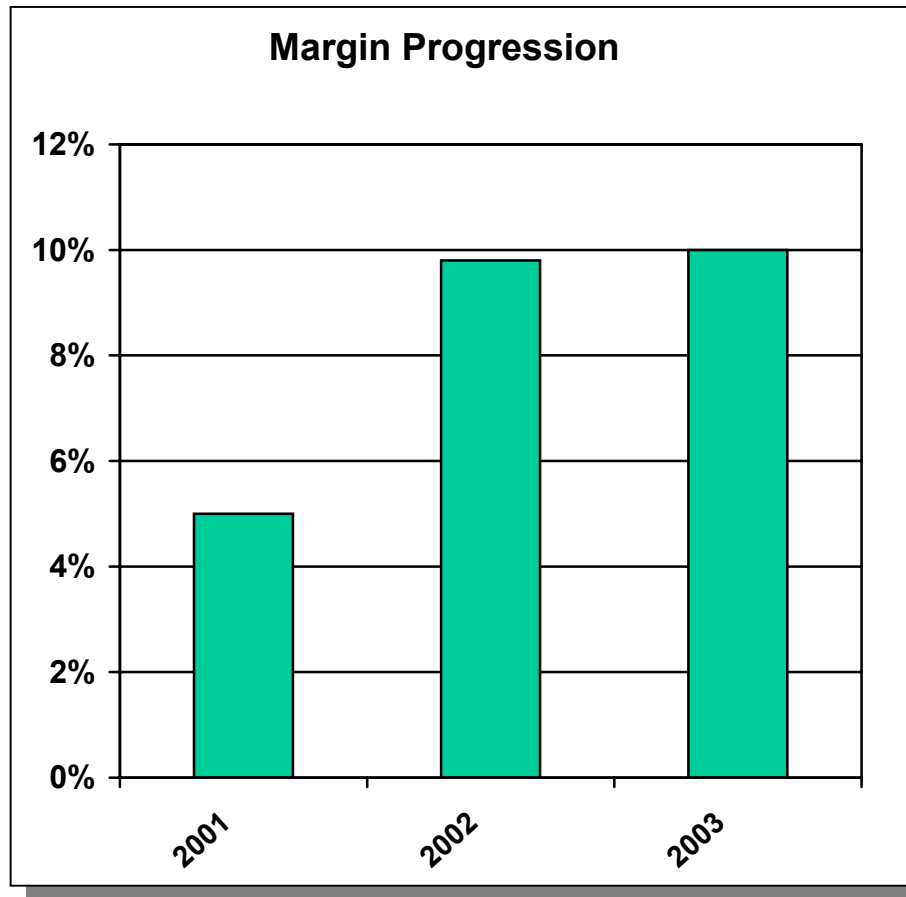


AGRICULTURAL SERVICES

CHF million	2002	2003
Sales	250.4	241.8
Change in %		-3.4%
Change due to		
<i>Volumes & Prices</i>		0.0
<i>Currency Translation</i>		(8.6)
<i>Acquisitions/(Disposal)</i>		0.0
Op. Income	24.6	24.3
Margin	9.8%	10.0%

■ 2003

- Due to drought and adverse climate conditions, grain crop is 20-50% below normal with negative impact on export surpluses (Eastern Europe, Australia, US)
- Asian region: good development of rice business and new maize business between China and Korea, offsetting the non-repetition of last year's high level of rice export from India.
- Growth in new products and geographies delivering benefits:
 - GMO traceability, particularly Brazil
 - Collateral Management
 - Gauranteed Business Solutions



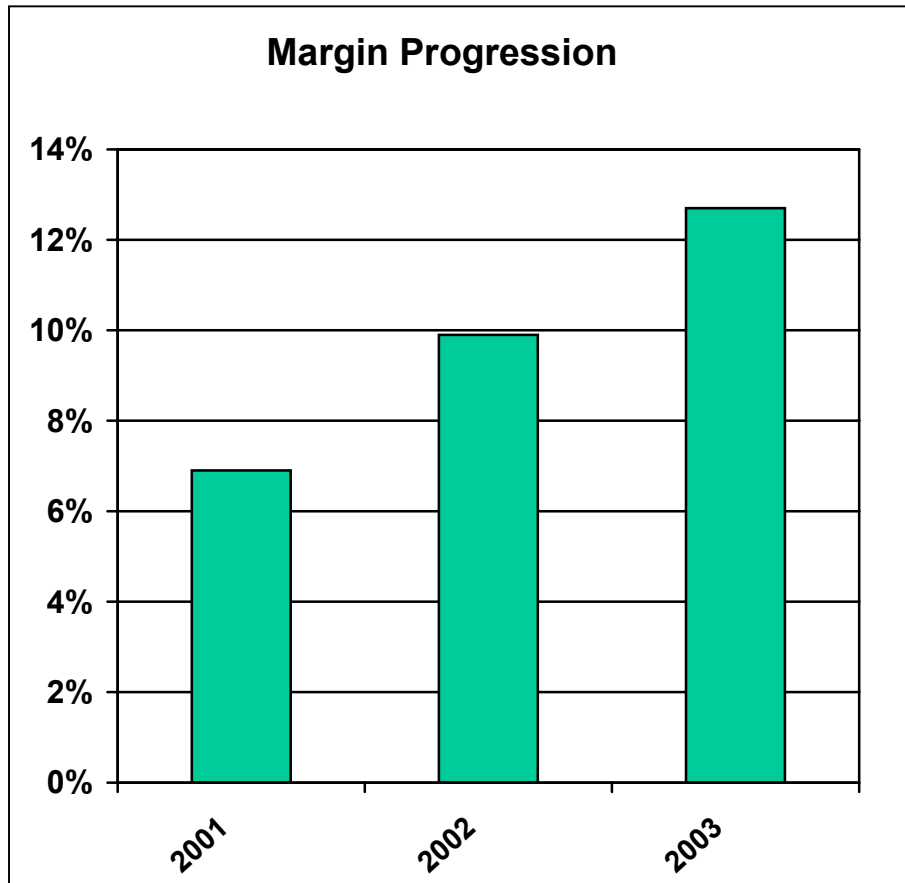
■ Outlook

- Continuing efforts in expansion of services
 - Guaranteed Business Solutions (Quantity and Quality)
 - Collateral management
 - Fumigation
 - Inland Grading
- e-documents platform will strengthen choice of SGS by financial institutions
- NAFTA region targeted for significant growth in 2004 and 2005
- Markets expected to be soft in H1 2004 due to H2 2003 crop results

CHF million	2002	2003
Sales	268.4	279.9
Change in %		4.3%
Change due to		
<i>Volumes & Prices</i>		13.0
<i>Currency Translation</i>		(15.1)
<i>Acquisitions/(Disposal)</i>		13.6
Op. Income	26.7	35.5
Margin	9.9%	12.7%

■ 2003

- Expansion of geochem exploration activity has positively impacted laboratory volumes.
- Coal showed signs of recovers due to a marginal price increase and uncertainty in the energy sector. Increased inspections globally but especially in India, China, Russia, and the Netherlands.
- Non-ferrous metals remain flat, although SGS market share increased especially in Asia (India, China, Taiwan) and the FSU (Russia and Ukraine).



■ Outlook

- Precious metals, especially gold, to drive geochem laboratories utilization
- Continued efficiency gains from lab automation
- Steel industry consolidation will continue in a weak market place and growth will be in Eastern Europe
- Coal markets expected flat

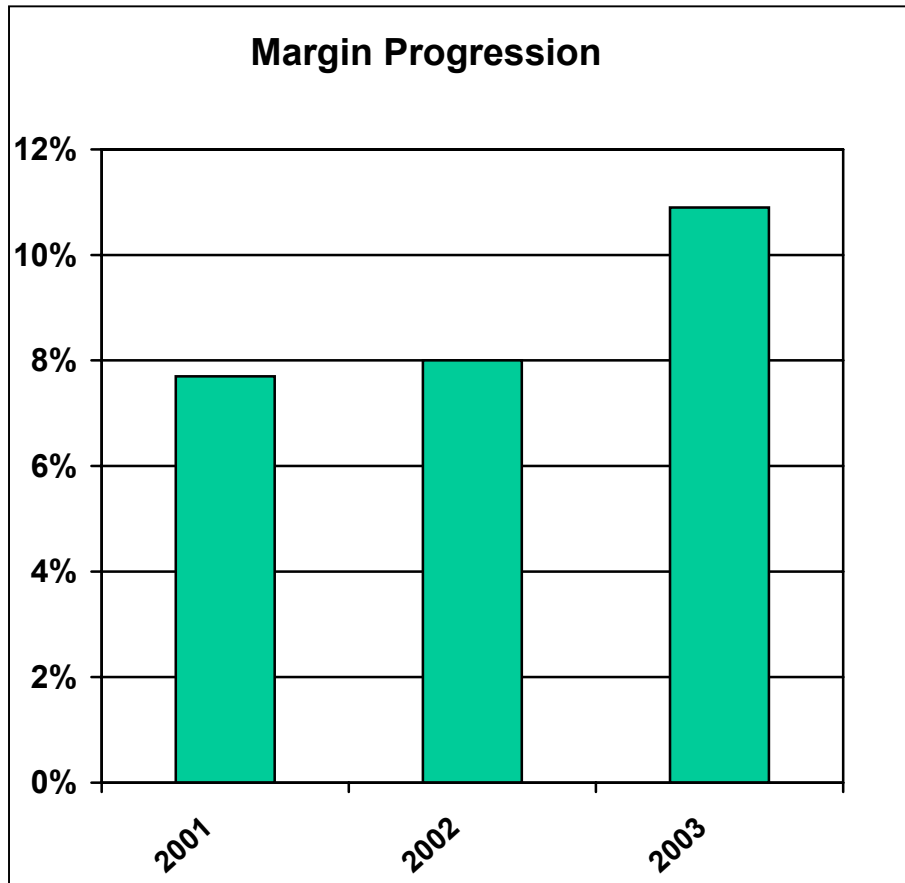


OIL, GAS & CHEMICALS SERVICES

CHF million	2002	2003
Sales	398.7	439.1
Change in %		10.1%
Change due to		
<i>Volumes & Prices</i>		62.8
<i>Currency Translation</i>		(25.2)
<i>Acquisitions/(Disposal)</i>		2.8
Op. Income	32.0	47.9
Margin	8.0%	10.9%

■ 2003

- Growth remains strong, especially in North America and Europe with improvements coming from South America and East Asia; some signs of slow down in Africa Middle East and South Asia Pacific.
- Sizeable outsourcing contract wins in UK, Netherlands, Germany and elsewhere.
- East Europe beginning to show top line growth in Q3
- Strategic laboratory developments in China now moving from commissioning to revenue stage.



■ Outlook

- New petrochemical capacity in Mid East and Asia will drive volumes.
- Russia and Caspian export growth will continue, with key marketing efforts underway in Eastern Europe
- Expansion of service portfolio in South America into gas station monitoring.

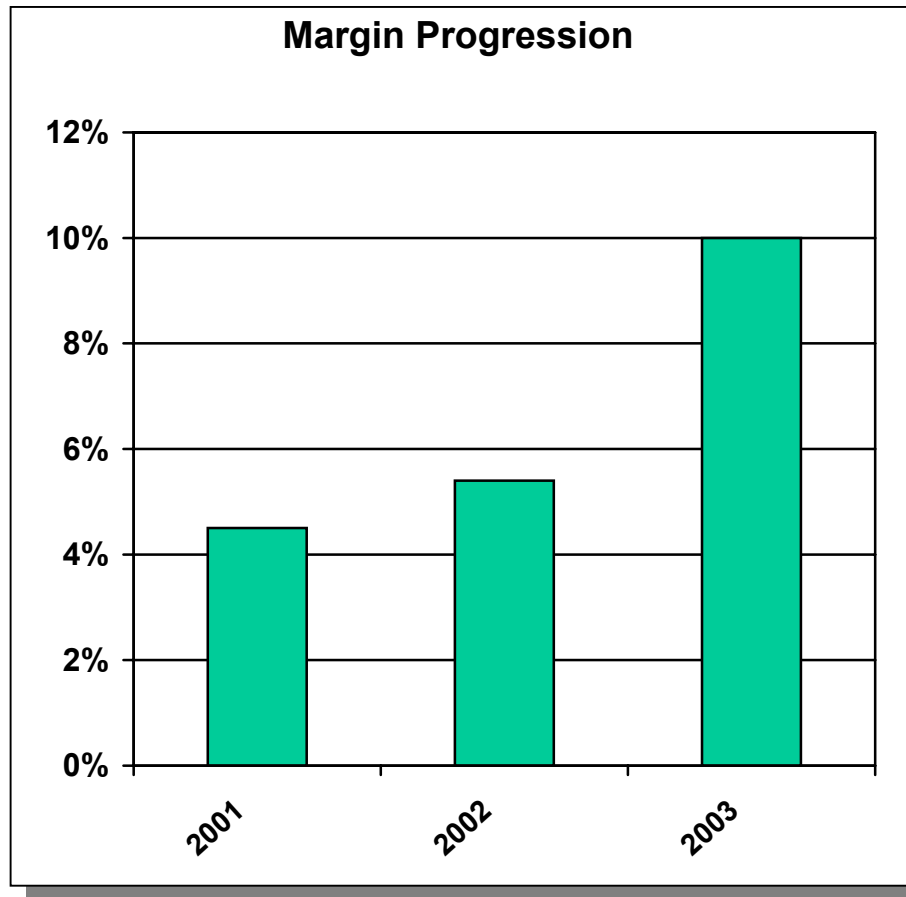


LIFE SCIENCES SERVICES

CHF million	2002	2003
Sales	61.6	59.1
Change in %		-4.1%
Change due to		
<i>Volumes & Prices</i>		(2.8)
<i>Currency Translation</i>		0.3
<i>Acquisitions/(Disposal)</i>		0.0
Op. Income	3.3	5.9
Margin	5.4%	10.0%

■ 2003

- Business Leadership now in place
- Overall, sales behind last year but with margins holding up well
- Continued strong performance in Quality Control Testing revenues for the French and Canadian operations with good margins particularly in Canada
- Spanish and German results continue to be weak due to insufficient commercial activities



■ Outlook

- Business size under critical in its present shape
- Acquisition of Medisearch first step in implementation of strategy
- Strategic growth options and initiatives evaluated and will be outlined separately



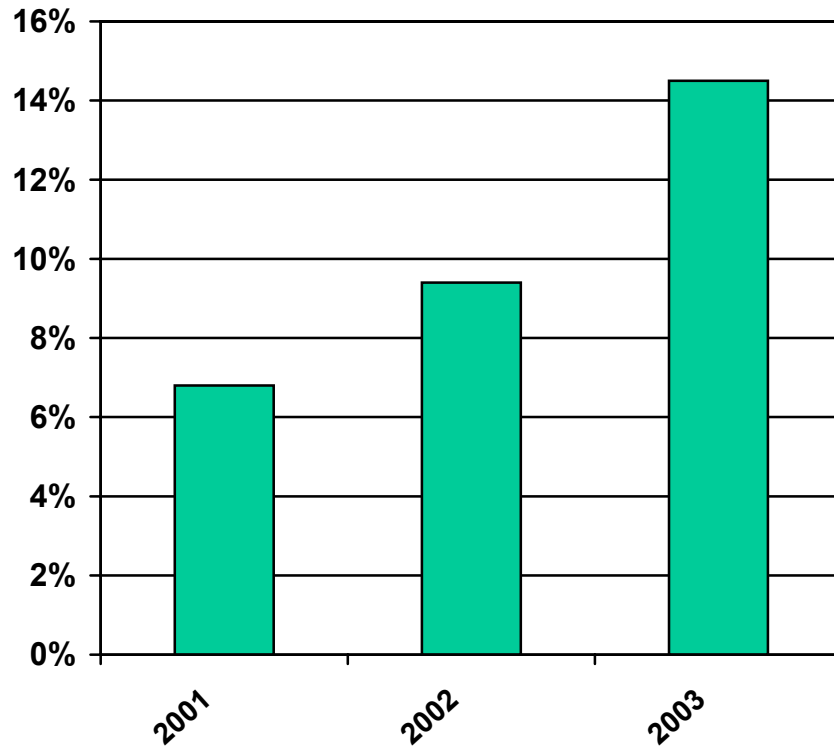
CONSUMER TESTING SERVICES

CHF million	2002	2003
Sales	268.4	272.3
Change in %		1.5%
Change due to		
<i>Volumes & Prices</i>		33.6
<i>Currency Translation</i>		(13.1)
<i>Acquisitions/(Disposal)</i>		(16.6)
Op. Income	25.1	39.4
Margin	9.4%	14.5%

■ 2003

- Good progress in main selling markets: Germany, US and Japan.
- Secured several big contracts including Otto (Germany), Kohls (US) and Aeon (Japan).
- Testing now ~65% of turnover
- Global leadership in inspection maintained.
- Distribution of services has improved
 - Softline and Food are still the biggest (27% each)
 - Hardline and E&E increasing to 25% & 20% respectively.

Margin Progression



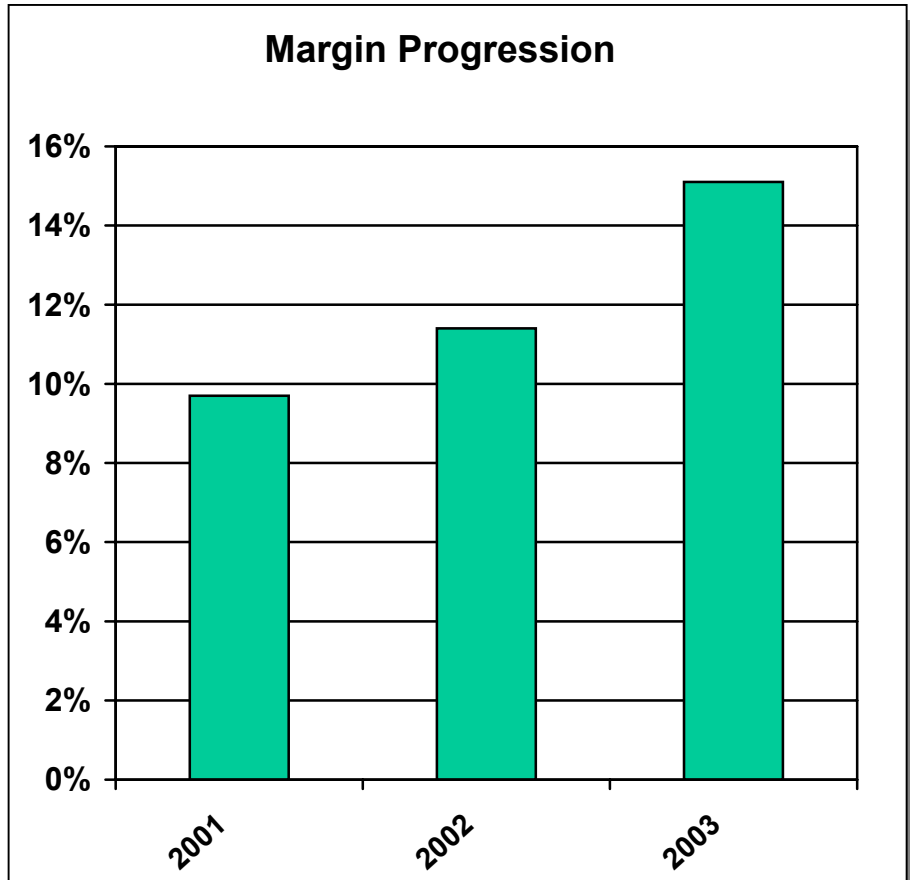
■ Outlook

- Emphasis is on hard, soft lines and E&E
- aggressive sales efforts in the USA and key countries in Europe and Asia under Business management (not local)
- E&E
 - heavy investment in lab infrastructure in Far East to continue
 - significant volume growth expected out of high end electronics and communications
- Food
 - re-focus of business on supplier audits and food chain custody

CHF million	2002	2003
Sales	212.7	229.7
Change in %		8.0%
Change due to		
<i>Volumes & Prices</i>		28.2
<i>Currency Translation</i>		(11.2)
<i>Acquisitions/(Disposal)</i>		0.0
Op. Income	24.2	34.7
Margin	11.4%	15.1%

■ 2003

- In Europe, Spain and Italy delivered above average growth.
- Asia (especially China) performing particularly well
- Transition to the ISO 9000: 2000 standard (requirement to be certified to new version by year end) increased demand for audit days.
- ISO 14001 (environment) and OHSAS 18001 (Health and Safety) both growing strongly



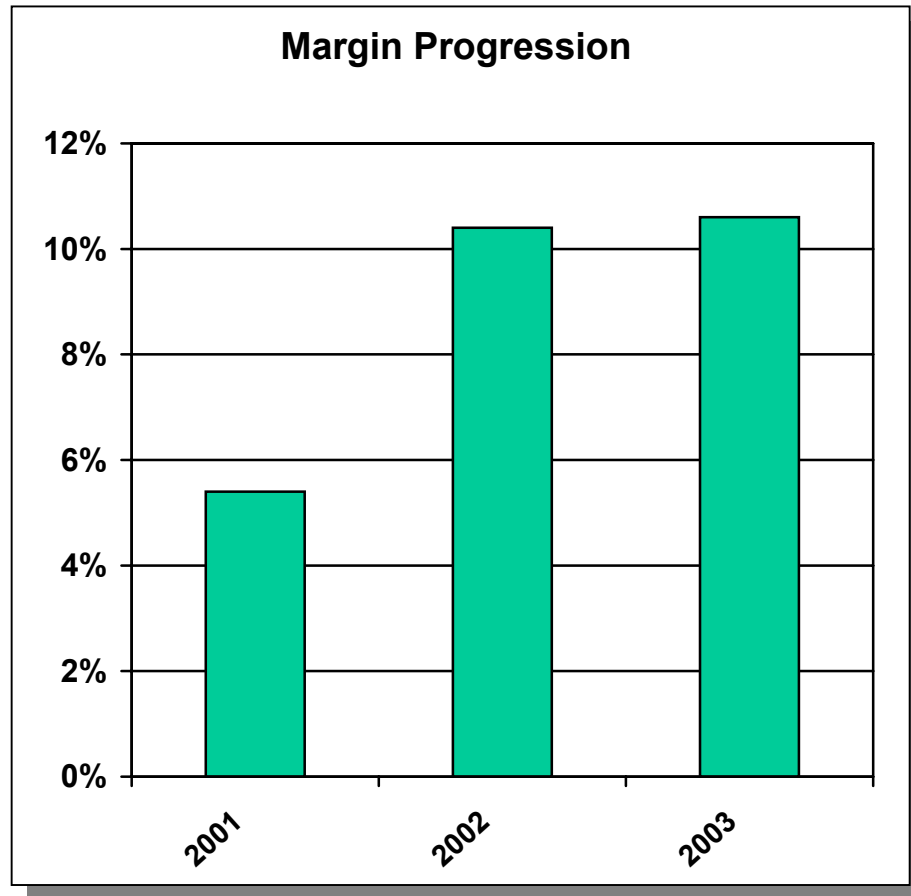
■ Outlook

- Growth in integrated audits (quality, environment, safety) expected for key accounts in Europe and North America
- Automotive sector certification
 - new global standard introduced
 - Global training effort of auditors underway
- Increasing demand for supplier assessments
- Product differentiation strategy for price-competitive ISO 9000 standard launched and to be fully implemented in 2004
- Productivity push on auditor utilization

■ 2003

CHF million	2002	2003
Sales	320.6	330.1
Change in %		3.0%
Change due to		
<i>Volumes & Prices</i>		11.0
<i>Currency Translation</i>		(3.9)
<i>Acquisitions/(Disposal)</i>		2.4
Op. Income	33.5	34.9
Margin	10.4%	10.6%

- Spain (a major industrial market for SGS) continued to deliver strong revenue growth
- Offset by the non-recurrence of the dispute resolution work in Mexico and project delays in Saudi Arabia.
- Continued improvements in profitability most notably Italy, Iran, Taiwan, Korea and France but significant shortfalls in Mexico (volume) and UK (restructuring costs).
- Contract wins for inspection services on new LNG plant projects in Africa and Europe
- China delivering revenue growth of +90% with new construction lab on line in October to drive growth



■ Outlook

- Most difficult strategic area for group
- Push of services into Oil, Gas and Petrochemical and Power sectors
 - focus on areas with large investments in complexes and offshore
- Leverage network presence
 - project support combining inspection, testing, technical staffing and assessment (standard compliance, vendor surveillance and audit)
- Statutory Inspection and Certification
 - Emphasis on efficiency
 - focus on gas and construction
- Expansion in China
 - Port / shipbuilding yards

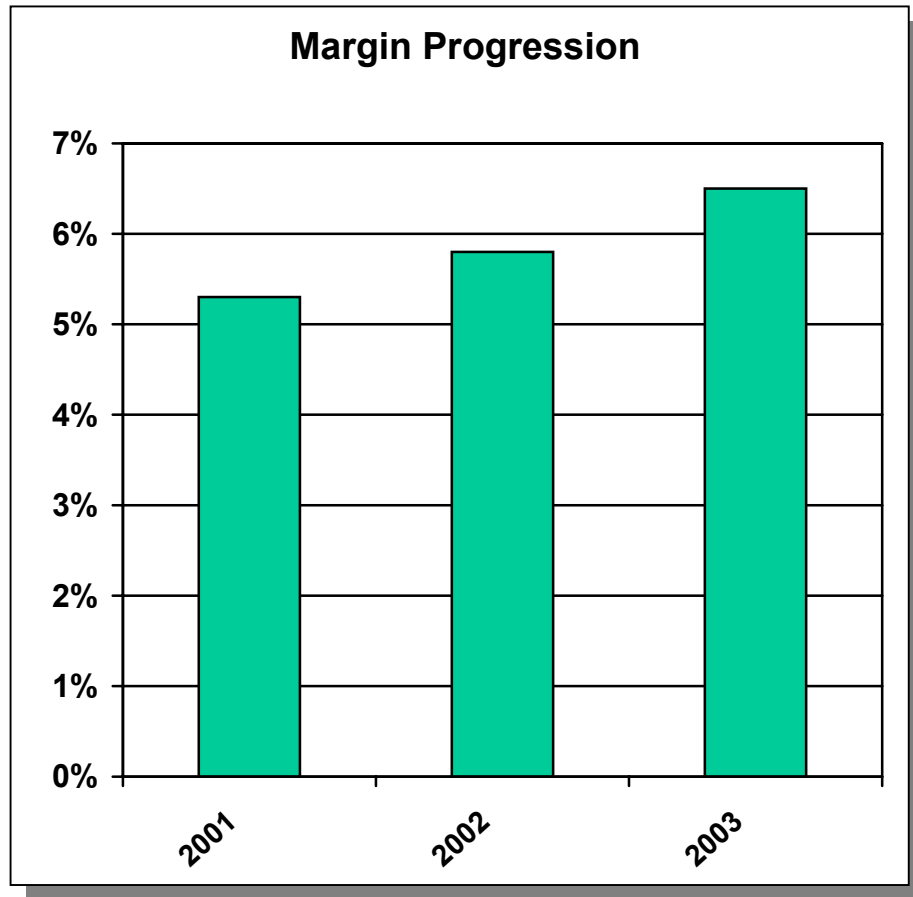


ENVIRONMENTAL SERVICES

CHF million	2002	2003
Sales	162.6	172.0
Change in %		5.8%
Change due to		
<i>Volumes & Prices</i>		10.0
<i>Currency Translation</i>		(2.3)
<i>Acquisitions/(Disposal)</i>		1.7
Op. Income	9.5	11.2
Margin	5.8%	6.5%

■ 2003

- Strong double digit revenue growth in most markets
- Offset by declines in the largest two markets, USA and Belgium
- Good earnings growth continues to be driven by Spain, Australia and Finland
- Operational issues in the USA, Benelux and Germany have required restructuring; benefits in 2004



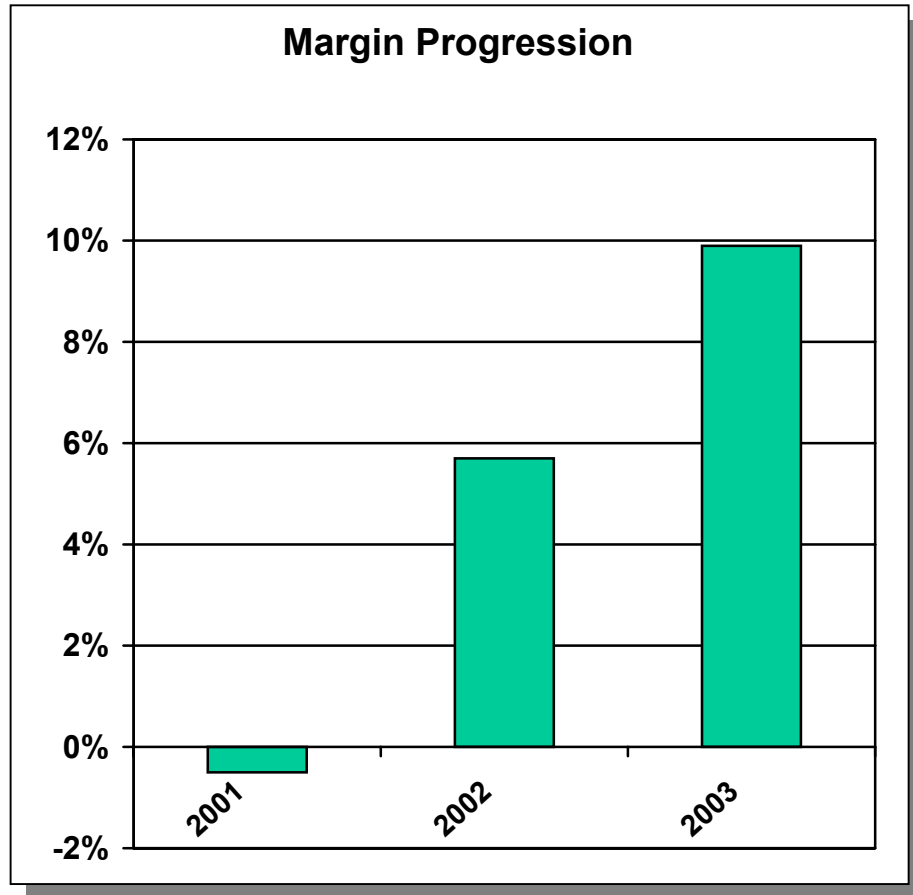
■ Outlook

- Plans in place for USA (refocus), new leadership in Germany and completion of lab restructuring in Benelux should correct profit issues.
- Strong pipeline of lab outsourcing and new products continues to be developed in Europe, North America and Australasia.
- Focus
 - indoor environmental quality product
 - improved efficiency in key operations

CHF million	2002	2003
Sales	238.9	211.0
Change in %		-11.7%
Change due to		
<i>Volumes & Prices</i>		(7.9)
<i>Currency Translation</i>		(20.0)
<i>Acquisitions/(Disposal)</i>		0.0
Op. Income	13.7	20.8
Margin	5.7%	9.9%

■ 2003

- Ireland continued its strong revenue and profit performance - operational improvements continue unabated
- US new car market is depressed. Volumes also suffered from the early return of leased cars last year causing a reduction in cars coming off-lease in 2nd half of the year
- Statutory inspection schemes in Argentina, Uruguay and Cote d'Ivoire all delivered improved revenues and margins



■ Outlook

- Contract won for emission testing data management for Upstate New York, operational from late 2004 with revenues of CHF 70 million over 7 years
- Contract awarded for the state of Virginia (CHF 2 million over 3 years)
- Short listed for state of California
- Contract with e-Bay to provide vehicle inspection for on-line auctions
- New EVP in place to drive growth
 - Aggressively pursuing vehicle inspection opportunities as various governments deregulate the market
 - Transfer of NA know-how (new car and off lease inspections) to Europe and Far East

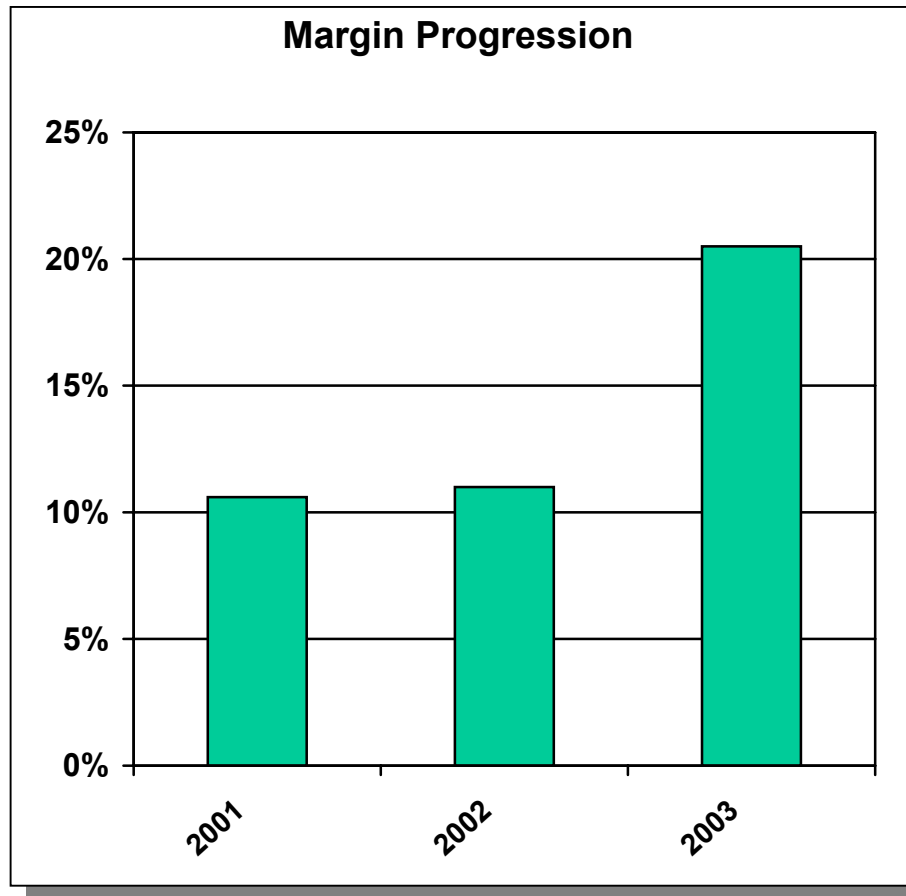


TRADE ASSURANCE SERVICES

CHF million	2002	2003
Sales	209.7	219.5
Change in %		4.7%
Change due to		
<i>Volumes & Prices</i>		11.5
<i>Currency Translation</i>		(1.7)
<i>Acquisitions/(Disposal)</i>		0.0
Op. Income	23.0	45.1
Margin	11.0%	20.5%

■ 2003

- New PSI contract with Venezuela, Haiti and Madagascar
- Burundi and Cambodia PSI contracts were extended.
- Indonesia textile and Mexico ValuNet contracts were also obtained
- Volumes up, especially in African contracts
- Non PSI revenues increased mainly due to the TradeNet start-up in Ghana and new contracts in Cameroon (Civio) and Forestry (Congo).



■ Outlook

- Opportunities exist for new PSI contracts (commodity specific)
- Vigorous marketing for new services:
 - ValuNet
 - Forestry
- Efforts continue in collections but timing unknown

VISION

WHEN YOU NEED TO BE SURE

SGS



A new vision for SGS

We aim to be the most competitive and the most productive service organization in the world.

Our core competences in testing, inspection, verification and certification are being continuously improved to be best-in-class.

They are at the heart of what we are.

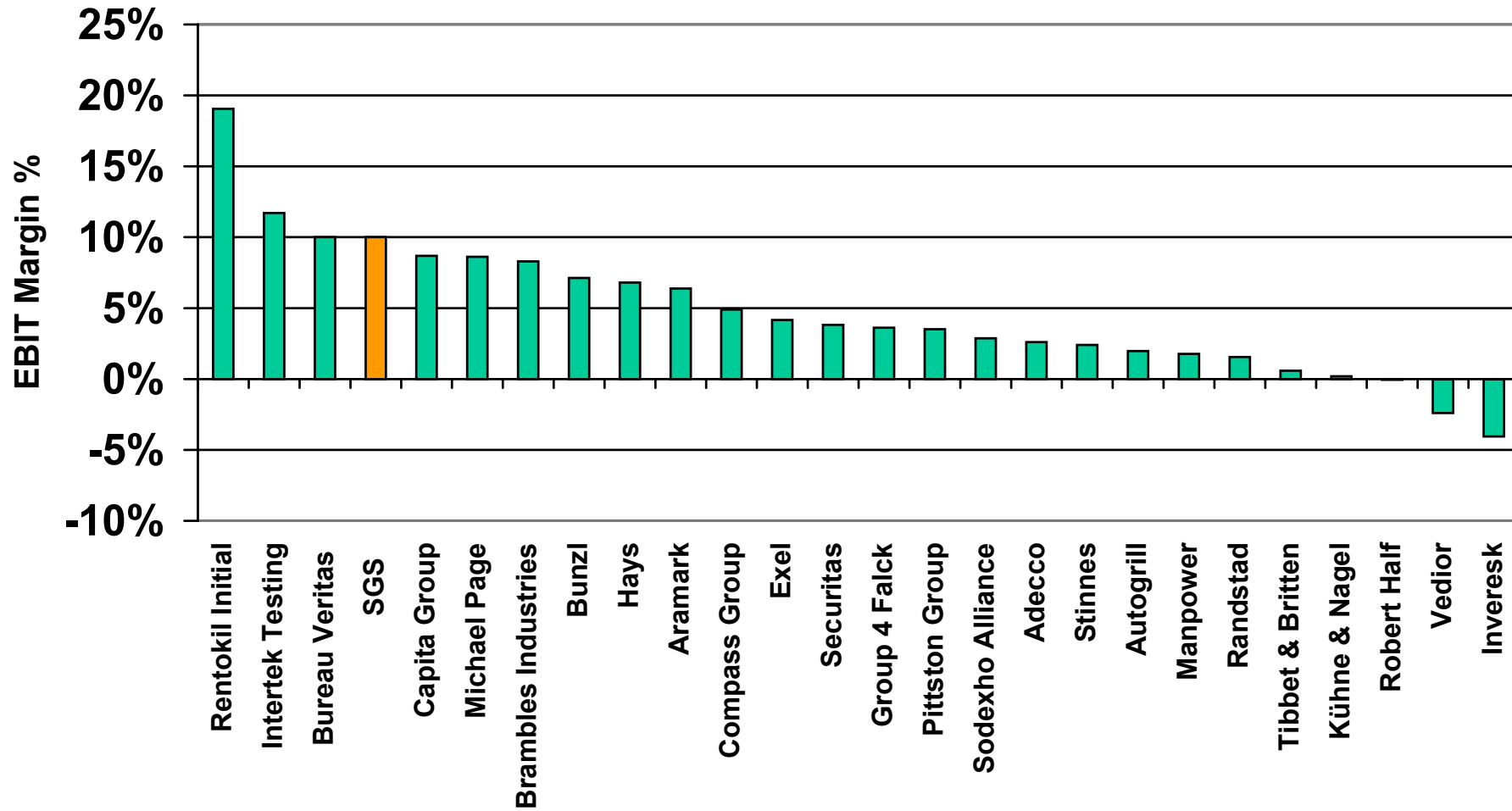
Our chosen markets will be solely determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers, both locally and trans-nationally.

SERVICE COMPANY BENCHMARKS

WHEN YOU NEED TO BE SURE



By EBIT Margin

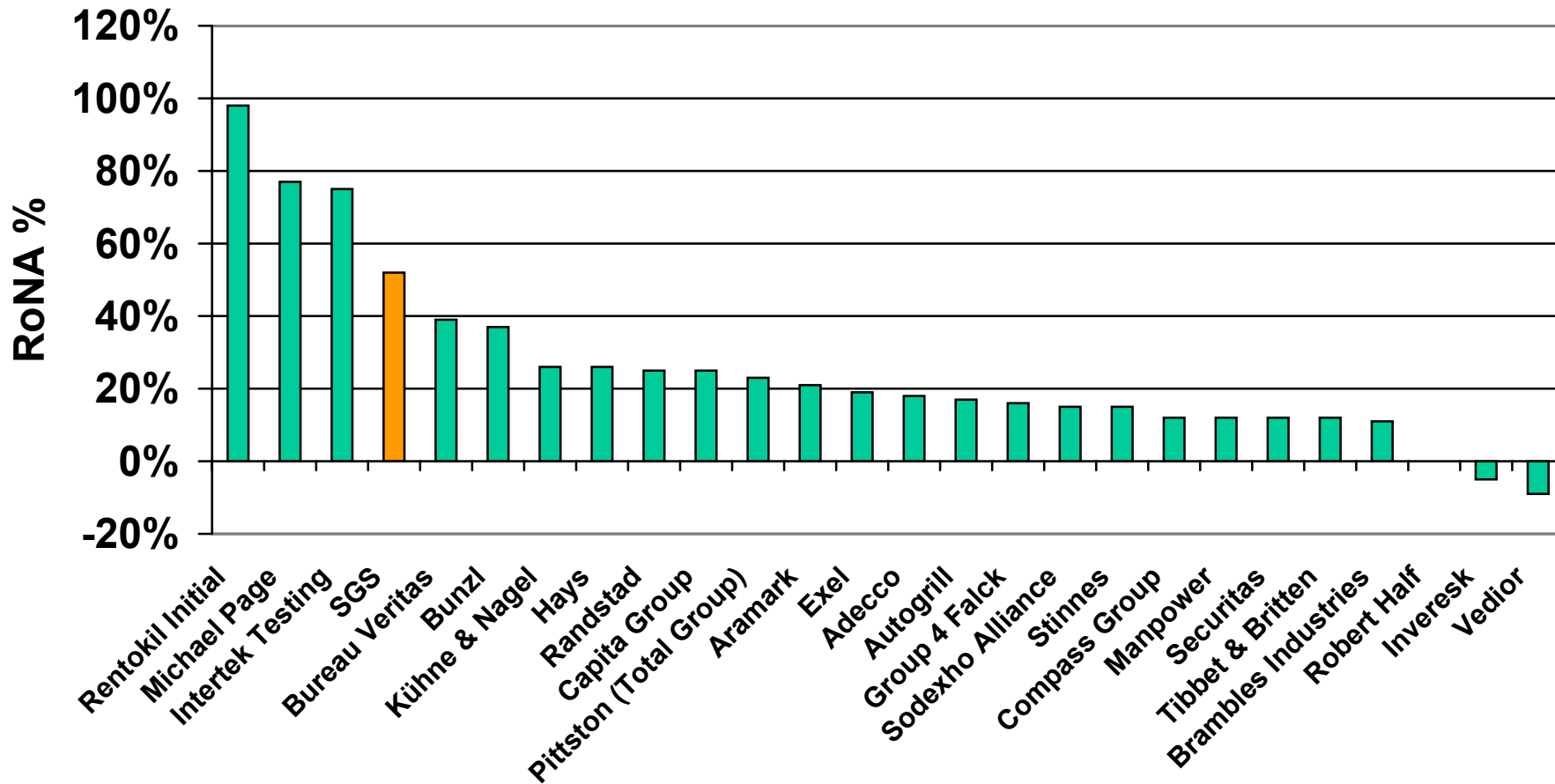


2002 published numbers



By Return on Net Operating Assets

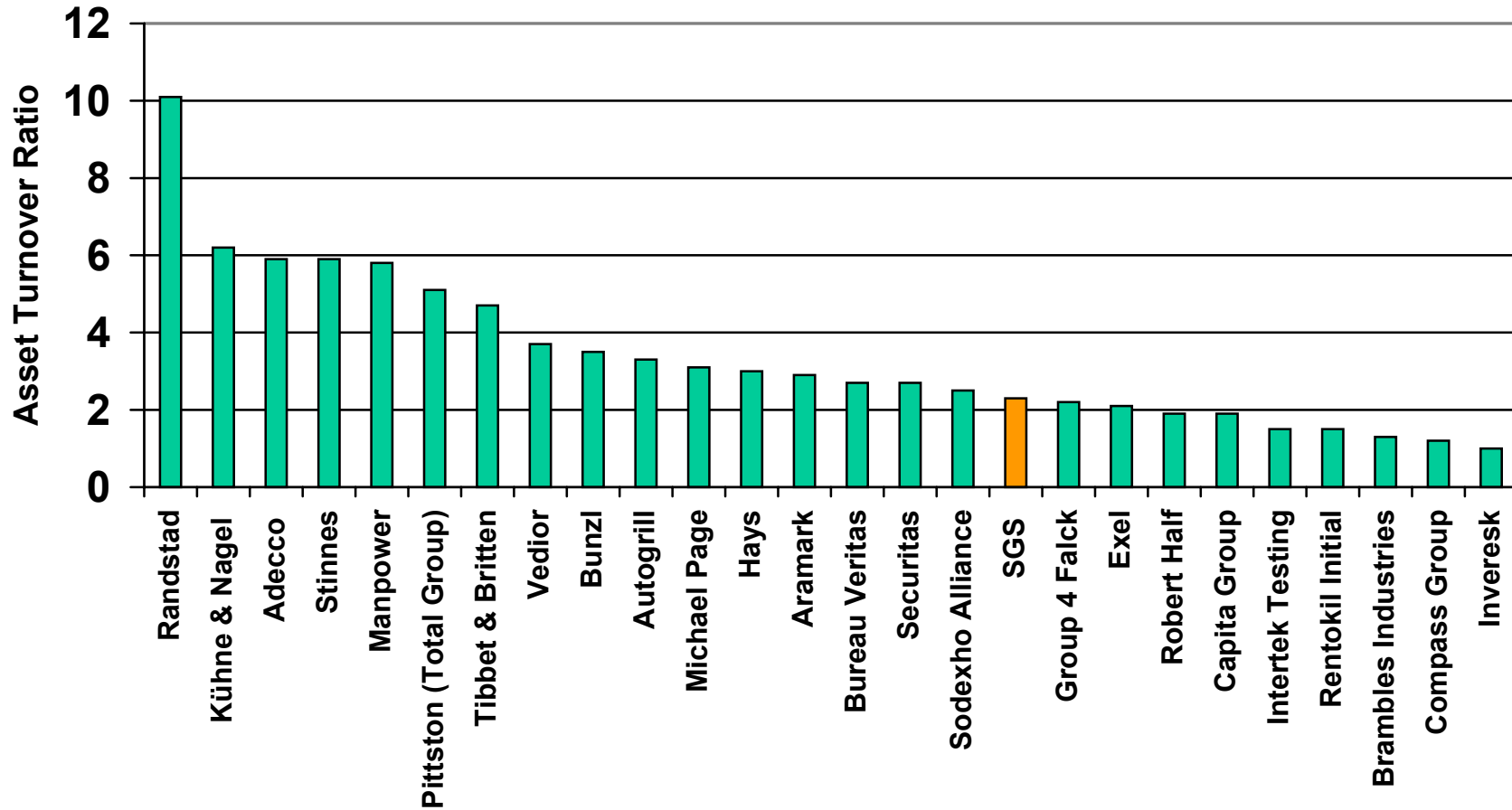
EBIT Vs Net Operating Assets



2002 published numbers

By Asset Turnover Ratio

Revenue divided by Total Assets



2002 published numbers

OUTLOOK

WHEN YOU NEED TO BE SURE



Certification, **T**esting, **I**nspection & **V**erification - **V**alue **A**dded

Equals

- Normalised Free Cash Flow

Minus

- Weighted Average Cost of Capital

X Average Invested Capital (AIC)

- **AIC = NoA + *implied goodwill***
 - ***Implied goodwill* ensures that CerTIVVA is measured against current expectation of Group value**



Group Outlook 2004

- Solid improvement over 2003 net income level expected as the Group drives towards the 2005 target of CHF 45 eps.
- Pick-up in acquisition activity
- Dollar future unclear but expectations are for a more balanced exchange rate in the medium term; impact is containable